

**KUNSILL LOKALI HAL LIJA**  
**HAL LIJA LOCAL COUNCIL**

**Lija Local Council**  
**Report and Financial Statements**  
**for the year ended 31 December 2016**

## **Lija Local Council**

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

**For the year ended 31 December 2016**

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The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which included 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 the Local Council, the income and expenditure of the Local Council for the year its retained funds as at the year end, and that they comply with the Act, the Local Councils (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, Local Council (Financial) Regulations and the Local Councils (Financial) Procedures. 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.

This statement was approved by the Local Council on 27<sup>th</sup> April 2017 and signed on its behalf by:-



Ms Magda Magri Naudi

Mayor



Ms Georgette Borg

Executive Secretary

**Lija Local Council**  
**Statement of Comprehensive Income**  
**For the year ended 31 December 2016**

	Notes	2016	2015
		€	€
<b>Revenue</b>			
Funds received from central government	9	<b>272,810</b>	283,918
General Income	10	<b>31,877</b>	16,888
		<u><b>304,687</b></u>	<u>300,806</u>
<b>Expenditure</b>			
Personal emoluments	11	<b>(87,551)</b>	(84,559)
Operations and maintenance	12	<b>(111,318)</b>	(126,071)
Administration and other expenditure	13	<b>(71,516)</b>	(83,030)
		<u><b>(270,385)</b></u>	<u>(293,660)</u>
<b>Operating Surplus for the year</b>		<b>34,302</b>	7,146
Investment Income	14	<b>20</b>	66
<b>Surplus for the year</b>		<u><b>34,322</b></u>	<u>7,212</u>

The notes on pages 6 - 21 form an integral part of these financial statements.



**Lija Local Council**  
**Statement of Financial Position**  
**As at 31 December 2016**

**Statement of Financial Position**

	Notes	2016 €	2015 €
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, Plant and equipment	3	<u>351,164</u>	<u>389,397</u>
<b>Current Assets</b>			
Inventory	4	3,791	4,476
Trade and other receivables	5	24,944	14,831
Cash and Cash Equivalents	6	<u>81,796</u>	<u>36,569</u>
		<u>110,531</u>	<u>55,876</u>
<b>Total Assets</b>		<u><u>461,695</u></u>	<u><u>445,273</u></u>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Retained earnings		<u>231,719</u>	<u>197,397</u>
<b>Non-current Liabilities</b>			
Deferred Income	7	95,334	91,737
Long-term payables	8	<u>42,185</u>	<u>56,248</u>
		<u>137,519</u>	<u>147,985</u>
<b>Liabilities</b>			
Payables	8	<u>92,457</u>	<u>99,891</u>
		<u>229,976</u>	<u>247,876</u>
<b>Total equity and liabilities</b>		<u><u>461,695</u></u>	<u><u>445,273</u></u>

The notes on pages 6 to 21 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on 27th April 2017 and signed on its behalf by:-



Ms Magda Magri Naudi  
Mayor



Ms Georgette Borg  
Executive Secretary

**Lija Local Council**  
**Statement of Changes in Equity**  
**Year ended 31 December 2016**

	<b>Retained Funds 2016 €</b>	<b>Retained Funds 2015 €</b>
At 1 January	<b>197,397</b>	190,185
Surplus for the year	<b><u>34,322</u></b>	<u>7,212</u>
<b>At 31 December</b>	<b><u><u>231,719</u></u></b>	<b><u><u>197,397</u></u></b>

The notes on pages 6 - 21 form an integral part of these financial statements.

**Lija Local Council**  
**Statements of Cash Flows**  
**Year ended 31 December 2016**

	Notes	2016	2015
		€	€
<b>Cash Flow from Operating Activities</b>			
<b>Surplus for the year</b>		<b>34,322</b>	7,212
Adjustments for:			
Depreciation		<b>38,233</b>	41,692
Movement in Provision for Bad Debts		<b>0</b>	430
Stock Write Off		<b>548</b>	-
Deferred income released		<b>(20,005)</b>	(30,292)
Interest receivable		<b>(20)</b>	(66)
Operating Profit before Working Capital Changes		<b>53,078</b>	18,976
Working Capital Changes :			
(Increase)/decrease in inventories		<b>137</b>	(451)
(Increase)/decrease in receivables		<b>2,378</b>	(7,734)
Decrease/(Increase) in payables/grants		<b>(17,766)</b>	10,113
<b>Net Cash flows from operating activities</b>		<b>37,827</b>	20,904
<b>Cash flows from Investing Activities</b>			
Purchase of property, plant and equipment		<b>(17,360)</b>	(58,740)
New grants received		<b>10,525</b>	68,096
Interest received		<b>20</b>	66
<b>Cash Flow (used in)/generated from Investing Activities</b>		<b>(6,815)</b>	9,422
<b>Net decrease in Cash and Cash Equivalent</b>		<b>31,012</b>	30,326
<b>Cash and Cash Equivalent at the Beginning of period/year</b>		<b>27,811</b>	(2,515)
<b>Cash and Cash Equivalent at the End of period/year</b>	6	<b>58,823</b>	27,811

The notes on pages 6 - 21 form an integral part of these financial statements.

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**Notes to the Financial Statements for the Year ended 31 December 2016**

**1. General Information**

Hal Lija Local Council is the local authority of Hal Lija set up in accordance with the Local Councils Act. The office of the Local Council is situated at Triq Robert Mifsud Bonnici, Hal Lija.

**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 Ministry 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. Changes in accounting policies and disclosures**

The accounting policies adopted are consistent with those of the previous financial period except as follows:

The Council has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2016::

- IAS 1 Amendments – Disclosure Initiative (effective from 1 January 2016)
- Annual Improvements to IFRSs 2012- 2014 Cycle (effective from 1 January 2016)
- IAS 27 Amendments – Equity method in Separate Financial Statements (effective from 1 January 2016)
- IAS 16 and IAS 41 Amendments – Bearer Plants (effective from 1 January 2016)
- IAS 16 and IAS 38 Amendments – Clarification of Acceptable Methods of Depreciation and Amortisation (effective from 1 January 2016)
- IFRS 11 Amendments – Accounting for Acquisitions of interest in Joint Operations (effective from 1 January 2016)
- IFRS 10, IFRS 12 and IAS 28 Amendments – Investment Entities: Applying the Consolidation Exemption (effective from 1 January 2016)

The adoption of the above new and amended standards and IFRIC interpretations did not have an impact on the financial position or performance of the Council.



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**Notes to the Financial Statements for the Year ended 31 December 2016 - continued**

**Standards, interpretations and amendments to published standards as adopted by the EU that are not yet effective for financial periods beginning on 1 January 2016**

Up to the financial position date, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective for the current reporting period and which the Council has not yet adopted. These are as follows:

- IFRIC 19: (Amendments arising from IFRS9) – Extinguishing Financial Liabilities with Equity Instruments (effective on adoption of IFRS 9)
- IFRS 9 – Financial instruments (effective from 1 January 2018)
- IFRS 15 – Revenue from Contracts with customers (effective from 1 January 2018)

The Council is assessing the impact that the adoption of the above standards would have on initial application.

**Standards, interpretations and amendments issued by the International Accounting Standards Board (IASB) but not yet adopted by the European Union:**

- IFRS 14 – Regulatory Deferral Accounts (EFRAG endorsement process not yet launched)
- IFRS 16 – Leases
- IFRS 10 and IAS 28 Amendments – Sale or contribution of assets between an investor and its associate or joint venture (EFRAG endorsement process has been deferred indefinitely)
- IAS 12 Amendment – Recognition of deferred tax assets for unrealised losses
- IAS 7 Amendment – Disclosure initiative
- IFRS 15 Amendment – Clarification on revenue from contracts with customers
- IFRS 2 Amendment – Classification and measurement of share based payment transaction
- IFRS 4 Amendment – Applying IFRS 9, Financial Instruments, with IFRS 4, Insurance Contracts
- Annual improvements to IFRS Standards 2014 – 2016 Cycle
- IFRIC Interpretation 22 – Foreign currency transactions and advance consideration
- IAS 40 Amendments – Transfer of investment property

The Council is assessing the impact that the adoption of these Financial Reporting Standards will have in the financial statements of the Council in the period of initial application.

**c. Revenue recognition**

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the statement of comprehensive income as it accrues.

**d. Local Enforcement System**

During 2016 the amount disclosed in the financial statement under Local Enforcement Income represents the administrative fee of 10% that is chargeable to the various Regional Committees and LESA for contraventions paid at the Council.

**Notes to the Financial Statements for the Year ended 31 December 2016 - 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 charge to the statement of comprehensive income during the financial period in which they are incurred.



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**Notes to the Financial Statements for the Year ended 31 December 2016 - continued**

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

**g. Impairment of Assets**

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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 recognized 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 present currency.

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

**j. Surplus and deficits**

Only surpluses that were realized at the date of the Statement of Financial Position are recognized 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.



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**Notes to the Financial Statements for the Year ended 31 December 2016 - continued**

**k. Cash and Equivalent**

Cash and Cash Equivalent are carried in the Statement of Financial Position at face value. For the purpose of the Statement of Cash Flow, cash and cash equivalent comprise cash in hand and balances held with banks.

**l. Related parties**

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

During the year under review, the Local Council's related party that exercised a significant control was the Department of Local Government. The parties that exercise no control were Water Services Corporation and Malta Environmental and Planning Authority.

**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 local council.

**n. Financial Instruments**

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

Financial assets are derecognized 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 derecognized when it is extinguished, discharges, 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 measurements, 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, 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"

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**Notes to the Financial Statements for the Year ended 31 December 2016 - continued**

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 discount 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.

**o. Critical accounting estimates and judgments**

The preparation of financial statements in conformity with IFRS requires council members to make judgments, 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 judgment 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 assumption are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future period if the revision affects both current and future periods.

In the opinion of the council members, the accounting estimates and judgments 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 realizable value. The inventories consist of books with a face value which is the cost price of these items. The stock valuation at the end of the period is equivalent to the actual cost of the inventory items.

# Lija Local Council

## Notes to the Financial Statements for the Year ended 31 December 2016 - continued

### 3 a Property, Plant & Equipment

	Office Furniture/ Fitting	Plant & Machinery	Office Equipment	Urban Improvement	New Street Signs	Construction Works	Motor Vehicles	Total
	€	€	€	€	€	€	€	€
<b>Cost</b>								
As at 1 January 2016	16,849	3,986	40,131	178,054	41,019	785,366	8,000	1,073,405
As at 31 December 2016	16,849	3,986	40,131	178,054	41,019	785,366	8,000	1,073,405
<b>Grants and other reimbursements</b>								
As at 1 January 2016	-	-	2,644	-	7,687	86,935	-	97,266
As at 31 December 2016	-	-	2,644	-	7,687	86,935	-	97,266
<b>Depreciation Provision</b>								
As at 1 January 2016	12,214	3,922	29,757	94,828	33,332	409,905	2,784	586,742
Charge for the year	336	12	1,412	7,952		27,568	953	38,233
As at 31 December 2016	12,550	3,934	31,169	102,780	33,332	437,473	3,737	624,975
<b>NET BOOK VALUE</b>								
As at 31 December 2016	4,299	52	6,318	75,274	-	260,958	4,263	351,164



# Lija Local Council

## Notes to the Financial Statements for the Year ended 31 December 2016 - continued

### 3 b Property, Plant & Equipment

	Office Furniture/ Fitting	Plant & Machinery	Office Equipment	Urban Improvement	New Street Signs	Construction Works	Motor Vehicles	Total
	€	€	€	€	€	€	€	€
<b>Cost</b>								
As at 1 January 2015	16,849	3,986	40,131	132,553	40,307	780,839	8,000	1,022,665
Additions this year	-	-	-	45,501	712	4,527	-	50,740
As at 31 December 2015	16,849	3,986	40,131	178,054	41,019	785,366	8,000	1,073,405
<b>Grants and other reimbursements</b>								
As at 1 January 2015	-	-	2,644	-	7,687	86,935	-	97,266
As at 31 December 2015	-	-	2,644	-	7,687	86,935	-	97,266
<b>Depreciation Provision</b>								
As at 1 January 2015	11,852	3,908	28,029	87,598	32,620	379,425	1,618	545,050
Charge for the year	362	14	1,728	7,230	712	30,480	1,166	41,692
As at 31 December 2015	12,214	3,922	29,757	94,828	33,332	409,905	2,784	586,742
<b>NET BOOK VALUE</b>								
As at 31 December 2015	4,635	64	7,730	83,226	-	288,526	5,216	389,397

# Lija Local Council

## Notes to the Financial Statements for the Year ended 31 December 2016 - continued

	2016 €	2015 €
<b>4 Inventory</b>		
Inventory of books	<u>3,791</u>	<u>4,476</u>

In 2016, the Council wrote off Euro 548 in lost inventories.

	2016 €	2015 €
<b>5 Receivables</b>		
Receivables	3,456	2,443
Prepayment	2,925	1,359
Accrued income	18,563	11,029
	<u>24,944</u>	<u>14,831</u>

	2016 €	2015 €
<b>Trade receivables</b>		
Within the current period	2,900	2,240
Exceed credit period but not yet impaired	556	203
	<u>3,456</u>	<u>2,443</u>

Receivables are stated net of provision for doubtful debts (2016: Euro 430) and (2015 : Euro 430)  
LES related receivables are stated net of provision for doubtful debts (2016: Euro1,463)(2015:Euro 1,463)

### 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 statement of financial position:-

	2016 €	2015 €
<b>Bank Balances:</b>		
Current Accounts	(22,973)	(8,758)
Savings Accounts	81,674	36,518
Cash in Hand	122	51
	<u>58,823</u>	<u>27,811</u>
Transfer to payables	22,973	8,758
Cash at bank and in hand	<u>81,796</u>	<u>36,569</u>

## Lija Local Council

### Notes to the Financial Statements for the Year ended 31 December 2016 - continued

	2016 €	2015 €
<b>7 Deferred Income Grants</b>		
Opening Balance	110,359	80,460
Allocation of grants	23,016	60,191
Release of grants	(20,005)	(30,292)
Closing Balance	113,370	110,359
Less Current portion	(18,036)	(18,622)
Non-current portion	95,334	91,737
Deferred Income - between 1 to 2 years	8,022	8,896
Deferred Income - between 2 to 5 years	19,657	21,787
Deferred Income - over 5 years	67,655	61,054
	95,334	91,737
	2016 €	2015 €
<b>8 Trade and other payables</b>		
Overdrawn bank balances	22,973	8,758
Accounts payable	39,651	61,532
Accruals	11,266	10,979
Deferred Grant	18,036	18,622
Other Deferred Income	531	-
<b>Financial liabilities</b>	92,457	99,891
<b>Non-Current</b>		
<b>Long term payable</b>	42,185	56,248
	2016 €	2015 €
<b>9 Funds received from Central Government</b>		
In terms of Section 55 of the Local Councils Act (Cap 363)	246,733	238,939
Other Government Income	20,005	30,292
Other Supplementary Government Income	6,072	14,687
	272,810	283,918

## Lija Local Council

### Notes to the Financial Statements for the Year ended 31 December 2016 - continued

	2016 €	2015 €
<b>10 General Income</b>		
Income from Tender Documents	550	575
Income from Permits	12,022	8,726
Income from Local Enforcement System (Admin Fee)	4,017	2,807
Income from Joint Committee Distribution	-	178
Sundry Contributions and Donations	14,212	3,791
Income from Insurance Claim	711	711
Other Income	365	100
	<u>31,877</u>	<u>16,888</u>

<b>11 Personal emoluments</b>	2016 €	2015 €
<b>Personal Emoluments include, inter alia:</b>		
Mayor's Allowance	7,262	6,995
Councillor's Allowance	6,475	6,100
Executive Secretary's Salary	28,587	28,432
Employees' Salaries	39,811	37,907
Social Security Contributions	5,416	5,125
	<u>87,551</u>	<u>84,559</u>

#### **Average number of people employed**

Employees - Full Timers	3	3
Employees - Part Timer	1	0
Mayor & Councillors	<u>5</u>	<u>5</u>



## Lija Local Council

### Notes to the Financial Statements for the Year ended 31 December 2016 - continued

	2016 €	2015 €
<b>12 Operations and Maintenance</b>		
Operations and maintenance includes, inter alia:		
Repairs and Upkeep:		
Road/Street pavements	-	5,882
Signs and road markings	4,434	870
Other repairs and upkeep	-	871
Total	<u>4,434</u>	<u>7,623</u>
<b>Contractual Services:</b>		
Refuse Collection	53,785	60,586
Bulky Refuse Collection	2,726	2,637
Road and street cleaning	31,126	34,794
Cleaning and Maintenance of Public Conveniences	4,740	4,948
Cleaning and Maintenance of Parks and Gardens	9,834	9,697
Street Lights	2,964	4,716
Other	1,709	1,070
	<u>106,884</u>	<u>118,448</u>
Total Operations and Maintenance Expenses	<u>111,318</u>	<u>126,071</u>

	2016 €	2015 €
<b>13 Administration and other expenditure</b>		
Utilities	1,802	4,015
Rent Payable	8,850	8,850
National and International Memberships and Subscriptions	207	70
Office Services	2,663	1,395
Motor Vehicles Insurance/Licence including fuel	1,035	3,564
Publications /Advertising	1,161	120
Professional Services	16,200	16,531
Community Services and Events	1,141	4,846
Bank Interest and Charges	99	179
Penalties and Claims	1	13
Provision for Bad Debts	-	430
Depreciation	38,233	41,692
Insurance /Licences	-	989
Other Expenses	124	336
	<u>71,516</u>	<u>83,030</u>

	2016 €	2015 €
<b>14 Investment Income</b>		
Bank Interest Receivable	<u>20</u>	<u>66</u>

**Notes to the Financial Statements for the Year ended 31 December 2016 - continued**

**15 Capital Commitments**

By the time these financial statements were approved, the Council did not approve any major capital commitments.

**16 Related party transactions**

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

<b>Name of Entity</b>	<b>Nature of relationship</b>
Department of Local Councils	Significant Control
Regional Committees (Local Enforcement)	No control
LESA	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control
Enemalta Corporation / Arms	No control

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

	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>
Annual financial allocation	<u><b>246,733</b></u>	<u><b>238,939</b></u>

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

**Key management compensation**

Transactions with key management personnel are disclosed in note 11. The Council considers its Mayor, Councillors and the Executive Secretary to be Key Management Personnel. Remuneration paid to its Key Management Personnel amounted to Euro 44,117 for 2016 (2015: Euro 43,311)

**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 risk to which the council is exposed are described below.

**Notes to the Financial Statements for the Year ended 31 December 2016 - 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 end of the reporting period, as summarised below:

		2016 €	2015 €
<b>Classes of financial assets - carrying amounts</b>			
Trade and other receivables	(Note 5)	22,019	13,472
Cash and cash equivalents	(Note 6)	81,796	36,569
		<u>103,815</u>	<u>50,041</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.

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 trade and other payables exposure to liquidity risk arises from its obligations to meet its liabilities which comprise payables. Prudent liquidity risk management includes maintaining sufficient 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 manages 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 insufficient in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments.

	2016 €	2015 €
<b>Current liabilities</b>		
Financial liabilities measured at amortised cost:		
Trade and other payables	39,651	61,532
Bank Overdrawn	22,973	8,758
Accruals	11,266	10,979
	<u>73,890</u>	<u>81,269</u>
<b>Non - Current Liabilities</b>		
Financial liabilities measured at amortised cost:		
Long term payables	<u>42,185</u>	<u>56,248</u>



**Notes to the Financial Statements for the Year ended 31 December 2016 - continued**

**17 Risk management objectives and policies (continued)**

**17.2 Liquidity risk (continued)**

At 31 December 2016 the Council's financial liabilities have contractual maturities which are summarised below :

**31 December 2016**

	Current within 1 year €	Non-current 1 to 5 years €	later than 5 years €
Trade and other payables	39,651	-	-
Bank Overdrawn	22,973	-	-
Accruals	11,266	-	-
Long term payables	-	42,185	-

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

**31 December 2015**

	Current within 1 year €	Non-current 1 to 5 years €	later than 5 years €
Trade and other payables	61,532	-	-
Bank Overdrawn	8,758	-	-
Accruals	10,979	-	-
Long term payables	-	56,248	-

**17.3 Interest rate risk**

The Council has no significant interest-bearing assets other than cash and cash equivalent (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.

**17.4 Foreign currency risk**

The Council is not exposed to foreign exchange risk since it does not transact in foreign currencies.

**Notes to the Financial Statements for the Year ended 31 December 2016 - continued**

**17 Risk management objectives and policies (continued)**

**17.5 Summary of financial assets and liabilities by category**

The carrying amount 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:		
Trade and other receivables	22,019	13,472
Cash and cash equivalents	81,796	36,569
	<u>103,815</u>	<u>50,041</u>
<b>Current liabilities</b>		
Financial liabilities measured at amortised cost:		
Trade and other payables	39,651	61,532
Bank Overdrawn	22,973	8,758
Accruals	11,266	10,979
	<u>73,890</u>	<u>81,269</u>
<b>Non - Current Liabilities</b>		
Financial liabilities measured at amortised cost:		
Long term payables	<u>42,185</u>	<u>56,248</u>

**17.6 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**

As 31 December 2016 and 31 December 2015, 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 end of the reporting period**

No adjusting or significant non-adjusting events have occurred between the end of the reporting period and the date of authorisation by the Council.

**Notes to the Financial Statements for the Year ended 31 December 2016 - continued**

**20 Contingent liabilities**

As at year - end the Council had contingent liabilities in respect of two claims against it.

Claim 1 - SMS Insurance Agency Ltd et v Malta Transport Authority, with a court order dated 13th January 2011 the claim was shifted from Malta Transport Authority to Lija Local Council - No M1851/2009 - estimated claim is of circa Euro 2,536.49

Claim 2 - Mallia Joseph noe v Magri Naudi Madga noe et: This claim is for Euro 18,485.97. Originally this claim was between Ms Annalise Cilia and the Insurance Company, infact the Insurance company did pay Ms Annalise Cilia for damages caused to furniture and home appliances amounting to Euro 17,161 and Euro 1,324.97 on survey fees regarding the case, but then after the Insurance Company opened this claim against the Mayor as representative of the Lija Local Council. Mr Joseph Mallia is acting as representative of the Insurance Company - Lloyd's Malta Ltd.

The Council is restricting such claims and no provision has been made in these financial statements in respect of such claims.

**21 Leases**

The Council is aware that no official rental agreement exist with regards to the premises from where the Council operate. Infact members of the Council met with the lessor to present an official contract. As at today, the Council has in hand a draft contract, however still the Council has some issue regarding the third party clause. The Council is also aware that if this contract is to be agreed upon it has to follow the procurement procedure too. In the mean time too, the Council is exploring other options with regards to the renting of office space - one of which is the issue of an Expression of Interest on the subject.