



MELLIEĦA

LOCAL COUNCIL MELLIEĦA

Annual Report
and
Financial Statements

for the year ended 31 December 2014



Prepared by

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ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2014


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Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2014

The Local Councils (Financial) Regulations' require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's 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 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 the 29 April 2015 and signed on its behalf by


John Buttigieg
Mayor
Carmel Debono
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

| | | 2014 | 2013 |
|--|--------------|-----------------------|------------------------|
| | | € | € |
| | <i>Notes</i> | | |
| INCOME | | | |
| Funds received from Central Government | 4 | 1,199,600 | 1,163,684 |
| Income raised under Local Council Bye-Laws | 5 | 7,064 | 21,607 |
| Income raised under Local Enforcement System | 6 | 7,083 | 5,790 |
| General Income | 7 | 80,626 | 16,275 |
| | | <u>1,294,373</u> | <u>1,207,356</u> |
| EXPENDITURE | | | |
| Personal emoluments | 9 | (126,365) | (118,784) |
| Operations and maintenance | 10 | (536,975) | (468,479) |
| Administration and other expenditure | 11 | (642,224) | (644,972) |
| | | <u>(1,305,564)</u> | <u>(1,232,235)</u> |
| Operating loss for the year | | (11,191) | (24,879) |
| Finance income | 12 | 7,228 | 9,029 |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR | | <u>(3,963)</u> | <u>(15,850)</u> |


The notes on pages 8 to 26 form an integral part of these financial statements

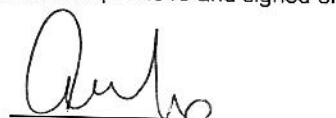
STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

| | | 2014 € | 2013 € |
|-------------------------------------|--------------|-------------------------|-------------------------|
| ASSETS | <i>Notes</i> | | |
| Non-Current Assets | | | |
| Property, plant and equipment | 13 | <u>5,874,651</u> | <u>5,563,832</u> |
| | | <u>5,874,651</u> | <u>5,563,832</u> |
| Current Assets | | | |
| Inventories | 14 | 11,456 | 10,412 |
| Receivables | 15 | 142,802 | 37,287 |
| Cash and Cash Equivalents | 16 | <u>685,092</u> | <u>759,763</u> |
| | | <u>839,350</u> | <u>807,462</u> |
| Total Assets | | <u>6,714,001</u> | <u>6,371,294</u> |
| EQUITY AND LIABILITIES | | | |
| Reserves | | | |
| Retained Fund | | <u>3,974,854</u> | <u>3,978,817</u> |
| | | <u>3,974,854</u> | <u>3,978,817</u> |
| Non-Current Liabilities | | | |
| Long-term borrowings | 18 | 97,915 | 152,359 |
| Deferred income | 19 | <u>1,996,809</u> | <u>1,867,821</u> |
| | | <u>2,094,724</u> | <u>2,020,180</u> |
| Current Liabilities | | | |
| Payables | 17 | <u>644,423</u> | <u>372,297</u> |
| | | <u>644,423</u> | <u>372,297</u> |
| Total Equity and Liabilities | | <u>6,714,001</u> | <u>6,371,294</u> |

These financial statements were approved by the Local Council on 29 April 2015 and signed on its behalf by:


John Buttigieg
Mayor


Carmel Debono
Executive Secretary

The notes on pages 8 to 26 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

| | Retained Funds € |
|----------------------------|------------------------|
| At 1 January 2013 | 3,994,667 |
| Loss for the year | (15,850) |
| At 31 December 2013 | 3,978,817 |
| At 1 January 2014 | 3,978,817 |
| Loss for the year | (3,963) |
| At 31 December 2014 | 3,974,854 |

STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

| | 2014 € | 2013 € |
|---|------------------|------------------|
| Note | | |
| Cash flows from Operating Activities | | |
| Loss for the year | (3,963) | (15,850) |
| Reconciliation to cash generated from operations: | | |
| Depreciation | 386,368 | 410,516 |
| Provision for bad debts | - | 27,770 |
| Interest receivable | (7,228) | (9,029) |
| Grant released | (117,988) | (110,945) |
| Operating Profit before Working Capital Changes | 257,189 | 302,462 |
| Movement in inventories | (1,044) | 383 |
| Movement in receivables | 2,899 | 13,727 |
| Movement in other receivables | (108,414) | 138,972 |
| Movement in payables | 67,691 | (129,450) |
| Movement in other payables | 175,914 | 63,438 |
| Cash generated from operating activities | 394,235 | 389,532 |
| Cash flows from Investing Activities | | |
| Interest received | 7,228 | 9,029 |
| Purchase of property, plant & equipment | (697,187) | (768,944) |
| Receipt of grant | 275,497 | 242,643 |
| Cash used in investing activities | (414,462) | (517,272) |
| Cash flows from Financing Activities | | |
| Movement in long term third party borrowings | (54,444) | (72,422) |
| Net decrease in Cash and Cash Equivalents | (74,671) | (200,161) |
| Cash and Cash Equivalents at the Beginning of the year | 759,763 | 959,924 |
| Cash and Cash Equivalents at the End of the year | 685,092 | 759,763 |
| 16 | | |

Notes to the Financial Statements for the period ended 31 December 2014

1. General Information

The Mellieha 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 126, New Mill Street, Mellieha, MLH 1107. These financial statements were approved for issue by the Council Members on 29 April 2015. The Local Council's presentation as well as functional currency is denominated in €.

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 as adopted by the EU.

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 Council

The Local Council has adopted the following International Financial Reporting Standards as adopted by the EU:

Certain new standards, amendments and interpretation to existing standards, have been published by the date of authorisation or issue of these financial statements but are mandatory for the Council's accounting periods beginning after 1 January 2014, including IFRS 9, 'Financial instruments', amongst other pronouncements.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments.

IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The Council is yet to address the full impact of IFRS 9 and intends to adopt IFRS 9 subject to endorsement by the EU, no later than the accounting period beginning on or after 1 January 2018.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and established principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS18 'Revenue' and IAS11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted, subject to endorsement by the EU. The Council is assessing the impact of IFRS 15.

Notes to the Financial Statements for the year ended 31 December 2014 (cont.)

Accounting Policies and Reporting Procedures (cont.)

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) was issued in December 2011. The amendments clarify (a) the meaning of 'currently has a legally enforceable right of set-off; and (b) that some gross settlement systems would be considered equivalent to net settlement if they eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle. The amendment is required to be applied for annual periods beginning on or after 1 January 2014.

The IASB issued Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) on 29 May 2014. The overall effect of the amendments is to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The amendments are applicable to annual periods beginning on or after 1 January 2014.

On 27 June 2013 the IASB published narrow-scope amendments to IAS 30 Financial Instruments. Recognition and Measurement entitled Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39). These amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws and regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

On 20 May 2013, IFRIC 21 Levies was issued. IFRIC 21 is applicable for annual periods beginning on or after 1 January 2014. IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

On 12 May 2011, the International Accounting Standards Board (IASB) issued IFRS 11 Joint Arrangements. At the same time, the IASB issued a revised version of IAS 28 Investments in Associates and Joint Ventures. The new and revised Standards are applicable for annual periods beginning on or after 1 January 2014, with earlier application being permitted. However when endorsing these Standards the European Union has allowed that these become applicable for annual periods beginning on and after 1 January 2014, with earlier application being permitted.

IFRS 12 Disclosure of Interests in Other Entities (effective January 2014) addresses disclosure requirements for certain interest in other entities, including joint arrangements, associates, subsidiaries and unconsolidated structured entities. The objective of IFRS 12 is to require an entity to disclose information that enables users of its financial statements to evaluate (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of other interests on its financial position, financial performance and cash flows.

New important standards and amendments not yet adopted by the Council

The following standards and amendments to existing standards have been published and are mandatory (as applicable) for the Association's accounting periods beginning on or after 1 January 2015 or later periods, but the Association has not early adopted them:

IFRS 11 Joint Arrangements classifies joint arrangements on the basis of their substance by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case of IAS 31 Interests in Joint Ventures). Under IFRS 11, joint arrangements are classified as joint ventures or as joint operations. Joint ventures are accounted for using the equity method of consolidation since the use of proportionate consolidation for such arrangements has been eliminated. Joint operations are accounted for in a manner that is similar to the current accounting treatment applicable for jointly controlled assets and jointly controlled operations. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities-Non-monetary Contributions by Ventures.

Notes to the Financial Statements for the year ended 31 December 2014 (cont.)

Accounting Policies and Reporting Procedures (cont.)

IFRS 9 Financial Instruments is applicable for annual periods beginning on or after 1 January 2015. This Standard represents the completion of the classification and measurement part of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This Standard addresses the classification and measurement of certain financial assets and financial liabilities. IFRS 9 requires financial assets that fall within its scope to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Standard requires financial assets to be subsequently measured at amortised cost or at fair value. The new requirements in relation to financial liabilities address the problem of volatility in profit or loss arising from an issuer to measure its own debt at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss.

On 21 November 2013 the IASB published narrow scope amendments to IAS 19 Employee Benefits entitled Defined Benefit Plans: Employee Contributions (Amendments to IAS 19). These amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendments are effective from 1 July 2014 with earlier application permitted.

In December 2013, the IASB issued Annual Improvements to IFRSs 2010-2012 Cycle, a collection of amendments to IFRSs, in response to eight issues addressed during the 2010-2012 cycle. The amendments reflect issues discussed by the IASB during the project cycle that began in 2010, and that were subsequently included in the exposure draft of proposed amendments to IFRSs Annual Improvements to IFRSs 2010-2012 Cycle (published in May 2012). The issues included in this cycle are: Definition of 'vesting condition' (IFRS 2); Accounting for contingent consideration in a business combination (IFRS 3); Aggregation of operating segments (IFRS 8); Reconciliation of the total of the reportable segments' assets to the entity's assets (IFRS 8); Short term receivables and payables (IFRS 13); Interest paid that is capitalised (IAS 7); Revaluation method – proportionate restatement of accumulated depreciation (IAS 16 and IAS 38); a Key management personnel services (IAS 24). The amendments are effective for annual periods beginning on or after 1 July 2014.

In December 2013, the IASB issued Annual Improvements to IFRSs 2011-2013 Cycle, a collection of amendments to IFRSs, in response to four issues addressed during the 2011-2013 cycle. The amendments reflect issues discussed by the IASB during the project cycle that began in 2011, and that were subsequently included in the exposure draft of proposed amendments to IFRSs Annual Improvements to IFRSs 2011-2013 Cycle (published in November 2012). The issues include in this cycle are Meaning of effective IFRSs (IFRS 1); Scope exceptions for joint ventures (IFRS 3); Scope of paragraph 52 (portfolio exception) (IFRS 13); and Clarifying the Interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property (IAS 40). The amendments are effective for annual periods beginning on or after 1 July 2014.

Improvements to IFRS 2009-2011 was issued on 17 May 2012 and covers a number of limited improvements to existing IFRS, such as IFRS 1 in relation to repeat application and borrowing costs; IAS 1 in relation to clarification on comparative information; IAS 16 in relation to classification of servicing equipment; IAS 32 in relation to the tax effect on distribution to holders of equity instruments and IAS 34 in relation to interim financial reporting and segment information for total assets and liabilities.

IFRS 9 (2009) and (2010) are effective for annual periods beginning on or after 1 January 2015, with early adoption permitted. IFRS 9 Financial Instruments (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009) financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flow. The Standard requires financial assets to be subsequently measured at amortised cost or at fair value. IFRS 9 (2010) introduces additional changes relating to financial liabilities. The new requirements in relation to financial liabilities address the problem of volatility in profit or loss arising from an issuer to measure its own debt at fair value. With the new requirements, any entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss.

Notes to the Financial Statements for the period ended 31 December 2014 (cont.)**Accounting Policies and Reporting Procedures (cont.).**

The Councillors and Executive Secretary 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 Council anticipates 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 statement of financial position 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 council 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.

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 Statement of Comprehensive Income on a straight-line basis over the period of the lease.

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.

Notes to the Financial Statements for the period ended 31 December 2014 (cont.)

Accounting Policies and Reporting Procedures (cont.).

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes freight, handling and other direct costs. Costs of inventories include the transfer from retained funds of any gains/losses on qualifying cash flow hedges relating to purchases of stock items. However, borrowing costs and foreign exchange differences are excluded. Net realisable value is the price at which stocks can be sold in the course of Council activities less anticipated costs of selling. Provision is made where necessary for obsolete, slow moving and defective stocks.

Amounts receivable

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds and the redemption value is recognised in the income and expenditure account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Local Council has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Trade and other payables

Trade and other payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material in which case trade and other payables are measured at amortised cost using the effective interest method.

Financial instruments

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

Notes to the Financial Statements for the period ended 31 December 2014 (cont.)

Accounting Policies and Reporting Procedures (cont.)

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 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.

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

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 statement of comprehensive income as it accrues.

Income from central government is not recognised until there is reasonable assurance that the Council will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross and any deductions made for non-compliance are to be disclosed separately with expenses.

Local Enforcement System

The Mellieha Local Council formed part of the North Joint Committee until August 2012. As from September 2012, the income recognised in the Income Statement was derived from the five Regional Committees.

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 income statement over the expected lives of the related assets.

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 €, which is the Council's functional and presentation currency.

Notes to the Financial Statements for the period ended 31 December 2014 (cont.)

Accounting Policies and Reporting Procedures (cont.)

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

Borrowing costs

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

Profits and losses

Only surpluses 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 cash equivalents

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

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 Executive Secretary, the accounting estimates and judgements made in the preparation of the Financial Statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS1 (revised) - 'Presentation of Financial Statements'.

Capital Management

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objectives are to ensure:

- that the Council's ability to continue as a going concern is still valid and
- that the Council maintains a positive working capital ratio.

To achieve the above, the Council carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was positive at the reporting date and has not changed significantly from the previous year. The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

3. Judgments in applying accounting policies and key sources of estimation

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.

Notes to the Financial Statements for the period ended 31 December 2014 (cont.)**4. Funds received from central government**

| | 2014 | 2013 |
|--|------------------|------------------|
| | € | € |
| In terms of section 55 of the Local Councils Act | 1,009,987 | 1,002,922 |
| Supplementary Government Income | 27,195 | 21,312 |
| EU funding | 9,671 | 7,169 |
| Other Government Income | 34,759 | 21,336 |
| Grants Released | 117,988 | 110,945 |
| | <u>1,199,600</u> | <u>1,163,684</u> |

5. Income raised from Bye-Laws

| | 2014 | 2013 |
|-----------------------------------|--------------|---------------|
| | € | € |
| Bye-Law - Attivitajiet fil-Beraħ | 5,345 | 4,121 |
| Bye-Law - Organisation of Courses | 545 | 16,300 |
| Bye-Law - Skips | 1,174 | 1,186 |
| | <u>7,064</u> | <u>21,607</u> |

6. Local Enforcement system

| | 2014 | 2013 |
|--------------------------------|--------------|--------------|
| | € | € |
| Contraventions and other fines | 7,083 | 5,790 |
| | <u>7,083</u> | <u>5,790</u> |

7. General Income

| | 2014 | 2013 |
|--|---------------|---------------|
| | € | € |
| Cultural Events & sponsorships from NGOs | 2,930 | 3,241 |
| Sale of books and other merchandise | 1,496 | 545 |
| Rent Receivable | 466 | 466 |
| General Income | 60,883 | 218 |
| Tender Documents/Info Charges | 1,160 | 1,775 |
| Refund of expenses | 1,294 | 555 |
| Income from Permits | 12,397 | 9,475 |
| | <u>80,626</u> | <u>16,275</u> |

Notes to the Financial Statements for the period ended 31 December 2014 (cont.)**8. Loss for the year**

| | 2014 | 2013 |
|---|-------------|-------------|
| | € | € |
| Loss for the year is stated after charging | | |
| Staff salaries | 126,365 | 118,784 |
| Depreciation of property, plant & equipment | 386,368 | 410,516 |
| Provision for bad debts | - | 27,770 |

9. Staff Salaries

| | 2014 | 2013 |
|---|----------------|----------------|
| | € | € |
| Mayor's Remuneration | 10,302 | 7,665 |
| Councillors' Allowances | 11,200 | 10,280 |
| Executive Secretary Salary and Allowances | 30,989 | 29,806 |
| Employees' Salaries | 66,168 | 63,578 |
| Social Security Contributions | 7,708 | 7,455 |
| | <u>126,365</u> | <u>118,784</u> |

10. Operations and Maintenance

| | 2014 | 2013 |
|--|----------------|----------------|
| | € | € |
| <i>Repairs and Upkeep:</i> | | |
| Road/Street Pavements | 119,466 | 74,934 |
| Signs | 14,981 | 30,488 |
| Road Markings | 14,435 | 16,324 |
| Other repairs and Upkeep | 2,355 | 15,850 |
| Council Property | 1,149 | 1,437 |
| Repairs and maintenance - litter bins | 2,226 | 1,155 |
| | <u>154,612</u> | <u>140,188</u> |
| <i>Contractual Services:</i> | | |
| Refuse Collection | 157,023 | 119,632 |
| Bulky Refuse Collection | 15,964 | 22,733 |
| Open Skips & Bring-In Sites | 1,564 | 2,328 |
| Road & Street Cleaning | 53,099 | 40,120 |
| Cleaning & Maintaining Non-Urban | 28,934 | 26,715 |
| Cleaning - Public Conveniences | 49,217 | 46,884 |
| Cleaning - Council Premises | 3,049 | 3,049 |
| Cleaning & Maintaining Parks & Gardens | 60,389 | 50,446 |
| Cleaning & Maintaining Beaches | 320 | 532 |
| Street Lighting | 10,799 | 12,584 |
| Studies & Consultations | 1,907 | 2,336 |
| LES related expenditure | 98 | 932 |
| | <u>382,363</u> | <u>328,291</u> |
| Total Operations and Maintenance Costs | <u>536,975</u> | <u>468,479</u> |

Notes to the Financial Statements for the period ended 31 December 2014 (cont.)**11. Administration and other expenditure**

| | 2014 | 2013 |
|--|----------------|----------------|
| | € | € |
| Utilities | 27,411 | 15,310 |
| Other repairs and upkeep | 5,162 | 3,214 |
| Rent | 4,232 | 4,330 |
| National and International Memberships | 922 | 1,229 |
| Office Services | 3,920 | 4,286 |
| Transport | 2,414 | 3,912 |
| Travel | 5,482 | 353 |
| Information Services | 10,930 | 9,232 |
| Lease of Equipment | 2,734 | 3,217 |
| Insurance Coverage | 5,041 | 3,677 |
| Bank Charges | 237 | 196 |
| Professional Services | 18,721 | 22,806 |
| EU Projects Expenses | 34,120 | 6,514 |
| Tuition for courses and expenses | 2,430 | 25,407 |
| Entertainment | 2,086 | 1,748 |
| Conference Expenses | 1,412 | 4,851 |
| Cultural Events | 111,527 | 82,687 |
| Community Services | 11,344 | 7,044 |
| Sundry Minor Expenses | 1,811 | 1,426 |
| General and administrative expenses | 2,985 | 2,296 |
| Twinning expenses | 933 | 2,949 |
| Provision for doubtful debts | - | 27,770 |
| Depreciation | 386,368 | 410,516 |
| | <u>642,224</u> | <u>644,972</u> |

12. Finance Income

| | 2014 | 2013 |
|--------------------------|--------------|--------------|
| | € | € |
| Bank Interest Receivable | 7,228 | 9,029 |
| | <u>7,228</u> | <u>9,029</u> |

Notes to the Financial Statements for the period ended 31 December 2014 (cont.)

13. Property, plant and equipment

| | Property | Assets under construction | New Street Signs | Urban Improvements & Construction | Plant, machinery & Equipment | Office Furniture & fittings | Special Programmes | Total |
|------------------------|----------|---------------------------------|------------------------|---|---------------------------------------|-----------------------------------|-----------------------|-----------|
| | € | € | € | € | € | € | € | € |
| Cost | | | | | | | | |
| At 1 January 2013 | 338,425 | 3,049,960 | 73,322 | 198,106 | 32,139 | 54,310 | 4,834,679 | 8,580,941 |
| Additions | - | - | - | 10,426 | 590 | 79,049 | 678,879 | 768,944 |
| Reclassification | - | (673,499) | - | - | - | - | 673,499 | - |
| At 31 December 2013 | 338,425 | 2,376,461 | 73,322 | 208,532 | 32,729 | 133,359 | 6,187,057 | 9,349,885 |
| Depreciation | | | | | | | | |
| At 1 January 2013 | 7,250 | - | 73,322 | 193,734 | 28,277 | 23,990 | 1,697,066 | 2,023,639 |
| Charge for the year | 866 | - | - | 12,806 | 1,543 | 5,720 | 389,581 | 410,516 |
| At 31 December 2013 | 8,116 | - | 73,322 | 206,540 | 29,820 | 29,710 | 2,086,647 | 2,434,155 |
| Grants | | | | | | | | |
| At 1 January 2013 | - | - | - | - | - | - | 1,351,898 | 1,351,898 |
| At 31 December 2013 | - | - | - | - | - | - | - | - |
| Net Book values | | | | | | | | |
| At 31 December 2013 | 330,309 | 2,376,461 | - | 1,992 | 2,909 | 103,649 | 2,748,512 | 5,563,832 |

Notes to the Financial Statements for the period ended 31 December 2014 (cont.)

13. Property, plant and equipment (cont.)

| | Property | Assets under construction | New Street Signs | Urban Improvements & Construction | Plant, machinery & Equipment | Office Furniture & fittings | Special Program mes | Total |
|------------------------|----------|---------------------------------|------------------------|--|---------------------------------------|-----------------------------------|---------------------------|------------|
| | € | € | € | € | € | € | € | € |
| Cost | | | | | | | | |
| At 1 January 2014 | 338,425 | 2,376,461 | 73,322 | 208,532 | 32,729 | 133,359 | 6,187,057 | 9,349,885 |
| Additions | - | 110,273 | - | 75,522 | 4,841 | 27,427 | 479,124 | 697,187 |
| Reclassification | - | - | - | - | - | - | - | - |
| At 31 December 2014 | 338,425 | 2,486,734 | 73,322 | 284,054 | 37,570 | 160,786 | 6,666,181 | 10,047,072 |
| Depreciation | | | | | | | | |
| At 1 January 2014 | 8,116 | - | 73,322 | 206,540 | 29,820 | 29,710 | 2,086,647 | 2,434,155 |
| Charge for the year | 857 | - | - | 75,958 | 1,869 | 9,632 | 298,052 | 386,368 |
| At 31 December 2014 | 8,973 | - | 73,322 | 282,498 | 31,689 | 39,342 | 2,384,699 | 2,820,523 |
| Grants | | | | | | | | |
| At 1 January 2014 | - | - | - | - | - | - | 1,351,898 | 1,351,898 |
| At 31 December 2014 | - | - | - | - | - | - | - | - |
| Net Book values | | | | | | | | |
| At 31 December 2014 | 329,452 | 2,486,734 | - | 1,556 | 5,881 | 121,444 | 2,929,584 | 5,874,651 |

Notes to the Financial Statements for the period ended 31 December 2014 (cont.)**14. Inventories**

| | 2014 | 2013 |
|------------------------------|--------|--------|
| | € | € |
| Books and other publications | 11,456 | 10,412 |

15. Receivables

| | 2014 | 2013 |
|--------------------------------|---------|--------|
| | € | € |
| Receivables | 5,174 | 8,073 |
| Other receivables | - | - |
| Prepayments and accrued income | 137,628 | 29,214 |
| | 142,802 | 37,287 |

Receivables

General receivables are analysed as follows:

| | 2014 | 2013 |
|---|----------|----------|
| | € | € |
| Within credit period | 2,755 | 2,661 |
| Exceeded credit period but not impaired | 2,419 | 5,412 |
| Impaired and provided for | 18,143 | 27,770 |
| Provision for doubtful debts | (18,143) | (27,770) |
| | 5,174 | 8,073 |

Local Enforcement System (LES) Debtors

LES Debtors are stated after a specific provision for doubtful debts amounting to €18,819 (2013 - €18,819).

Included in the accounts receivable are amounts due from related parties amounting to €9,931 (2013 : €7,873). These amounts are unsecured, interest free and repayable on demand.

16. Cash & cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following statement of financial position amounts.

| | 2014 | 2013 |
|--------------|---------|---------|
| | € | € |
| Cash at Bank | 684,859 | 759,531 |
| Cash in Hand | 233 | 232 |
| | 685,092 | 759,763 |

Notes to the Financial Statements for the period ended 31 December 2014 (cont.)**17. Payables**

| | 2014 | 2013 |
|------------------------------|----------------|----------------|
| | € | € |
| Payables | 290,041 | 215,628 |
| Accruals - PPP | 27,022 | 27,022 |
| Accruals and deferred income | 327,360 | 129,647 |
| | <u>644,423</u> | <u>372,297</u> |

Included in the accounts payable are amounts to related parties amounting to €44,345 (2013 : €18,933). These amounts are unsecured, interest free and repayable on demand.

18. Borrowings

| | 2014 | 2013 |
|--------------------------------------|---------------|----------------|
| | € | € |
| Non-current | | |
| Third party borrowings | <u>97,915</u> | <u>152,359</u> |
| Borrowings | | |
| Repayable between one and two years | 24,934 | 23,057 |
| Repayable between two and five years | 63,824 | 81,417 |
| Repayable in five years or more | 9,157 | 47,885 |
| | <u>97,915</u> | <u>152,359</u> |

Third party loan

is payable to a supplier under the Public Private Partnership scheme as per memo 45/2010 separated into two phases. It is repayable over a period of 7 years, 2013 to 2019 (Phase 1) and 2014 to 2020 (Phase 2).

Long term amount payable under the scheme, inclusive of interest is €160,692

Notes to the Financial Statements for the period ended 31 December 2014 (cont.)**19. Deferred income**

| | 2014 | 2013 |
|--|----------------------|----------------------|
| | € | € |
| Government grants | | |
| At 1 January | 1,967,679 | 1,868,345 |
| Increase in year | 218,455 | 210,279 |
| | <u>2,186,134</u> | <u>2,078,624</u> |
| Released in year | (117,988) | (110,945) |
| At 31 December | <u>2,068,146</u> | <u>1,967,679</u> |
| Current Deferred Income | <u>71,337</u> | <u>99,858</u> |
| Non-Current Deferred Income | <u>1,996,809</u> | <u>1,867,821</u> |
| Deferred Government Grants | | |
| Deferred between one and two years | 64,533 | 89,880 |
| Deferred between two and five years | 159,003 | 219,255 |
| Deferred in five years or more | 1,773,273 | 1,558,686 |
| | <u>1,996,809</u> | <u>1,867,821</u> |
| Deferred after five years or more | <u>1,773,273</u> | <u>1,558,686</u> |

Notes to the Financial Statements for the period ended 31 December 2014 (cont.)**20. Capital commitments**

| | 2014 | 2013 |
|---|----------------|----------------|
| | € | € |
| Details of capital commitments at the accounting date are as follows: | | |
| - Approved but not yet contracted for | 350,500 | 320,250 |
| - Contracted for but not provided in the financial statements | 299,500 | 658,025 |
| (i) Approved but not yet contracted for: | | |
| Churches Area Floodlighting | - | 63,750 |
| Embellishment of Stepped Streets | 60,000 | |
| Ghajn tal-Mellieha & Environs Restoration | 15,000 | - |
| Gnien il-Qieghan Improvements | 53,000 | - |
| Misrah il-Parrocca Manikata Embellishment | 25,000 | 5,000 |
| Misrah il-Parrocca Mellieha Project | 31,000 | - |
| Mons F Xuereb/Nahal/Etna Open Space | 50,000 | 100,000 |
| New Street Furniture | - | 20,000 |
| Office Equipment & Computer Equipment | 6,500 | 6,500 |
| Office Improvements | 13,000 | - |
| Selmun and Imgiebah Heritage Trail | - | 11,000 |
| Street Furniture | 2,000 | - |
| Ta' I-Ibrag Family Park | - | 12,000 |
| Torri I-Abjad Project | 5,000 | 5,000 |
| Triq I-Erwieh Playing Field Improvement | - | 7,000 |
| Triq I-Inkurunazzjoni Embellishment | 90,000 | 90,000 |
| | <u>350,500</u> | <u>320,250</u> |
| (i) Contracted for but not provided in the Financial Statements: | | |
| Construction of Culverts | 17,000 | 100,000 |
| Gnien Hidmet il-Volontarjat | - | 7,500 |
| New Street Lamps | - | 153,925 |
| Office Improvements | - | 56,600 |
| Road Resurfacing | 279,000 | 340,000 |
| Triq I-Erwieh Playing Field Improvement | 3,500 | - |
| | <u>299,500</u> | <u>658,025</u> |

Notes to the Financial Statements for the period ended 31 December 2014 (cont.)**21. Contingent liabilities**

The Council is involved in a court case filed by 2 individuals which involves the road levels following road resurfacing. Although the outcome of this decision is uncertain, the Council does not anticipate that should there be involved any expenses these will exceed € 40,000. The Council has also received a claim for damages for alleged injuries at ir-Ramla tal-Mixquqa amounting to €20,000, however liability is not being accepted by the Council's Insurance. Furthermore, the Council was notified that a court case was opened by Atlas Insurance against Transport Malta and Mellieha Local Council for damages to a vehicle in an accident at Triq Daħlet ix-Xmajjar, which claim does not exceed €1,000.

22. 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 for Local Government | Significant control |
| North Joint Committee (Local Enforcement) | Joint Control |
| North Regional Committee | Joint Control |
| Central Regional Committee | No control |
| Gozo Regional Committee | No control |
| South Eastern Regional Committee | No control |
| South Regional Committee | No control |
| Malta Environment and 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 |
| Police General Headquarters | No control |
| Department of Lands | No control |
| ARMS | No control |
| Bank of Valletta plc | No control |
| MCAST | No control |
| Mellieha Primary School | No control |
| Office of the Commissioner for Data Protection | No control |
| Association of Local Councils' Secretaries | No control |
| Ministry for Resources and Rural Affairs | No control |

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

| | Related party activity | 2014 Total activity | % | Related party activity | 2013 Total activity | % |
|---------------------------------------|------------------------|---------------------|-----------|------------------------|---------------------|-----------|
| | € | € | | € | € | |
| <i>Income</i> | | | | | | |
| Transactions with central government | 1,081,612 | | | 1,052,739 | | |
| Transactions with regions | 7,083 | | | 5,790 | | |
| | <u>1,088,695</u> | <u>1,250,752</u> | <u>87</u> | <u>1,058,529</u> | <u>1,207,356</u> | <u>88</u> |
| <i>Expenditure</i> | | | | | | |
| Transactions with government entities | 3,589 | | | 3,498 | | |
| Key personnel remuneration | 126,365 | | | 118,784 | | |
| | <u>129,954</u> | <u>1,305,564</u> | <u>10</u> | <u>122,282</u> | <u>1,232,235</u> | <u>10</u> |

Notes to the Financial Statements for the period ended 31 December 2014 (cont.)**22. Related party transactions (cont.).****Ultimate controlling party**

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

23. Financial Risk Management

The Council's activities expose it to a variety of financial risks such as market risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance.

Credit risk

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to receivables is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

The maximum exposure to credit risk for amounts receivable at the reporting date, net of impairment losses, by type of customer is as follows:

- Receivables from Related Parties: € 9,931

Liquidity Risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact at year end, the Council has as cash and cash equivalents the amount of Euro 685,092. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive current net asset position of Euro 194,927 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

Summary of financial assets and liabilities by category:

| | 2014 | 2013 |
|--|----------------|----------------|
| | € | € |
| Current Assets | | |
| Loans and receivables: | | |
| Accounts and other receivables | 5,174 | 8,073 |
| Cash and Cash Equivalents | 685,092 | 759,763 |
| | <u>690,266</u> | <u>767,836</u> |
| Current Liabilities | | |
| Financial liabilities measured at amortised costs: | | |
| Payables | <u>361,782</u> | <u>215,628</u> |

Notes to the Financial Statements for the period ended 31 December 2014 (cont.)

23. Financial Risk Management (cont.)

Foreign Currency Risk

Foreign currency transactions arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Council does not trade in any foreign currencies.

Interest Rate Risk

Interest rate risk mainly arises through interest bearing liabilities and assets. The objective of interest rate risk management is to optimise the balance between minimizing uncertainty caused by fluctuations in interest rates and maximising the net interest income.

Market risks

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

The Council's current discount rate in respect of the third party loan is 8.38%, with cash flows amounting to €196,509 over the next 6 years.

Other risks

The Council's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Council to cash flow interest rate risk. In general, the Council's exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows are not deemed to be substantial by the Councillors and Executive Secretary in view of the nature of the assets and liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.

24. Fair value of financial assets and financial liabilities

At 31 December 2014 and at 31 December 2013, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively, approximated their fair values due to the short term maturities of these assets and liabilities. The fair values of non-current financial assets and non-current financial liabilities are not materially different from their carrying amount.

LOCAL COUNCIL MELLEHA**Report of the Local Government Auditors to the Auditor General**

We have audited the accompanying financial statements of LOCAL COUNCIL MELLEHA, which comprise the statement of financial position on page 5 as of 31st December 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Council's Responsibility for the Financial Statements

The Council Members and the Executive Secretary are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council Members and the Executive Secretary, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In accordance with the Local Enforcement System (LES) issued by the Ministry by virtue of Article 72 of the Local Councils Act, 1993, the income relating to contraventions was delegated to the local councils through Legal Notice 32 of 2000. The Council entered into a pooling agreement with a number of local councils within the Local Enforcement System and formed a Joint Committee to manage and administer this function up to August 2011, thereafter this was delegated to Regional Committees. Due to the fact that no proper audited financial statements have been prepared by the Joint Committee, we could not obtain reasonable assurance on the completeness of the share of income, as well as on any related expenditure, accrued income or liabilities present as at end of the current financial year.

Qualified Opinion

In our opinion, except for the effect on the financial statements of the matters referred to in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of Local Council Mellieha as at 31st December, 2014, and of its financial performance and its cash flows for the year then ended and are in accordance with International Financial Reporting Standards as adopted by the European Union.

Opinion on Other Legal and Regulatory Requirements

These financial statements do not comply with the Local Council (Financial) Procedures, 1996. According to the Financial Procedures supplementing the Financial Regulations issued in terms with the Local Councils Act 1993, the financial statements should have included the budget for the year.

This report has been signed by
George M. Mangion
(Partner) for and on behalf of
PKF (Malta)


PKF (Malta)
Certified Public Accountants & Registered Auditors

35 Mannarino Road,
Birkirkara BKR 9080,
Malta

30th April 2015