

Kirkop Local Council

Report and Financial Statements
for the year ended 31 December 2015

Prepared by:


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Kalkara



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**Statement of Local Council Members' and Executive Secretary's Responsibilities
For the year ended 31 December 2015**

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed Annual Administrative Report which includes a statement of the Local Council's Profit or Loss and Other Comprehensive Income for the year and of the Council's Financial Position 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 accounting policies applicable to Local Councils, the Comprehensive Income of the Local Council for the year and its Financial Position as at the year end, and that they comply with the Local Councils Act, the Local Council (Financial) Regulations, and the Local Council (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 1993, Local Council (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on 27th April 2016 and signed on its behalf by:



Mr. Terence Agius
Mayor



Ms. Antonia Demicoli
Executive Secretary

Kunsill Lokali Mal Kirkop
3, Triq San Benedittu
Kirkop 1243

**Report of the Local Government Auditor to the Auditor General
For the year ended 31 December 2015****Report on the Financial Statements for the year ended 31 December 2015**

We were engaged to audit the accompanying financial statements of Kirkop Local Council, which comprise the Statement of Financial Position as at 31 December 2015, and the Statement of Profit or Loss and Other 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 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, as well as evaluating the overall presentation of the financial statements.

Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however we were not able to obtain sufficient appropriate audit evidence to provide a basis for our audit opinion.

Basis for disclaimer of opinion

The Council did not provide us with any workings for accrued income amounting to €15,231 and deferred income amounting to €1,080,316. Thus we were not able to test the accuracy, existence, valuation and completeness of these amounts.

The Council did not provide us with any workings for the depreciation charge for the year of €88,785. Thus we were not able to test the accuracy, existence, valuation and completeness of such an amount.

The financial statements do not include the quantitative and qualitative disclosures required by IFRS 7.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly we do not express an opinion on the financial statements.

Report on other legal and regulatory requirements

In our opinion the financial statements do not comply fully with the Local Councils Act, the Financial Regulations issued in terms of this Act and the Local Council (Financial) Procedures as a fixed asset register was not prepared by the Local Council, the depreciation was calculated on a yearly basis, the financial statements excluded budgeted figures for the year, and due to the matters mentioned in the Basis for Disclaimer of Opinion.


Mr Manuel Castagna

For and on behalf of
Nexia BT
Certified Public Accountants

The Penthouse, Suite 2
Capital Business Centre, Entrance C
Triq taz-Zwejt
San Gwann SGN 3000
Malta

Date: 29th April 2016


**Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2015**

	Notes	2015 €	2014 €
INCOME			
Funds received from Central Government	3	214,977	301,715
Income raised under Local Enforcement System	4	1,880	1,778
General income	5	22,116	6,996
		<hr/>	<hr/>
		238,973	310,489
		<hr/>	<hr/>
EXPENDITURE			
Personal emoluments	6	68,631	71,542
Operations and maintenance	7	72,304	67,818
Administration and other expenditure	8	141,099	107,110
		<hr/>	<hr/>
		282,034	246,470
		<hr/>	<hr/>
(DEFICIT)/SURPLUS FOR THE YEAR	6	(43,061)	64,019
		<hr/>	<hr/>
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR		(43,061)	64,019
		<hr/>	<hr/>

Statement of Financial Position
As at 31 December 2015

	Notes	2015 €	2014 €
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,360,028	1,380,044
		<hr/>	<hr/>
		1,360,028	1,380,044
		<hr/>	<hr/>
CURRENT ASSETS			
Receivables	10	87,785	133,415
Cash and cash equivalents	11	119,544	53,680
		<hr/>	<hr/>
		207,329	187,095
		<hr/>	<hr/>
TOTAL ASSETS		1,567,357	1,567,139
		<hr/>	<hr/>
RESERVES AND LIABILITIES			
RESERVES			
Retained funds		339,765	382,826
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Deferred income		1,174,057	984,415
		<hr/>	<hr/>
		1,174,057	984,415
		<hr/>	<hr/>
CURRENT LIABILITIES			
Payables	12	53,535	199,898
		<hr/>	<hr/>
		53,535	199,898
		<hr/>	<hr/>
TOTAL RESERVES AND LIABILITIES		1,567,357	1,567,139
		<hr/>	<hr/>

These financial statements were approved and signed by the Council on 27 April 2016


 Mr. Terence Agius
 Mayor


 Ms. Antonia Demicoli
 Executive Secretary

Kunsil Lokali tal-Kirkop
 Kunsill tan-Neodittaw
 Kirkop 1243

The notes on pages 10 to 24 form an integral part of these financial statements.

**Statement of Changes in Equity
For the year ended 31 December 2015**

	Retained funds €
At 1 January 2014	318,807
Surplus for the year	64,019
	<hr/>
Total comprehensive income for the year	64,019
	<hr/>
At 31 December 2014	382,826
Deficit for the year	(43,061)
	<hr/>
Total comprehensive expense for the year	(43,061)
	<hr/>
At 31 December 2015	339,765
	<hr/>

Statement of Cash flow
For the year ended 31 December 2015

	Note	2015 €	2014 €
CASH FLOW FROM OPERATING ACTIVITIES			
(Deficit)/surplus for the year		(43,061)	64,019
Reconciliation to cash generated from operations:			
Depreciation		88,785	70,050
Debts written off		8,410	16,012
Movements in provision for doubtful debts		1,282	(15,381)
Investment income		(82)	(102)
Government grant released		1,709	-
SURPLUS FOR THE YEAR BEFORE WORKING CAPITAL MOVEMENTS		57,043	134,598
Movements in receivables		35,937	(95,813)
Movements in payables		(50,461)	(28,751)
NET CASH GENERATED FROM OPERATING ACTIVITIES		42,519	10,034
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisitions of property, plant and equipment		(70,478)	(341,469)
Investment income		82	102
NET CASH USED IN INVESTING ACTIVITIES		(70,396)	(341,367)
CASH FLOW FROM FINANCING ACTIVITIES			
Grants received during the year		93,741	-
NET CASH GENERATED FROM FINANCING ACTIVITIES		93,741	-
MOVEMENT IN CASH AND CASH EQUIVALENTS		65,864	(331,333)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		53,680	385,013
CASH AND CASH EQUIVALENTS AT END OF YEAR	11	119,544	53,680

Notes to the financial statements
For the year ended 31 December 2015

1 General information

KIRKOP LOCAL COUNCIL is the local authority of Kirkop incorporated in accordance with the Local Councils Act, 1993. The office of the Council is situated at 31, Triq San Benedittu, Kirkop. As from 1st September 2011, the Local Council started to form part of the Southern Regional Committee. These financial statements were approved for issue by the Council Members on 27th April 2016. The Local Council's presentation as well as functional currency are denominated in €.

2 Accounting policies and reporting procedures

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 (IFRSs) 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.

The principal accounting policies and reporting procedures used by Local Councils are as follows:

a. Revenue recognition

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Funds received from Central Government, local enforcement income and general income, are accounted for in the Statement of Profit or Loss and Other Comprehensive Income as they accrue.

Notes to the financial statements
For the year ended 31 December 2015

2 Accounting policies and reporting procedures (continued)

b. Property, plant and equipment

In line with IAS 16, property, plant and equipment, are initially recorded at cost and are subsequently stated at cost less depreciation and impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of items. Subsequent costs are included in the asset's carrying amount, or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council, and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit or Loss and Other Comprehensive Income, during the financial period in which they are incurred.

Depreciation is calculated to write off the cost of fixed assets on a monthly basis using the reducing balance method over the expected useful lives of the assets concerned having regard to their residual value. The annual rates used for this purpose, which are applied consistently, are:

	%
Land	0
Trees	0
Buildings	1
Office furniture and fittings	7.5
Construction works	10
Special projects	10
Urban improvements (street furniture)	10
Office equipment	20
Plant and machinery	20
Motor vehicles	20
Computer equipment	25
Plants	100
New street signs	100
Litter bins	100
Playground furniture	100
Street lights	100
Street mirrors	100

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Freehold land, land held on perpetual emphyteusis and assets in the course of construction are not depreciated.

Notes to the financial statements
For the year ended 31 December 2015

2 Accounting policies and reporting procedures (continued)

c. Government grants

Government grants relating to costs are deferred and recognised in the Statement of Profit or Loss and Other Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included under non-current liabilities as deferred government grants and are credited to the Statement of Profit or Loss and Other Comprehensive Income over the expected lives of the related assets.

d. Impairment of assets

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

e. Amounts receivable

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

f. Foreign currencies

Item 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 Local Council's functional and present currency.

Transactions denominated in foreign currencies are translated into Euro at rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated at the rates of exchange at the date of the Statement of Financial Position.

Notes to the financial statements
For the year ended 31 December 2015

2 Accounting policies and reporting procedures (continued)

g. Profits and losses

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

h. Cash and cash 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.

i. Standards, amendments and interpretations that are not yet effective

IFRS 9, 'Financial Instruments' addresses the classification and measurement of financial assets and replaces the multiple classification and measurement tools in IAS 39 with a single model that has only two classification categories; amortised cost and fair value. Classification under IFRS 9 will only be driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. Subject to adaption by the EU, IFRS 9 will be effective for financial periods beginning on, or after 1 January 2018. IFRS 9 has not yet been adopted by the EU.

IFRS 15, 'Revenue from Contracts from Customers' requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. Subject to adoption by the EU, IFRS 15, will be effective for financial periods beginning on, or after, 1 January 2018.

Notes to the financial statements
For the year ended 31 December 2015

**i. Standards, amendments and interpretations that are not yet effective
(continued)**

IFRS 16, 'Leases', introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows. IFRS 16 contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee. Subject to adoption by the EU, IFRS 16, will be effective for financial periods beginning on, or after, 1 January 2019.

The Council is considering the implications of the standards 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.

Notes to the financial statements
For the year ended 31 December 2015

3 Funds received from central government

	2015 €	2014 €
In terms of section 55 of the Local Councils Act	190,637	184,100
Supplementary Government income	24,340	17,615
Other Government income	-	100,000
	<hr/>	<hr/>
	214,977	301,715
	<hr/>	<hr/>

4 Local enforcement system income

	2015 €	2014 €
Contraventions	1,880	1,778
	<hr/>	<hr/>

5 General income

	2015 €	2014 €
General income	7,892	6,894
Funds claimed from Southern Regional Committee:		
Cash distribution	1,749	-
Special projects	8,236	-
Investment income	82	102
ESF income	4,157	-
	<hr/>	<hr/>
	22,116	6,996
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Notes to the financial statements
For the year ended 31 December 2015

6 (Deficit)/Surplus for the year

	2015	2014
	€	€
(Deficit)/Surplus for the year is stated after charging:		
Staff salaries (note)	68,631	71,542
Depreciation on tangible assets	88,785	70,050

	2015	2014
	€	€
Staff salaries		
Personal emoluments include, inter alia:		
Mayor's honoraria	8,647	8,468
Councillors' allowances	4,600	4,583
Executive secretary salary	27,956	26,909
Employee's salaries	23,123	27,160
Social security contributions	4,305	4,422
	68,631	71,542

Notes to the financial statements
For the year ended 31 December 2015

7 Operations and maintenance

	2015	2014
	€	€
Repair and upkeep:		
Street signs	2,289	2,253
Other	3,710	6,682
	<hr/>	<hr/>
	5,999	8,935
	<hr/>	<hr/>
Contractual services:		
Refuse collection	17,959	17,959
Bulky refuse collection	2,300	2,300
Road and street cleaning	11,256	11,256
Waste disposal	26,547	21,512
Cleaning and maintenance of parks and gardens	3,252	796
Cleaning and maintenance of council premises	2,368	2,322
Street lighting	2,623	2,738
	<hr/>	<hr/>
	66,305	58,883
	<hr/>	<hr/>
Total	72,304	67,818
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Notes to the financial statements
For the year ended 31 December 2015

8 Administration and other expenditure

	2015	2014
	€	€
Utilities	6,942	7,061
Material and supplies	5,970	2,767
Transport	1,090	250
Information services	6,204	1,817
Participation of National meetings	163	427
Lease of equipment	-	252
Hospitality costs	8,637	1,111
Rent	1,337	1,337
Office services	4,275	5,473
Professional services	5,407	8,314
ESF expenses	-	5,191
Community services and events	372	8,637
Depreciation on tangible assets	88,785	70,050
LES related expenses	148	20
Debts written off	8,410	16,012
Decrease in provision for doubtful LES debtors	(687)	(16,012)
Provision for doubtful debtors	1,969	631
Reversal of LES Joint Committee expenses	-	(8,000)
Insurance	1,995	1,611
Bank charges	82	161
	<hr/>	<hr/>
	141,099	107,110
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Notes to the financial statements
For the year ended 31 December 2015

9a Property, plant and equipment

ASSET	Office furniture & fittings €	Plant & machinery €	Office & computer equipment €	Motor vehicles €	Urban Improv. €	Construction works €	Assets under construction €	Total €
COST								
As at 1 January 2015	44,380	2,947	34,962	4,600	92,047	1,818,739	423,061	2,420,736
Additions	-	-	2,333	-	1,205	66,940	-	70,478
As at 31 December 2015	44,380	2,947	37,295	4,600	93,252	1,885,679	423,061	2,491,214
GRANTS								
As at 1 January 2015	-	-	1,164	-	-	543,714	-	544,878
Transferred during the year	-	-	1,709	-	-	-	-	1,709
As at 31 December 2015	-	-	2,873	-	-	543,714	-	546,587
ACCUMULATED DEPRECIATION								
As at 1 January 2015	21,812	2,865	24,303	2,292	48,181	396,361	-	495,814
Charge for the year	484	21	1,509	577	12,876	73,318	-	88,785
As at 31 December 2015	22,296	2,886	25,812	2,869	61,057	469,679	-	584,599
NET BOOK VALUE								
As at 31 December 2015	22,084	61	8,610	1,731	32,195	872,286	423,061	1,360,028

**Notes to the financial statements
For the year ended 31 December 2015**

9b Property, plant and equipment

ASSET	Office furniture & fittings €	Plant & machinery €	Office & computer equipment €	Motor vehicles €	Urban Improv. €	Construction works €	Assets under construction €	Total €
COST								
As at 1 January 2014	44,084	2,947	29,297	4,600	91,853	1,483,425	423,061	2,079,267
Additions	296	-	5,665	-	194	335,314	-	341,469
As at 31 December 2014	44,380	2,947	34,962	4,600	92,047	1,818,739	423,061	2,420,736
GRANTS								
As at 1 January 2014	-	-	-	-	-	543,714	-	543,714
Additions	-	-	1,164	-	-	-	-	1,164
As at 31 December 2014	-	-	1,164	-	-	543,714	-	544,878
ACCUMMULATED DEPRECIATION								
As at 1 January 2014	19,990	2,844	21,904	1,715	43,325	335,986	-	425,764
Charge for the year	1,822	21	2,399	577	4,856	60,375	-	70,050
As at 31 December 2014	21,812	2,865	24,303	2,292	48,181	396,361	-	495,814
NET BOOK VALUE								
As at 31 December 2014	22,568	82	9,495	2,308	43,866	878,664	423,061	1,380,044

Notes to the financial statements
For the year ended 31 December 2015

10 Receivables

	2015 €	2014 €
Debtors	9,693	11,921
Provision for bad debts	(8,610)	(6,641)
LES debtors	147,185	147,872
LES debtors provision for bad debts	(147,185)	(147,872)
Accrued income	84,781	118,745
Prepayments	1,921	1,611
Other debtors	-	7,779
	<hr/>	<hr/>
	87,785	133,415
	<hr/>	<hr/>

11 Cash and cash equivalents

	2015 €	2014 €
Cash in hand	233	343
Bank balances:		
Savings bank account	74,906	25,507
Current bank account	44,405	27,830
	<hr/>	<hr/>
	119,544	53,680
	<hr/>	<hr/>

Notes to the financial statements
For the year ended 31 December 2015

12 Payables

	2015	2014
	€	€
Creditors	47,753	95,570
Accruals	5,782	8,426
Deferred income	-	95,902
	<hr/>	<hr/>
	53,535	199,898
	<hr/>	<hr/>

13 Related party transactions

During the year the Local Council effected transactions with related parties mainly in connection with income and expenditure transactions as disclosed in note 3, 4, 5, 7 and 8 to these financial statements. The following material transactions were carried out with related parties:

	2015	2014
	€	€
Funds received from central government	190,637	184,100
	<hr/>	<hr/>
	190,637	184,100
	<hr/>	<hr/>

Notes to the financial statements
For the year ended 31 December 2015

14 Financial instruments

The Local Council has an exposure to the following risks arising from the use of financial instruments within its activities:

Credit risk
Market risk

This note presents information about the Local Council's exposure to each of the above risks, policies and processes for measuring and managing risk, and the Local Council's management of capital. Further quantitative disclosures are included in these financial statements.

The responsibility for the management of risk is vested in the Executive Secretary. Accordingly, it is the Executive Secretary, who has the overall responsibility for establishing an appropriate risk management framework.

Credit risk

Credit risk is the risk of financial loss to the Local Council if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Local Council's receivables and bank balances.

The Local Council's cash is placed with prime financial institutions.

Receivables are presented net of impairment changes for bad and doubtful debts. However, in the opinion of the Executive Secretary, credit risk with respect to receivables is limited in view of the reputable nature of the Local Council's debtor base for whom there is no history of default.

Capital management

It is the policy of the Executive Secretary to maintain an adequate capital base in order to sustain the future development of the Local Council and safeguard the ability of the Local Council to continue as a going concern. In this respect, the Executive Secretary monitors the operations and results of the Local Council.

Fair values estimation

At 31st December 2015 and 2014 the carrying amounts of cash at bank, receivables, payables and amounts falling due after one year reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments and the relatively short period of time between the organization of the instruments and their expected realization.

15 Contingent liabilities

The Local Council is the defendant in proceedings in which an individual is claiming compensation for damages amounting to €15,000 which were allegedly sustained by the plaintiff following works carried out by the Local Council.

**Notes to the financial statements
For the year ended 31 December 2015**

15 Contingent liabilities (continued)

The Local Council is contesting the claim vigorously and the Council members firmly believe that such an action ought to be dismissed. Nevertheless, the outcome of the action remains uncertain and the claim may finally be decided in favor of the Local Council.