

**Local Council Marsaskala**

**Annual Audit Report**

**for the year ended 31 December 2016**



Prepared by:  
Ms Doreen Mintoff  
B.Accountancy(Honours) AIA, DIP.IFR CPA, Reg Auditor

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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 includes a statement of comprehensive income for the year, and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local 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, 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 19 April 2017 and signed on its behalf by:

  
Mario Calleja  
Mayor

  
Josef Grech  
Executive Secretary

# Report of the Local Government Auditor

To the Auditor General

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of Marsaskala Local Council set out on pages 4 to 27 which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Council as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act, the Local Councils (Financial) Procedures 1996 (the "Legislation").

### Basis for opinion

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

### Responsibilities of those charged with governance for the financial statements

As described on page 1 the Executive Secretary and the members of the Local Council are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Legislation, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Secretary and the members of the Local Council are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is the intention to liquidate the Council or to cease operations, or have no realistic alternative but to do so.

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

## Auditor's responsibilities for the audit of the financial statements

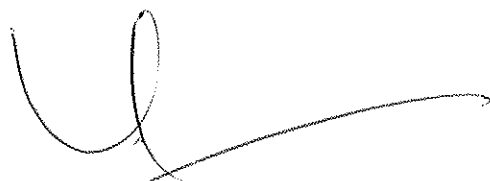
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Mark Bugeja.



Mark Bugeja (Partner) for and on behalf of

**GRANT THORNTON**  
Certified Public Accountants

Tower Business Centre, Suite 3  
Tower Street  
Swatar BKR 4013  
Malta

19 April 2017

Unaudited Statement of Comprehensive Income  
for the year ended 31 December 2016

	Notes	2016 €	2015 €
<b>Revenue</b>			
Funds received from Central Government	3	900,067	913,986
Income raised under Local Council Bye-Laws	4	4,648	4,026
Income raised under Local Enforcement System	5	11,551	12,524
General Income	7	43,457	41,988
		<u>959,723</u>	<u>972,524</u>
<b>Expenditure</b>			
Personal Emoluments		(157,437)	(164,588)
Operations and maintenance	9	(500,260)	(475,865)
Administration and other expenditure	10	(283,741)	(332,718)
		<u>(941,438)</u>	<u>(973,171)</u>
<b>Operating profit/(loss) for the year</b>		18,285	(647)
Finance income	6	<u>1,609</u>	<u>2,525</u>
<b>Profit for the year</b>		<u>19,894</u>	<u>1,878</u>

The notes on pages 8 to 27 form an integral part of these financial statements.

Unaudited Statement of Financial Position  
as at 31 December 2016

	Notes	2016 €	2015 €
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	12	1,220,657	1,327,730
Intangible assets	11	2,522	3,170
		<u>1,223,179</u>	<u>1,330,900</u>
<b>Current Assets</b>			
Receivables	13	30,336	33,141
Cash and cash equivalents	14	700,806	626,853
		<u>731,142</u>	<u>659,994</u>
<b>Total Assets</b>		<u>1,954,321</u>	<u>1,990,894</u>
<b>RESERVES</b>			
Retained earnings		1,226,582	1,206,688
<b>Total reserves</b>		<u>1,226,582</u>	<u>1,206,688</u>
<b>Non-Current Liabilities</b>			
Non-current Deferred Income	16	525,561	531,468
		<u>525,561</u>	<u>531,468</u>
<b>Current Liabilities</b>			
Trade and other payables	15	202,178	252,738
		<u>202,178</u>	<u>252,738</u>
<b>Total Liabilities</b>		<u>727,739</u>	<u>784,206</u>
<b>Total reserves and liabilities</b>		<u>1,954,321</u>	<u>1,990,894</u>

These financial statements were approved by the Local Council on 19th April 2017 and signed on its behalf by:

  
Mario Calleja  
Mayor

  
Josef Grech  
Executive Secretary

The notes on pages 8 to 27 form an integral part of these financial statements.

Statement of Changes in Equity  
for the year ended 31 December 2016

	Retained Funds	Total
	€	€
At 1 January 2015	1,204,810	1,204,810
Profit for the year	1,878	1,878
At 31 December 2015	1,206,688	1,206,688
At 1 January 2016	1,206,688	1,206,688
Profit for the year	19,894	19,894
At 31 December 2016	1,226,582	1,226,582



Statement of Cash Flows  
for the year ended 31 December 2016

	2016	2015
	€	€
<b>Net profit for the year</b>	19,894	1,878
Reconciliation to cash generated from operations:		
Amortisation and Depreciation	163,532	203,393
Reclassification of property, plant & equipment	-	826
Loss on disposal of non current assets	1,046	-
Stock write off	-	3,838
Movement in Provision for Doubtful Debts	(1,636)	(2,518)
Interest receivable	(1,609)	(2,525)
Government grant released	(87,621)	(139,576)
Operating surplus before working capital changes	93,606	65,316
Decrease /(increase) in receivables	553	(34)
Decrease in other receivables	40,322	9,940
Increase / (decrease) in payables	9,323	(15,483)
(Decrease)/increase in other payables	(57,319)	59,564
Cash generated from operating activities	86,485	119,303
<b>Cash flow from investing activities</b>		
Interest received	3,504	3,430
Purchase of intangible fixed assets	(242)	-
Purchase of property, plant & equipment	(56,614)	(97,395)
Grants received	40,820	75,253
Cash (used in) investing activities	(12,532)	(18,712)
<b>Net Increase in cash in the year</b>	73,953	100,591
Cash and equivalents at beginning of year	626,853	526,262
<b>Cash and equivalents at end of year</b>	700,806	626,853

**1. General Information**

The Marsaskala Local Council is the local authority of Malta set up in accordance with the Local Councils Act(1993). The office of the Local Council is situated at 228, Triq is-Salini, Marsaskala. These financial statements were approved for issue by the Council Members on 19 April 2017. The Local Council's company's presentation as well as functional currency is €.

**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.

*Accounting convention*

These financial statements are prepared under the historical cost convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards.

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).

*New and amended standards adopted by the Local Council*

In the current year the Council has applied the below new and revised IFRS issued by IASB that is mandatory effective for financial year beginning 1st January 2016.

IAS 1 - 'Presentation of financial statements' The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports. Subject to adoption by the EU, amendments will be effective for annual periods beginning on or after 1 January 2016. The council does not expect to have a significant effect on the financial statements of the Local Council.

*New standards and Interpretations not yet adopted*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Local Council.

IAS 7 - 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. Subject to adoption by the EU, the amendments are effective for annual periods beginning on or after 1 January 2017.

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 only has two classification categories: amortised cost and fair value. Classification under IFRS 9 will be driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. Subject to adoption by the EU, IFRS 9 will be effective for financial periods beginning on, or after, 1 January 2018. The Council is considering the implications of the standard and its impact on the Council's financial results and position.

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.

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

*Intangible Assets*

Computer software is valued at cost less accumulated depreciation and impairment losses to date. Depreciation to write off the cost is calculated on a monthly basis using the reducing balance method at 25% per annum.

*Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses 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
Traffic Signs	Replacement Basis
Road 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 end of the reporting period. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

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

*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 comprehensive income.

**Leases**

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

**Related parties**

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard No. 24

**Revenue**

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

**Local Enforcement System**

Up till August 2011, the Council used to manage the the Local Enforcement System in its locality and used to receive all the income generated from the fines. As from 1 September 2011, the Council started to form part of the Southern Region, which took over the management of Local Enforcement System and the Council is receiving a 10 % administration fee on every fine paid at the Council. As from October 2015 LESA took over the administration of the Local Enforcement System.

**Government grants**

Government grants relating to costs are deferred and recognised in the income statement 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 in non-current liabilities as deferred government grants and are credited to the profit or loss over the expected lives of the related assets.

**Profits and losses**

Only losses 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.

**Cash and equivalents**

Cash and Cash Equivalents are carried in the statement of financial position. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and balances held with banks.

*Financial instruments*

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

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

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

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

*Financial assets*

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

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

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

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

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

*Financial liabilities*

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

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

*Critical Accounting Estimates and Judgements*

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

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

*Capital management policies*

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 services and benefits to its local community

The Council sets the amount of capital in proportion to risk. The Council manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The Council monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt ÷ adjusted capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Adjusted capital comprises of retained earnings.

**3. Funds received from central government**

	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>
In terms of section 55 of the Local Councils Act	737,137	714,960
Supplementary Government Income	68,897	51,928
Other Government Income	94,033	147,098
	<u>900,067</u>	<u>913,986</u>

**4. Income raised from Bye-Laws**

	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>
Bye-Laws - Advertising on Street Furniture	4,648	4,026
	<u>4,648</u>	<u>4,026</u>

**5. Local Enforcement Income**

	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>
Income from LES administration fees	11,551	11,524
LES Income	-	1,000
	<u>11,551</u>	<u>12,524</u>

**6. Investment Income**

	2016	2015
	€	€
Bank Interest	1,609	2,525
	<u>1,609</u>	<u>2,525</u>

**7. General Income**

	2016	2015
	€	€
Cultural Events	-	90
First aid courses	-	780
Sponsorships and donations	-	50
Green MT Income	3,142	874
WSC Permits	781	955
General Income	630	414
Tender Documents/Info. Charges	-	1,140
Media Advertising	420	645
Donations	175	-
Contributions	300	1,165
Europe for Citizens	-	12,500
Erasmus plus	7,153	-
Income from Permits	30,856	23,375
	<u>43,457</u>	<u>41,988</u>

**8. Personal Emoluments**

	2016	2015
	€	€
Mayor's Allowance	12,443	12,172
Councillors' Allowance	9,600	9,600
Executive Secretary Salary and Allowances	33,025	32,073
Employees' Salaries	92,154	99,204
Social Security Contributions	10,215	11,539
	<u>157,437</u>	<u>164,588</u>



## 9. Operations and Maintenance

	2016	2015
	€	€
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	94,738	68,709
Repair to motor vehicle	1,681	1,120
Signs	8,454	7,643
Road Markings	-	8,751
Office Furniture and Equipment	352	615
Plant & Equipment	160	1,599
Sundry Repairs	410	1,000
Other repairs and Upkeep	17,981	11,987
Council Property	-	40
	<u>123,776</u>	<u>101,464</u>
<i>Contractual Services:</i>		
Waste Disposal	122,429	122,775
Refuse Collection	110,264	115,927
Bulky Refuse Collection	20,430	14,508
Hire of Open Skips	59	-
Cleaning Services	1,559	1,503
Road & Street Cleaning	46,050	46,040
Cleaning & Maintenance Non-Urban Roads	4,850	3,629
Cleaning - Public Conveniences	22,146	18,191
Cleaning - Council Premises	2,960	2,248
Cleaning & Maintenance Parks & Gardens	22,446	22,175
Clean & Maint. Country - Non Urban	-	1,683
Street Lighting	22,994	25,143
Local Enforcement Expenses	297	579
	<u>376,484</u>	<u>374,401</u>
	<u>500,260</u>	<u>475,865</u>

**10. Administration and other expenditure**

	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>
Utilities	19,414	12,233
Uniforms	244	477
Sundry materials & supplies	10,957	13,007
Rent	15,989	15,084
European Organisations	350	350
Participation fee - Nat. Mtg.	324	320
Membership - Local Organisations	900	30
Europe for Citizen project	-	11,470
Erasmus plus	9,820	-
Carnival expenses	6,018	-
Printing	6,301	6,428
Stationery	1,260	663
Subscriptions	1,769	1,673
Couriers	810	212
Postages	909	584
Transport	2,156	1,605
Travel	1,523	1,875
Information Services	8,693	10,352
Insurance Coverage	2,715	2,417
Bank Charges	216	232
IT Development Services	3,472	4,405
Legal services	764	2,019
Accountancy services	7,655	8,280
Professional services	-	80
Other support services	3,859	6,873
Entertainment	2,311	-
Visits - Foreign Delegations	-	3,477
Other Hospitality Costs	1,298	624
Annual General Meeting	234	233
Social Events	5,805	11,541
Cultural Events	-	3,012
Nifthu Bieb lehor Campaign	-	2,135
Community Services	4,760	5,597
Sundry Minor Expenses	96	717
Provision for LES receivables	(1,636)	(2,518)
Loss on disposal of non-current assets	1,046	-
Twinning expenses	177	-
Stock write off	-	3,838
Amortisation and Depreciation	163,532	203,393
	<u>283,741</u>	<u>332,718</u>

**11. Intangible fixed assets**

	Computer Software	Total
	€	€
<b>Cost</b>		
At 1 January 2015	6,982	6,982
At 31 December 2015	6,982	6,982
<b>Amortisation</b>		
At 1 January 2015	2,701	2,701
Charge for year	1,111	1,111
At 31 December 2015	3,812	3,812
<b>Net book values</b>		
At 31 December 2015	3,170	3,170
<b>Cost</b>		
At 1 January 2016	6,982	6,982
Additions	242	242
Disposals	(1,069)	(1,069)
At 31 December 2016	6,155	6,155
<b>Amortisation</b>		
At 1 January 2016	3,812	3,812
On disposals	(993)	(993)
Charge for year	814	814
At 31 December 2016	3,633	3,633
<b>Net book values</b>		
At 31 December 2016	2,522	2,522

Notes to the Financial Statements  
for the year ended 31 December 2016

## 12. Property, plant and equipment

	Trees	Construction Works	New Street Signs	Urban Improvements	Plant, machinery & equipment	Office Furniture & fittings	Motor vehicles	Assets under construction	Total
	€	€	€	€	€	€	€	€	€
<b>Cost</b>									
At 1 January 2015	42,852	1,893,619	59,544	760,763	29,715	22,804	11,006	262,211	3,082,514
Additions	-	57,396	-	23,152	17,268	79	-	535	98,430
Reclassifications	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	256,593	-	-	-	(257,419)	(825)
At 31 December 2015	42,852	1,951,015	59,544	1,040,508	46,983	22,883	11,006	5,327	3,180,113
<b>Grants</b>									
At 1 January 2015	-	157,421	-	25,102	-	-	-	-	182,523
At 31 December 2015	-	157,421	-	25,102	-	-	-	-	182,523
<b>Depreciation</b>									
At 1 January 2015	-	948,621	59,544	421,704	18,340	10,149	9,225	-	1,467,583
Charge for the year	-	84,019	-	111,293	5,661	953	356	-	202,282
Reclassifications	-	-	-	-	-	-	-	-	-
At 31 December 2015	-	1,032,640	59,544	532,997	24,001	11,102	9,581	-	1,669,865
<b>Net book values</b>									
At 31 December 2015	42,852	760,954	-	482,409	22,982	11,781	1,425	5,327	1,327,730

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## 12. Property, plant and equipment

	Trees	Construction Works	New Street Signs	Urban Improvements	Plant, machinery & equipment	Office Furniture & fittings	Motor vehicles	Assets under construction	Total
	€	€	€	€	€	€	€	€	€
<b>Cost</b>									
At 1 January 2016	42,852	1,951,015	59,544	1,040,508	46,983	22,883	11,006	5,327	3,180,118
Additions	245	-	-	50,702	1,943	1,146	-	2,578	56,614
Disposals	-	-	-	-	(8,828)	-	-	-	(8,828)
At 31 December 2016	43,097	1,951,015	59,544	1,091,210	40,098	24,029	11,006	7,905	3,227,904
<b>Grants</b>									
At 1 January 2016	-	157,421	-	25,102	-	-	-	-	182,523
At 31 December 2016	-	157,421	-	25,102	-	-	-	-	182,523
<b>Depreciation</b>									
At 1 January 2016	-	1,032,640	59,544	532,996	24,001	11,102	9,581	-	1,669,864
On disposals	-	-	-	-	(7,858)	-	-	-	(7,858)
Charge for the year	-	76,096	-	80,298	5,106	934	284	-	162,718
At 31 December 2016	-	1,108,736	59,544	613,294	21,249	12,036	9,865	-	1,824,724
<b>Net book values</b>									
At 31 December 2016	43,097	684,858	-	452,814	18,849	11,993	1,141	7,905	1,220,657

**13. Receivables**

	2016 €	2015 €
Receivables	10,719	11,273
Other receivables	466	467
Accrued income	8,610	15,189
Financial assets	19,795	26,929
Prepayments	10,541	6,212
	<u>30,336</u>	<u>33,141</u>

*Receivables*

General receivables are analysed as follows:

	2016 €	2015 €
Within credit period	890	2,513
Exceeded credit period but not impaired	9,829	8,760
	<u>10,719</u>	<u>11,273</u>

*LES Debtors*

LES debtors are stated after a specific provision for doubtful debts amounting to € 335,667 (2015: € 337,303).

*Other receivables*

	2016 €	2015 €
Exceeded credit period but not impaired	<u>467</u>	<u>467</u>

Other receivables are stated after a provision for doubtful debts amounting to € 3,983 (2015 : € 3,983).

The movement in the provision for doubtful debts is as follows:

	2016 €	2015 €
Balance at 1 January	341,286	343,804
(Decrease) in provision for LES Debtors	(1,636)	(2,518)
Balance at 31 December	<u>339,650</u>	<u>341,286</u>

**14. Cash and equivalents**

	2016 €	2015 €
Bank Balances	700,443	626,386
Cash in Hand	363	467
	<u>700,806</u>	<u>626,853</u>

**15. Payables**

	2016 €	2015 €
Payables	110,763	101,440
Other payables	-	39,382
Accruals	32,191	46,527
Financial Liabilities	<u>142,954</u>	<u>187,349</u>
Deferred income	59,224	61,788
Indirect taxes and social security	-	3,601
	<u>202,178</u>	<u>252,738</u>

16. Deferred income	2016 €	2015 €
<b>Government grants</b>		
Balance at the beginning of the year	593,257	657,579
Increase during year	79,149	114,635
Released during year	(87,621)	(139,576)
Other movements		39,382
	<u>584,785</u>	<u>593,256</u>
Current Deferred Income	<u>59,224</u>	<u>61,788</u>
Non-Current Deferred Income	<u>525,561</u>	<u>531,468</u>
<b>Deferred Government Grants</b>		
Deferred within one year	59,224	61,788
Deferred between one and five years	180,740	182,772
Deferred in five years or more	344,821	348,696
	<u>584,785</u>	<u>593,256</u>
<b>17. Capital commitments</b>		
	<b>2016 €</b>	<b>2015 €</b>
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	<u>145,000</u>	<u>31,000</u>
These could be analysed as follows:		
<i>(i) Approved but not yet contracted for:</i>		
Construction	130,000	-
Urban Improvements	12,000	28,000
Office equipment	3,000	3,000
	<u>145,000</u>	<u>31,000</u>



**18. Contingent liabilities**

The Council has a dispute bill with one of its suppliers amounting to € 10,994. Due to the uncertainty of the outcome, as advised by the lawyer only € 3,500 have been provided for.

**19. Related party transactions**

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Councils	Significant control
Regional Committee (Local Enforcement)	Joint control
Fgura Joint Committee (Local Enforcement)	Joint control
Local Enforcement System Agency	No control
Gozo Regional Committee	No control
North Regional Committee	No control
South Regional Committee	No control
South Eastern Regional Committee	No control
Central Regional Committee	No control
Public General Head Quarters	No control
Local Councils' Association	No control
Malta Information Technology Agency	No control
Malta Communication Authority	No control
Malta Tourism Authority	No control
Malta Transport Authority	No control
Department of Lands	No control
Department of Inland Revenue	No control
Permanent Secretary - Ministry of Education	No control
Permanent Secretary - Ministry for Family & Social Solidarity	No control
Bank of Valletta plc	No control
Airmalta plc	No control
Jobs plus	No control
Arms Limited	No control
Planning Authority	No control
Environment and Resources Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Cleansing Services Department	No control
Director General Works Division	No control
Wasteserv Malta Limited	No control
Commissioner for Data Protection	No control

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

	2016 €	2015 €
Annual Financial Allocation	<u>737,137</u>	<u>714,960</u>

**Key management compensation**

Transactions with key management personnel are disclosed in note 8.

**20. Financial Risk Management**

The exposure to risk and the way risks arise, together with the Local Council's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below.

The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development.

Where applicable, any significant changes in the Local Council's exposure to financial risks or manner in which the council manages and measures these risks are disclosed below.

Where possible, the Local Council aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of the risk exposure associated with financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

<i>Categories of financial instruments</i>	<b>2016</b>	<b>2015</b>
<i>Financial assets</i>	€	€
Cash and bank balances	700,806	626,853
Receivables	30,334	26,929
	<u>731,140</u>	<u>653,782</u>
<i>Financial liabilities</i>		
Trade payables	110,763	101,440
Other payables	-	39,382
Accruals	32,191	46,527
	<u>142,954</u>	<u>187,349</u>

The Council is exposed 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 flows by minimising the exposure to financial risks.

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

**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:

	<b>2016</b>	<b>2015</b>
	€	€
Classes of financial assets - carrying amounts		
Receivables	30,334	26,929
Cash and cash equivalents	700,806	626,853
	<u>731,140</u>	<u>653,782</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 only with creditworthy counterparties. Receivables are presented net of provision for doubtful debts. A provision for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

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.

Liquid funds are placed with reputable banks with high quality external credit ratings, therefore credit risk is considered negligible.

#### Liquidity risk

The Council's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funding 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. At the end of the reporting period, the Local Council's net current asset position amounted to € 528,964 (2015 : € 407,471). However the Council's liquidity risk is not deemed to be significant in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments.

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

	Current		Non- Current	
	Payable within 1 year	Payable within 1 & 2 years	Payable within 2 & 5 years	Payable after more than 5 years
31 December 2016	€	€	€	€
Payables	110,763	-	-	-
Other payables	-	-	-	-
Accruals	32,191	-	-	-
	<u>142,954</u>	<u>-</u>	<u>-</u>	<u>-</u>
31 December 2015				
Payables	101,440	-	-	-
Other payables	39,382	-	-	-
Accruals	46,527	-	-	-
	<u>187,349</u>	<u>-</u>	<u>-</u>	<u>-</u>

**21. Fair values estimation**

The nominal values less estimated credit adjustments of receivables and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair values.

**22. Comparative Figures**

Certain amounts have been re-classified to conform with the current year's presentation.