



KUNSILL LOKALI HAL LIJA
HAL LIJA LOCAL COUNCIL

Lija Local Council
Report and Financial Statements
for the year ended 31 December 2015

Triq Robert Mifsud Bonnici
Hal Lija - LJA 1403 - Malta
T : +356 2141 6111
F : +356 2141 6941

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

For the year ended 31 December 2015

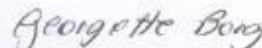
The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which included the Local Council's Statement of Comprehensive Income for the year and of the Council's retained funds at the end of year. By virtue of the same regulations it 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 12th May 2016 and signed on its behalf by:-



Ms Madga Magri Naudi
Mayor



Ms Georgette Borg
Executive Secretary

**Report of the Local Government Auditor
To the Auditor General**
for the year ended 31 December 2015

**Report of the Local Government Auditor
To the Auditor General**
for the year ended 31 December 2015

Lija Local Council
Statement of Comprehensive Income
For the year ended 31 December 2015

	Notes	2015	2014
		€	€
Revenue			
Funds received from central government	9	283,918	267,767
General Income	10	16,888	25,294
		<u>300,806</u>	<u>293,061</u>
Expenditure			
Personal emoluments	11	(84,559)	(82,318)
Operations and maintenance	12	(126,071)	(140,989)
Administration and other expenditure	13	(83,030)	(127,307)
		<u>(293,660)</u>	<u>(350,614)</u>
Operating Profit/Deficit for the year		7,146	(57,553)
Investment Income	14	66	408
Profit/(loss) for the year		<u>7,212</u>	<u>(57,145)</u>

The notes on pages 8 - 23 form an integral part of these financial statements.

Lija Local Council
Statement of Financial Position
As at 31 December 2015

Statement of Financial Position

	Notes	2015 €	2014 €
ASSETS			
Non Current Assets			
Property, Plant and equipment	3	<u>389,397</u>	<u>380,349</u>
Current Assets			
Inventory	4	4,476	4,025
Trade and other receivables	5	14,831	15,432
Cash and Cash Equivalents	6	<u>36,569</u>	<u>11,991</u>
		<u>55,876</u>	<u>31,448</u>
Total Assets		<u><u>445,273</u></u>	<u><u>411,797</u></u>
RESERVES AND LIABILITIES			
Reserves			
Retained earnings		<u>197,397</u>	<u>190,185</u>
Non-current Liabilities			
Deferred Income	7	91,737	60,451
Long-term payables	8	<u>56,248</u>	<u>67,608</u>
		<u>147,985</u>	<u>128,059</u>
Liabilities			
Payables	8	<u>99,891</u>	<u>93,553</u>
		<u>247,876</u>	<u>221,612</u>
Total equity and liabilities		<u><u>445,273</u></u>	<u><u>411,797</u></u>

The notes on pages 8 to 23 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on 12th May 2016 and signed on its behalf by:-

Magda Magri Naudi
 Ms Magda Magri Naudi
 Mayor

Georgette Borg
 Ms Georgette Borg
 Executive Secretary

Lija Local Council
Statement of Changes in Equity
Year ended 31 December 2015

	Retained Funds 2015 €	Retained Funds 2014 €
At 1 January	190,185	247,330
Total Comprehensive (Loss)/Profit for the year	<u>7,212</u>	<u>(57,145)</u>
At 31 December	<u>197,397</u>	<u>190,185</u>

The notes on pages 6 - 23 form an integral part of these financial statements.

Lija Local Council
Statements of Cash Flows
Year ended 31 December 2015

	Notes	2015	2014
		€	€
Cash Flow from Operating Activities			
Total Comprehensive Profit/(Loss) for the period/year		7,212	(57,145)
Adjustments for:			
Depreciation		41,692	58,598
Movement in Provision for Bad Debts		430	-
Deferred income released		(30,292)	(21,109)
Interest receivable		(66)	(408)
Operating Profit before Working Capital Changes		<u>18,976</u>	<u>(20,064)</u>
Working Capital Changes :			
(Increase) in inventories		(451)	(4,025)
(Increase)/decrease in receivables		(7,734)	2,041
Decrease in payables		10,113	748
Net Cash flows from operating activities		<u>20,904</u>	<u>(21,300)</u>
Cash flows from Investing Activities			
Purchase of property, plant and equipment		(58,740)	(53,419)
New grants received		68,096	19,801
Interest received		66	408
Cash Flow (used in)/generated from Investing Activities		<u>9,422</u>	<u>(33,210)</u>
Net decrease in			
Cash and Cash Equivalent		30,326	(54,510)
Cash and Cash Equivalent			
at the Beginning of period/year		(2,515)	51,995
Cash and Cash Equivalent			
at the End of period/year	6	<u>27,811</u>	<u>(2,515)</u>

The notes on pages 8 - 23 form an integral part of these financial statements.

Notes to the Financial Statements for the Year ended 31 December 2015

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 2015:

- Annual improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle (applicable for financial period beginning in or after 1 July 2014)
- IAS 19 Amendments – Defined Benefit Plans: Employee Contributions (applicable for financial period beginning in or after 1 July 2014)

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.

Standards, interpretations and amendments to published standards as adopted by the EU that are not yet effective up to 31 December 2015.

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. The Council anticipate that the adoption of International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective, will have no impact on the financial statements of the Council in the period of initial application. These are as follows:-

Notes to the Financial Statements for the Year ended 31 December 2015 - continued

- IFRIC 19: (Amendments arising from IFRS9) – Extinguishing Financial Liabilities with Equity Instruments (effective on adoption of IFRS 9)
- 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 Acquisition of interest in Joint Operations (effective from 1 January 2016)

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

- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 10, IFRS 12 and IAS 28 Amendments – Investment Entities: Applying the Consolidation Exemption
- IFRS 10 and IAS 28 Amendments – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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 2015 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 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 charge to the statement of comprehensive income during the financial period in which they are incurred.

Notes to the Financial Statements for the Year ended 31 December 2015 - 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.

Notes to the Financial Statements for the Year ended 31 December 2015 - 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".

Notes to the Financial Statements for the Year ended 31 December 2015 - 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 stamps and vouchers with a face value which is the cost and selling price of these items. The stock valuation at the end of the period is equivalent to the actual cost of the inventory items.

Lija Local Council

Notes to the Financial Statements for the Year ended 31 December 2015 - continued

3 a Property, Plant & Equipment

	Office Furniture/Fitting	Plant & Machinery	Office Equipment	Urban Improvement	New Street Signs	Construction Works	Motor Vehicles	Total
	€	€	€	€	€	€	€	€
Cost								
As at 1 January 2015	16,849	3,996	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	3,996	40,131	178,054	41,019	785,366	8,000	1,073,405
Grants and other reimbursements								
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)
Depreciation Provision								
As at 1 January 2015	11,852	3,908	28,029	87,598	32,620	379,425	1,618	545,060
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
NET BOOK VALUE								
As at 31 December 2015	4,635	64	7,730	83,226	-	285,461	5,216	389,367

Lija Local Council

Notes to the Financial Statements for the Year ended 31 December 2015 - continued

3 b Property, Plant & Equipment

	Office Furniture/Fitting	Plant & Machinery	Office Equipment	Urban Improvement	New Street Signs	Construction Works	Motor Vehicles	Total
	€	€	€	€	€	€	€	€
Cost								
As at 1 January 2014	16,849	3,986	37,712	109,672	40,307	779,923	8,000	998,449
Additions this year	-	-	2,419	22,881	-	916	-	26,216
Over provision of accrual	-	-	-	-	-	-	-	-
As at 31 December 2014	16,849	3,986	40,131	132,553	40,307	780,839	8,000	1,022,665
Grants and other reimbursements								
As at 1 January 2014	-	-	(2,644)	-	(7,687)	(86,935)	-	(97,266)
Received during the year	-	-	-	-	-	-	-	-
As at 31 December 2014	-	-	(2,644)	-	(7,687)	(86,935)	-	(97,266)
Depreciation Provision								
As at 1 January 2014	11,468	3,892	26,482	65,734	32,620	345,993	263	486,452
Charge for the year	384	16	1,547	21,864	-	33,432	1,355	58,598
Prior year adjustment	-	-	-	-	-	-	-	-
As at 31 December 2014	11,852	3,908	28,029	87,598	32,620	379,425	1,618	545,050
NET BOOK VALUE								
As at 31 December 2014	4,997	78	9,458	44,955	-	314,479	6,382	380,349

Lija Local Council

Notes to the Financial Statements for the Year ended 31 December 2015 - continued

	2015 €	2014 €
4 Inventory		
Inventory of books	4,476	4,025

	2015 €	2014 €
5 Receivables		
Receivables	2,443	3,083
Prepayment	1,359	1,456
Accrued income	11,029	10,893
	<u>14,831</u>	<u>15,432</u>

	2015 €	2014 €
Trade receivables		
Within the current period	2,240	2,919
Exceed credit period but not yet impaired	203	164
	<u>2,443</u>	<u>3,083</u>

Receivables are stated net of provision for doubtful debts of Euro 430 (2014: Nil)

LES related receivables are stated net of provision for doubtful debts of Euro 1,463 (2014: 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:-

	2015 €	2014 €
Bank Balances:		
Current Accounts	(8,758)	(14,506)
Savings Accounts	36,518	11,969
Cash in Hand	51	22
	<u>27,811</u>	<u>(2,515)</u>
Transfer to payables	8,758	14,506
Cash at bank and in hand	<u>36,569</u>	<u>11,991</u>

Lija Local Council

Notes to the Financial Statements for the Year ended 31 December 2015 - continued

	2015 €	2014 €
7 Deferred Income Grants		
Opening Balance	80,460	73,863
Increase in grants	60,191	27,706
Release of grants	(30,292)	(21,109)
Closing Balance	110,359	80,460
Less Current portion	(18,622)	(20,009)
Non-current portion	<u>91,737</u>	<u>60,451</u>
Deferred Income - between 1 to 2 years	8,896	5,937
Deferred Income - between 2 to 5 years	21,787	14,473
Deferred Income - over 5 years	<u>61,054</u>	<u>40,041</u>
	<u>91,737</u>	<u>60,451</u>
	2015 €	2014 €
8 Trade and other payables		
Overdrawn bank balances	8,758	14,506
Accounts payable	61,532	46,827
Accruals	10,979	12,211
Deferred Income	<u>18,622</u>	<u>20,009</u>
Financial liabilities	<u>99,891</u>	<u>93,553</u>
Non-Current		
Long term payable	<u>56,248</u>	<u>67,608</u>
	2015 €	2014 €
9 Funds received from Central Government		
In terms of Section 55 of the Local Councils Act (Cap 363)	238,939	230,850
Other Government Income	30,292	28,830
Other Supplementary Government Income	<u>14,687</u>	<u>8,087</u>
	<u>283,918</u>	<u>267,767</u>

Lija Local Council

Notes to the Financial Statements for the Year ended 31 December 2015 - continued

	2015 €	2014 €
10 General Income		
Income from Tender Documents	575	2,487
Income from Permits	8,726	3,374
Income from Local Enforcement System (Admin Fee)	2,807	2,963
Income from Joint Committee Distribution	178	-
Sundry Contributions and Donations	3,791	16,470
Income from Insurance Claim	711	-
Other Income	100	-
	<u>16,888</u>	<u>25,294</u>

	2015 €	2014 €
11 Profit/(deficit) for the year		
Profit/(deficit) for the year is stated after charging:		
Personal emoluments	<u>84,559</u>	<u>82,318</u>

Personal Emoluments include, inter alia:

	2015 €	2014 €
Mayor's Allowance	6,995	6,789
Councillor's Allowance	6,100	6,400
Executive Secretary's Salary	28,432	16,583
Employees' Salaries	37,907	47,780
Social Security Contributions	5,125	4,766
	<u>84,559</u>	<u>82,318</u>

Average number of people employed

Employees	3	3
Mayor & Councillors	<u>5</u>	<u>5</u>

Lija Local Council

Notes to the Financial Statements for the Year ended 31 December 2015 - continued

	2015 €	2014 €
12 Operations and Maintenance		
Operations and maintenance includes, inter alia:		
Repairs and Upkeep:		
Road/Street pavements	5,882	17,515
Public property	-	970
Signs and road markings	870	6,777
Other repairs and upkeep	871	2,408
Total	<u>7,623</u>	<u>27,670</u>
 Contractual Services:		
Refuse Collection	60,586	47,689
Bulky Refuse Collection	2,637	2,388
Road and street cleaning	34,794	38,248
Cleaning and Maintenance of Public Conveniences	4,948	4,990
Cleaning and Maintenance of Parks and Gardens	9,697	11,338
Street Lights	4,716	4,815
Other	1,070	3,851
	<u>118,448</u>	<u>113,319</u>
Total Operations and Maintenance Expenses	<u>126,071</u>	<u>140,989</u>
	2015 €	2014 €
13 Administration and other expenditure		
Utilities	4,015	5,854
Rent Payable	8,850	8,850
National and International Memberships and Subscriptions	70	450
Office Services	1,395	4,350
Motor Vehicles Insurance/Licence including fuel	3,564	892
Publications	120	1,174
Professional Services	16,531	23,465
Community Services and Events	4,846	20,498
Bank Interest and Charges	179	206
Penalties and Claims	13	578
Provision for Bad Debts	430	-
Depreciation	41,692	58,598
Insurance	989	2,339
Other Expenses	336	53
	<u>83,030</u>	<u>127,307</u>
	2015 €	2014 €
14 Investment Income		
Bank Interest Receivable	<u>66</u>	<u>408</u>

Lija Local Council

Notes to the Financial Statements for the Year ended 31 December 2015 - continued

15 Capital Commitments

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

	2015 €	2014 €
Authorised but not contracted for	-	7,000
	-	7,000

16 Related party transactions

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

Name of Entity	Nature of relationship
Department of Local Councils	Significant Control
Regional Committees (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.

	2015 €	2014 €
Annual financial allocation	238,939	230,850

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

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.

Lija Local Council

Notes to the Financial Statements for the Year ended 31 December 2015 - 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 €
Classes of financial assets - carrying amounts			
Trade and other receivables	(Note 5)	13,472	13,976
Cash and cash equivalents	(Note 6)	36,569	11,991
		<u>50,041</u>	<u>25,967</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 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 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.

	2015 €	2014 €
Current liabilities		
Financial liabilities measured at amortised cost:		
Trade and other payables	61,532	46,827
Bank Overdrawn	8,758	14,506
Accruals	10,979	12,211
	<u>81,269</u>	<u>73,544</u>
Non - Current Liabilities		
Financial liabilities measured at amortised cost:		
Long term payables	<u>56,248</u>	<u>67,608</u>

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Notes to the Financial Statements for the Year ended 31 December 2015 - continued

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

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	-

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

31 December 2014

	Current within 1 year €	Non-current 1 to 5 years €	later than 5 years €
Trade and other payables	46,827	-	-
Bank Overdrawn	14,506	-	-
Accruals	12,211	-	-
Long term payables	-	67,608	-

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, foreign currencies.

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Notes to the Financial Statements for the Year ended 31 December 2015 - 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:-

	2015 €	2014 €
Current assets		
Loans and receivables:		
Trade and other receivables	13,472	13,976
Cash and cash equivalents	36,569	11,991
	<u>50,041</u>	<u>25,967</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Trade and other payables	61,532	46,827
Bank Overdrawn	8,758	14,506
Accruals	10,979	12,211
	<u>81,269</u>	<u>73,544</u>
Non - Current Liabilities		
Financial liabilities measured at amortised cost:		
Long term payables	<u>56,248</u>	<u>67,608</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 2015 and 31 December 2014, the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimated 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.

20 Contingent liabilities

As at year - end the Council had contingent liabilities in respect of four claims potentially five against it. The Council is restricting such claims and no provision has been made in these financial statements in respect of these actions.