

Local Council Marsaxlokk

Annual Audit Report

for the year ended 31 December 2015

Prepared by:
P & D Consultancy Services

Contents

	Page
Statement of Local Council Members' and Executive Secretary's Responsibilities	1
Report of the Local Government Auditor	2 - 3
Statement of Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Cash Flow Statement	7
Notes to the Financial Statements	8 - 27



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

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of 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 12/02/2016 and signed on its behalf by:


Horace Gauci
Mayor


Duncan Hall
Executive Secretary

Handwritten signature and initials in the bottom right corner of the page.

Statement of Comprehensive Income
for the year ended 31 December 2015

	Notes	2015 €	2014 €
Revenue			
Funds received from Central Government	3	365,522	417,442
Income raised under Local Enforcement System	4	5,510	9,931
General Income	6	14,968	4,590
		<u>386,000</u>	<u>431,963</u>
Expenditure			
Personal Emoluments	8	(102,550)	(98,889)
Operations and maintenance	9	(145,733)	(161,957)
Administration and other expenditure	10	(132,240)	(172,241)
		<u>(380,523)</u>	<u>(433,087)</u>
Operating profit/(loss) for the year		5,477	(1,124)
Finance income	5	74	216
Finance costs		(21)	-
		<u>53</u>	<u>216</u>
Profit/(loss) for the year		<u>5,530</u>	<u>(908)</u>

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

Statement of Financial Position
as at 31 December 2015

	Notes	2015 €	2014 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	11	600,629	374,957
		<u>600,629</u>	<u>374,957</u>
Current Assets			
Receivables	12	98,598	71,436
Cash and cash equivalents	13	23,710	86,465
		<u>122,308</u>	<u>157,901</u>
Total Current Assets		<u>122,308</u>	<u>157,901</u>
Total Assets		<u>722,937</u>	<u>532,858</u>
RESERVES			
Retained earnings		393,208	387,678
Total reserves		<u>393,208</u>	<u>387,678</u>
Non-Current Liabilities			
Non-current Deferred Income	17	193,541	85,849
		<u>193,541</u>	<u>85,849</u>
Current Liabilities			
Trade and other payables	14	123,806	48,903
Short-term borrowings	15	12,382	10,428
		<u>136,188</u>	<u>59,331</u>
Total Liabilities		<u>329,729</u>	<u>145,180</u>
Total reserves and liabilities		<u>722,937</u>	<u>532,858</u>

These financial statements were approved by the Local Council on 13/02/2016 and signed on its behalf by:



Horace Gauci
Mayor



Duncan Hall
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 2015**

	Retained Funds	Total
	€	€
At 1 January 2014	388,586	388,586
Loss for the year	(908)	(908)
At 31 December 2014	<u>387,678</u>	<u>387,678</u>
At 1 January 2015	387,678	387,678
Profit for the year	5,530	5,530
At 31 December 2015	<u>393,208</u>	<u>393,208</u>

Statement of Cash Flows
for the year ended 31 December 2015

	2015		2015
	€	€	€
Net profit/(loss) for the year	5,530		(908)
Reconciliation to cash generated from operations:			
Amortisation and Depreciation	50,031		89,915
Movement in Provision for Doubtful Debts	(221)		(216)
Interest receivable	(74)		(216)
Interest payable	21		-
Operating surplus before working capital changes	55,287		88,575
(increase) in receivables	2,631		(1,472)
(Increase)/Decrease in other receivables	(28,842)		59,766
Increase / (decrease) in payables	54,409		(18,800)
Increase in other payables	7,858		2,750
Government grant released	(14,504)		(60,357)
Cash generated from operating activities		76,839	70,462
Cash flow from investing activities			
Interest received	74		216
Purchase of property, plant & equipment	(274,908)		(142,528)
Grants received	135,032		54,734
Cash (used in) investing activities		(139,802)	(87,578)
Cash from financing activities			
Repayment of short term bank borrowings	(21)		-
Repayment of short term related party borrowings	(1,725)		(20,444)
Cash (used in) financing activities		(1,746)	(20,444)
Net decrease in cash in the year		(64,709)	(37,560)
Cash and equivalents at beginning of year		76,037	113,597
Cash and equivalents at end of year		11,328	76,037

1. General Information

The Marsaxlokk 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 2, Triq Vittorjo Cassar, Marsaxlokk. These financial statements were approved for issue by the Council Members on 17/02/2016. 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 ters 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 2015.

IFRS 13 – Fair value measurement : Annual Improvements 2010 – 2012 Cycle - Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only). Applicable to annual periods beginning on or after 1 July 2014.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets : Annual Improvements 2010 – 2012 Cycle – Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount. Applicable to annual periods beginning on or after 1 July 2014.

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 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.

On 12 May 2014 the IASB published amendments to IAS 16 and IAS 38. These amendments clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. Furthermore, it clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. These amendments are effective for annual periods beginning on or after 1 January 2016.

In September 2014, the IASB issued Annual Improvements to IFRSs 2012-2014 Cycle. The issues included in this cycle are: Changes in methods of disposal (IFRS 5), Servicing Contracts and the Applicability of the amendments to IFRS 7. The amendments are effective from 1 January 2016.

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.

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.

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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.

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.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

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

	2015 €	2,014 €
In terms of section 55 of the Local Councils Act	336,697	325,487
Supplementary Government Income	7,673	12,592
Other Government Income	21,152	79,363
	<u>365,522</u>	<u>417,442</u>

4. Local Enforcement Income

	2015 €	2014 €
Contraventions & other fines	1,438	-
Income from LES administration fees	4,072	2,537
	<u>5,510</u>	<u>2,537</u>

5. Investment Income

	2015 €	2014 €
Bank Interest	74	216
	<u>74</u>	<u>216</u>

6. General Income

	2015 €	2014 €
Tender Documents/Info. Charges	1,106	-
Donations	-	903
Contributions	2,080	3,029
Insurance Claims	-	658
Income from Permits	11,782	7,394
	<u>14,968</u>	<u>11,984</u>

7. Finance costs

	2015 €	2014 €
Bank interest	21	-
	<u>21</u>	<u>-</u>

8. Profit/(loss) for the year

	2015 €	2014 €
Profit/(loss) for the year is stated after charging:		
Staff salaries	102,550	98,889
Depreciation of non-current assets	50,031	89,915
	<u>102,550</u>	<u>98,889</u>

Note

Personal Emoluments

	2015 €	2014 €
Mayor's Allowance	7,048	6,868
Councillors' Allowance	6,400	6,400
Executive Secretary Salary and Allowances	27,587	26,909
Employees' Salaries	55,095	52,195
Social Security Contributions	6,420	6,517
	<u>102,550</u>	<u>98,889</u>

9. Operations and Maintenance

	2015	2014
	€	€
<i>Repairs and Upkeep:</i>		
Public Property	617	3,631
Road/Street Pavements	4,362	7,294
Signs and road markings	632	2,437
Office Furniture and Equipment	1,068	-
Plant & Equipment	472	-
Maintenance of motor vehicle	435	-
Other repairs and Upkeep	667	11,403
Council Property	1,564	-
	<u>9,817</u>	<u>24,765</u>
<i>Contractual Services:</i>		
Waste Disposal	22,390	23,229
Refuse Collection	56,811	53,567
Bulky Refuse Collection	4,394	3,527
Hire of Open Skips	840	1,800
Cleaning Services	3,140	-
Road & Street Cleaning	23,200	21,375
Cleaning & Maintenance Non-Urban Roads	-	3,842
Cleaning - Public Conveniences	2,760	1,572
Cleaning - Council Premises	1,228	1,192
Other Contractual Services	-	3,124
Cleaning & Maintenance Parks & Gardens	12,556	12,587
Street Lighting	8,568	11,377
Local Enforcement Expenses	29	-
	<u>135,916</u>	<u>137,192</u>
	<u>145,733</u>	<u>161,957</u>

10. Administration and other expenditure

	2015	2014
	€	€
Utilities	7,141	21,780
Uniforms	1,637	-
Operating materials & supplies	2,761	-
Cleaning materials & supplies	850	-
Sundry materials & supplies	2,814	6,751
Rent	8,500	8,343
National/International Memberships	-	1,404
Participation fee - Nat. Mtg.	160	-
Membership - Local Organisations	2,000	-
Printing	4,744	-
Stationery	2,466	-
Subscriptions	1,876	-
Couriers	1,473	-
Postages	236	-
Other Office Services	-	6,760
Transport	2,789	3,926
Travel	1,242	-
Information Services	5,887	6,189
Insurance Coverage	2,345	-
Bank Charges	268	-
IT Development Services	3,791	-
Legal services	500	-
Accountancy services	1,930	-
Professional services	-	13,920
Other support services	2,685	-
Visits - Foreign Delegations	118	-
Other Hospitality Costs	2,699	-
Social Events	20,001	-
Cultural Events	130	13,253
Community Services	1,344	-
Sundry Minor Expenses	43	-
Provision for LES receivables	(221)	-
Amortisation and Depreciation	50,031	89,915
	<u>132,240</u>	<u>172,241</u>

**Notes to the Financial Statements
for the year ended 31 December 2015**

11. Property, plant and equipment	Construction Works	New Street Signs	Urban Improvements	Plant and Machinery	Office Equipment	Office Furniture & fittings	Motor vehicles	Special Programmes	Assets under construction	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
At 1 January 2014	810,723	15,309	222,876	23,548	15,069	22,372	12,812	570,520	38,096	1,731,325
Additions	-	-	94,988	6,989	2,926	2,865	-	-	1,945	109,713
Movement in assets	33,031	-	-	-	-	-	-	-	(38,096)	(5,065)
Disposals	-	-	-	-	-	-	-	-	-	-
At 31 December 2014	843,754	15,309	317,864	30,537	17,995	25,237	12,812	570,520	1,945	1,835,973
Grants										
At 1 January 2014	191,733	-	178,414	-	-	-	-	569,077	-	939,224
At 31 December 2014	191,733	-	178,414	-	-	-	-	569,077	-	939,224
Depreciation										
At 1 January 2014	328,899	15,309	34,399	18,348	10,511	13,001	10,993	417	-	431,877
Charge for the year	29,111	-	56,415	2,093	1,215	717	364	-	-	89,915
At 31 December 2014	358,010	15,309	90,814	20,441	11,726	13,718	11,357	417	-	521,792
Net book values										
At 31 December 2014	294,011	-	48,636	10,096	6,269	11,519	1,455	1,026	1,945	374,957

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

11.	Property, plant and equipment	Motor Vehicle	Property	Construction Works	New Street Signs	Urban Improvements	Plant and machinery	Office and Equipment	Office Furniture & fittings	Special Programmes	Assets under construction	Total
		€	€	€	€	€	€	€	€	€	€	€
Cost	At 1 January 2015	12,812	-	843,754	15,309	317,864	30,537	17,995	25,237	570,520	1,945	1,835,973
	Additions	19,706	56,485	68,244	-	1,832	4,754	54,843	70,634	-	(795)	275,703
	At 31 December 2015	32,518	56,485	911,998	15,309	319,696	35,291	72,838	95,871	570,520	1,150	2,111,676
Grants	At 1 January 2015	-	-	191,733	-	178,414	-	-	-	569,077	-	939,224
				191,733	-	178,414	-	-	-	569,077	-	939,224
	At 31 December 2015	-			-							
Depreciation	At 1 January 2015	11,357	-	358,010	15,309	90,814	20,441	11,726	13,718	417	-	521,792
	Charge for the year	3,635	189	30,962	-	5,145	2,740	4,797	2,563		-	50,031
	At 31 December 2015	14,992	189	388,972	15,309	95,959	23,181	16,523	16,281	417	-	571,823
Net book values												
	At 31 December 2015	17,526	56,296	331,293	-	45,323	12,110	56,315	79,590	1,026	1,150	600,629

12. Receivables

		2015	2014
		€	€
Receivables	<i>Note</i>	2,588	5,219
Provision for doubtful debts		(1,170)	(1,170)
Other receivables		2,810	2,808
Accrued income		91,522	61,079
Financial assets		95,750	67,936
Prepayments		2,848	3,500
		<u>98,598</u>	<u>71,436</u>

Receivables

General receivables are analysed as follows:

	2015	2014
	€	€
Within credit period	480	1,556
Exceeded credit period but not impaired	2,108	3,663
	<u>2,588</u>	<u>5,219</u>

Receivables are stated after a specific provision for doubtful debts amounting to € 1,170 (2014: € 1,170).

LES Debtors

LES debtors are stated after a specific provision for doubtful debts amounting to € 51,056 (2014: € 51,277).

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

	2015	2014
	€	€
Balance at 1 January	51,277	51,277
(Decrease)/Increase in provision for LES Debtors	(221)	-
Increase in provision for Other Debtors	-	-
Balance at 31 December	<u>51,056</u>	<u>51,277</u>

13. Cash and equivalents

	2015	2014
	€	€
Bank Balances	23,587	86,360
Cash in Hand	123	105
Cash at bank an in hand	<u>23,710</u>	<u>86,465</u>
Bank balance overdrawn	(12,382)	(10,428)
Cash and cash equivalent	<u><u>11,328</u></u>	<u><u>76,037</u></u>

The Company has undrawn borrowing facilities of € - which facilities can be drawn on demand.

14. Payables

	2015	2014
	€	€
Payables	75,972	21,563
Other payables	1,266	1,266
Accruals	24,608	16,950
Financial Liabilities	<u>101,846</u>	<u>39,779</u>
Deferred income	21,960	9,124
	<u><u>123,806</u></u>	<u><u>48,903</u></u>

15. Short-term Borrowings

	2015	2014
	€	€
Current		
Bank balance overdrawn	<u><u>12,382</u></u>	<u><u>10,428</u></u>

16. Deferred Income	2015	2014
	€	€
Government grants		
Balance at the beginning of the year	94,973	48,516
Increase during year	141,929	54,734
Released during year	(14,504)	(8,277)
Other movement	(6,897)	-
	<u>215,501</u>	<u>94,973</u>
Current Deferred Income	<u>21,960</u>	<u>9,124</u>
Non-Current Deferred Income	<u>193,541</u>	<u>85,849</u>
Deferred Government Grants		
Deferred between one and two years	63,227	8,202
Deferred between two and five years	154,108	20,197
Deferred in five years or more	420,663	57,450
	<u>637,998</u>	<u>85,849</u>

17. Capital commitments

	2015	2014
	€	€
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	22,500	6,000
Contracted for but not provided in the financial statements	-	35,000
These could be analysed as follows:		
<i>(i) Approved but not yet contracted for:</i>		
Construction	20,000	
Office furniture	1,500	4,000
Computer equipment	1,000	2,000
	22,500	6,000
<i>(ii) Contracted for but not provided in the Financial Statements:</i>		
Construction		35,000

18. 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
LESA	No control
Gozo Regional Committee	No control
North 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 Tourism Authority	No control
Department of Lands	No control
Director 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
Arms Limited	No control
Malta Environment & Planning 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:

	2015	2014
	€	€
Annual Financial Allocation	<u>336,697</u>	<u>325,487</u>

Key management compensation

Transactions with key management personnel are disclosed in note 8.



19. 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>	2015	2014
<i>Financial assets</i>	€	€
Cash and bank balances	23,710	86,465
Receivables	95,750	67,936
	<u>119,460</u>	<u>154,401</u>
<i>Financial liabilities</i>		
Trade payables and other payables	114,228	50,207
	<u>114,228</u>	<u>50,207</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:

	2015	2014
	€	€
Classes of financial assets - carrying amounts		
Receivables	23,710	86,465
Cash and cash equivalents	95,750	67,936
	<u>119,460</u>	<u>154,401</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 (liability)/asset position amounted to € (13,880) (2014 : € 98,570). 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 2015 the Council's financial liabilities have contractual maturities which are summarised below:

	Current		Non- Current	
	<i>Payable within 1 year</i>	<i>Payable within 1 & 2 years</i>	<i>Payable within 2 & 5 years</i>	<i>Payable after more than 5 years</i>
31 December 2015	€	€	€	€
Payables	23,088	-	-	-
Other payables	25,000	-	-	-
Accruals	15,832	-	-	-
Third party borrowings	39,016	30,282	3,066	-
	<u>63,920</u>	<u>30,282</u>	<u>3,066</u>	<u>-</u>
31 December 2014				
Payables	9,228	-	-	-
Other payables	28,127	-	-	-
Accruals	10,924	-	-	-
Bank balance overdrawn	4,183	-	-	-
Third party borrowings	67,957	33,347	39,480	-
	<u>52,462</u>	<u>33,347</u>	<u>39,480</u>	<u>-</u>

20. 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.

21. Comparative Figures

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

22. Going Concern

The Statement of Financial Position on 5 and the notes thereto, with special reference to capital commitments, suggest that the going concern assumption used in the preparation of these financial statements is dependent on further sources of funds other than the annual financial allocation by Central Government, on the collection of debts due to the Council and on the continued support of the Council's creditors. Any adverse change in either of these assumptions above, would not let the Council able to meet its financial obligations as they fall due without curtailing its future commitments.