



MQABBA LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31st December 2015

Prepared by: Michael Debono CPA, MBA (Henley)

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

The Local Councils (Financial) Regulations 1993 require the Executive Secretary to prepare a detailed Annual Administrative Report which includes the Local Council's Statement of Profit or Loss and Other Comprehensive Income for the year and of the Council's retained funds at the end of this 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 1993, 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 29th April 2016 and signed on its behalf by:



Dr. Charlene Zammit
(Mayor)



Mr. Anthony Bonello
(Executive Secretary)

Financial Statements for the year ended 31st December 2015**Report of the Local Government Auditor to the Auditor General****Report on the Financial Statements for the year ended 31 December 2015**

We have audited the accompanying financial statements of Mqabba Local Council, which comprise the Statement of Financial Position as at 31 December 2015, the Statement of Profit or Loss and Other 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.

Respective responsibilities of the Local Council and Local Government Auditors

As described in page 1 these financial statements are the responsibility of the Executive Secretary and the Local Council members.

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, 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 of Qualified Opinion

The Council's financial statements do not meet the contractual obligations disclosures required by IFRS 7's, *Financial Instruments: Disclosures*.

We were not able to determine if the written down value of the fixed assets stated in the accounts, amounting to €1,108,510, is complete and free from material misstatement as we were not provided with sufficient evidence to support the amounts disclosed in these financial statements.

Financial Statements for the year ended 31st December 2015**Report of the Local Government Auditor to the Auditor General - continued****Qualified Opinion**

In our opinion, except for the effects of the matters described, the financial statements give a true and fair view of the financial position of the Local Council as at 31 December 2015 and of its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

In our opinion the financial statements do not comply with the Local Councils Act, the Financial Regulations issued in terms of this Act and the Local Council (Financial) Procedures due to the matters included in the Basis for Qualified Opinion.

Emphasis of matter

We draw attention to the Council's statement of financial position on page 5, which shows that at 31 December 2015 the Council's current liabilities exceeded current assets by €112,304. The significance of this imbalance casts doubt as to whether the Council will be able to meet its liabilities as they fall due.



Mr Manuel Castagna

**For and on behalf of
Nexia BT
Certified Public Accountants**

**The Penthouse, Suite 2
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Triq taz-Zwejt
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Malta**

29th April 2016

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31st December 2015

	Notes	Year Ended 2015 €	Year Ended 2014 €
Income			
Funds received from Central Government	4	324,349	354,872
Income raised by Local Council Bye-Laws	5	4,679	3,719
Income from Law Enforcement System	6	15,542	4,053
General Income	7	8,352	4,533
		352,922	367,177
Expenditure			
Personal emoluments	8	80,080	77,457
Operations and maintenance	9	103,567	124,488
Administrative and other expenditure	10	180,478	172,159
		(364,125)	(374,104)
Operating deficit for the year		(11,203)	(6,927)
Investment income	11	68	135
		68	135
Deficit for the year		(11,135)	(6,792)
Total comprehensive expense for the year		(11,135)	(6,792)

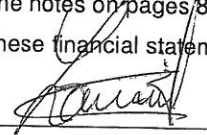
The notes on pages 8 to 21 form an integral part of these financial statements.

Statement of Financial Position as at 31st December 2015


	Notes	Year Ended 2015 €	Year Ended 2014 €
Assets			
<u>Non-current assets</u>			
Property, plant and equipment	12 a-b	1,108,510	1,222,180
Total non-current assets		1,108,510	1,222,180
<u>Current assets</u>			
Receivables	13	13,633	17,822
Cash and cash equivalents	14	49,593	38,085
Total current assets		63,226	55,907
Total assets		1,171,736	1,278,087
Reserves and liabilities			
<u>Reserves</u>			
Retained funds		402,211	413,346
Total Reserves		402,211	413,346
<u>Non-current liabilities</u>			
Non-current deferred income	15	593,995	658,948
Total non-current liabilities		593,995	658,948
<u>Current liabilities</u>			
Payables	16	175,530	205,793
Total current liabilities		175,530	205,793
Total liabilities		769,525	864,741
Total reserves and liabilities		1,171,736	1,278,087

The notes on pages 8 to 21 form an integral part of these financial statements.

These financial statements were approved by the Local Council on 29th April 2016 and are signed on


Dr. Charlene Zammit
(Mayor)

its behalf by:


Mr. Anthony Bonello
(Executive Secretary)

Statement of Changes in Equity for the year ended 31st December 2015

	Retained funds €
At 1 January 2014	420,138
Total comprehensive expense for the year	(6,792)
At 31 December 2014	<u>413,346</u>
At 1 January 2015	413,346
Total comprehensive expense for the year	(11,135)
At 31 December 2015	<u>402,211</u>

Statement of Cash Flows for the year ended 31st December 2015

	Notes	2015 €	2014 €
Cash flows from operating activities			
Deficit for the year		(11,135)	(6,792)
<u>Adjustments for:</u>			
Depreciation		117,739	122,856
Increase in provision for doubtful LES debtors		13,640	2,350
Grants released to income		(73,333)	(81,351)
Interest received		-	(133)
Operating surplus before working capital changes		<u>46,909</u>	<u>36,930</u>
Movement in receivables		(9,450)	20,081
Movement in payables		(23,046)	(1,125)
Net cash generated by operating activities		<u>14,413</u>	<u>55,886</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment		(4,069)	(115,855)
Interest received		-	133
Net cash generated from/used in investing activities		<u>(4,069)</u>	<u>(115,722)</u>
Cash flows from financing activities			
Grants received during the year		<u>1,164</u>	<u>11,616</u>
Net cash generated by financing activities		<u>1,164</u>	<u>11,616</u>
Net movement in cash and cash equivalents in the year		<u>11,508</u>	<u>(48,220)</u>
Cash and cash equivalents at beginning of year	14	<u>38,085</u>	<u>86,305</u>
Cash and equivalents at end of year	14	<u>49,593</u>	<u>38,085</u>
Cash and cash equivalents			
Cash at bank and in hand		<u>49,593</u>	<u>38,085</u>

The notes on pages 8 to 21 form an integral part of these financial statements.

Notes to the Financial Statements for the year ended 31st December 2015**1. General Information**

Mqabba Local Council is the local authority of Mqabba set up in accordance with the Local Councils Act 1993. The office of the Local Council is situated at 29, Triq il-Parrocca, Mqabba, Malta.

2. Accounting Policies and Reporting Procedures

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). The financial statements are prepared under the historical cost convention as modified to include fair values stated in the accounting policies below. These Financial Statements are prepared in accordance with the requirements of International Financial Reporting Standards (IFRSs) as adopted by the European Union and comply with the Local Councils Act Cap363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires the council to exercise its judgment in the process of applying its accounting policies (see Note 3 – Critical accounting estimates and judgments).

The principal accounting policies and reporting procedures used by the Local Council are as follows:

a. Revenue recognition

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. All revenue funds received from central government, local council bye-laws income, local enforcement system income, general income and investment income is accounted for in the statement of profit or loss and other comprehensive income.

b. Local Enforcement System

Local Enforcement Income represents the income as it accrues from contraventions as controlled by the Local Enforcement System (L.E.S). The amount receivable from the Local Enforcement System is disclosed in the statement of financial position. A full provision for bad debts is accounted for receivables aged over two years. As from the 1st September 2011, the Council forms part of the Southern Regional Committee, which is responsible for the L.E.S income of the locality. The contract provides for a 10% administration fee payable to the Council for contraventions collected by the Council and remitted to the respective Regional Committees.

c. Financial instruments

The Council recognises a financial instrument in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Receivables are initially recognised at fair value plus transaction costs. Receivables are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all risks and rewards of ownership or has not retained control of the financial asset.

Notes to the Financial Statements for the year ended 31st December 2015 (cont..)**c. Financial instruments - continued**

The Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If there is objective evidence that an impairment loss on receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

At 31st December 2015, the carrying amounts of cash at bank, receivables, payables, and accrued expenses reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

d. Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment loss to date. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The present values of property, plant and equipment do not differ materially from those that would be determined by using fair values at the end of each reporting period.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Local Council and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

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:

Category	%
Land / Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works / Special Projects / Urban Improvements (Street Furniture)	10
Office Equipment / Motor Vehicles / Plant and Machinery / Air conditioners	20
Computer Equipment / Computer software	25
Plants / Litter Bins / Playground furniture	100
Traffic / Road Signs / Street Mirrors / Lights	replacement basis

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Notes to the Financial Statements for the year ended 31st December 2015 (cont..)**e. Government Grants**

Government grants are accounted for on a systematic basis in the Statement of Profit or Loss and Other Comprehensive Income over the periods necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related cost, then the grant is accounted for when it becomes receivable.

f. 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 cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the profit or loss.

g. 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 in the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit or loss.

h. Payables

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of the council's activities from suppliers. Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

i. Foreign Currencies

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Local Council operates. These Financial Statements are presented in €, which is the Council's functional currency. Transactions denominated in foreign currencies are translated into € using the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Notes to the Financial Statements for the year ended 31st December 2015 (cont..)**j. Profits and Losses**

Only profits that were realized at the reporting date 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.

k. Cash and Cash Equivalents

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

l. Standards, amendments and interpretations that are not yet effective

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.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Local Council.

IFRS 15, 'Revenue from Contracts from Customers' requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. Subject to adoption by the EU, IFRS 15, will be effective for financial periods beginning on, or after, 1 January 2018.

IFRS 16, 'Leases', introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows. IFRS 16 contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee. Subject to adoption by the EU, IFRS 16, will be effective for financial periods beginning on, or after, 1 January 2019.

Notes to the Financial Statements for the year ended 31st December 2015 (cont..)**I. Standards, amendments and interpretations that are not yet effective (cont..)**

The Council is considering the implications of the standards and its impact on the Council's financial results and position. There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Local Council.

3. Critical accounting estimates and judgments

In the process of applying the council's accounting policies, the Council has made no judgments which can significantly affect the amounts recognised in the financial statements.

At the reporting date, there were no key assumptions concerning the future, or any other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. Funds received from Central Government

	2015	2014
	€	€
In terms of section 55 of the Local Councils Act (Cap 363)		
Government Grants	249,990	241,636
Other Government Income	26	21,153
Grants released for the year (note 15)	1,000	10,732
	73,333	81,351
	<u>324,349</u>	<u>354,872</u>

5. Income raised from Bye-Laws

	2015	2014
	€	€
Income raised under Local Council Bye-Laws	4,679	3,719

6. Local Enforcement Income

	2015	2014
	€	€
Fines, Penalties and fees	15,542	4,053

Notes to the Financial Statements for the year ended 31st December 2015 (cont..)**7. General Income**

	2015	2014
	€	€
Income from tender documents	502	-
Income from permits	470	-
Contributions and donations	2,118	1,085
Other income	5,262	3,448
	8,352	4,533

8. Personal Emoluments

	2015	2014
	€	€
Mayor's allowance	6,686	6,840
Councillors' allowances	5,653	6,175
Executive Secretary's salary and allowances	27,194	28,462
Employees' salaries	35,372	31,068
Social Security Contributions	5,175	4,912
	80,080	77,457

9. Operations and Maintenance

	2015	2014
	€	€
Repairs and upkeep:		
Road and street pavements	9,006	30,858
Street signs	1,489	1,679
Road markings	711	558
	11,206	33,095
Contractual Services:		
Refuse collection	31,535	33,822
Bulky refuse collection	2,653	2,757
Road and Street Cleaning	19,531	19,365
Waste disposal	22,361	21,858
Cleaning and Maintenance of Public Conveniences	4,668	4,413
Cleaning and Maintenance of Parks and Gardens	3,641	3,620
Street lighting expenses	6,213	5,496
Local Enforcement System (L.E.S) Expenses	1,759	62
	92,361	91,393
	103,567	124,488

Notes to the Financial Statements for the year ended 31st December 2015 (cont..)**10. Administration and other expenditure**

	2015	2014
	€	€
Utilities	8,241	6,344
Other repairs and upkeep	1,650	524
Rent	1,746	1,724
National and International Memberships	189	101
Office Services	3,414	2,437
Transport	1,508	2,474
Information Services	5,630	5,319
Insurance	1,386	1,118
Professional services	5,375	7,995
Community and hospitality	13,613	15,416
Sundry expenses	3,036	1,420
Other interest	3,311	2,081
Depreciation	117,739	122,856
Increase in provision for doubtful L.E.S debtors	13,640	2,350
	180,478	172,159

11. Investment Income

	2015	2014
	€	€
Bank Interest	68	135

Notes to the Financial Statements for the year ended 31st December 2015 (cont..)

12a. Property, plant and equipment

Cost	Buildings	Office Furniture & Fittings	Plant & Machinery	Computer Equipment	Computer Software	Office Equipment	Urban Improvement	Traffic Signs - /Lights	Construction works	Special Projects	Total
€	€	€	€	€	€	€	€	€	€	€	€
At 1 January 2015	106,324	22,095	6,986	14,435	985	26,600	417,632	7,932	1,568,288	360,680	2,531,957
Additions	-	-	-	478	-	1,480	1,811	-	300	-	4,069
At 31 December 2015	106,324	22,095	6,986	14,913	985	28,080	419,443	7,932	1,568,588	360,680	2,536,026

Depreciation

At 1 January 2015	(12,049)	(11,151)	(4,524)	(9,721)	(985)	(12,974)	(61,009)	(7,932)	(537,928)	-	(658,273)
Current charge	(938)	(642)	(450)	(475)	-	(1,784)	(10,607)	-	(102,843)	-	(117,739)
At 31 December 2015	(12,987)	(11,793)	(4,974)	(10,196)	(985)	(14,758)	(71,616)	(7,932)	(640,771)	-	(776,012)

Grants and other reimbursements

At 1 January 2015	-	-	-	(2,637)	-	-	(255,231)	-	(32,956)	(360,680)	(651,504)
Movement	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2015	-	-	-	(2,637)	-	-	(255,231)	-	(32,956)	(360,680)	(651,504)

N.B.V. at 31 December 2015

N.B.V. at 31 December 2015	93,337	10,302	2,012	2,080	-	13,322	92,596	-	894,861	-	1,108,510
N.B.V. at 31 December 2014	94,275	10,944	2,462	2,077	-	13,626	101,392	-	997,404	-	1,222,180

Notes to the Financial Statements for the year ended 31st December 2015 (cont..)

12a. Property, plant and equipment

Cost	Buildings	Office Furniture & Fittings	Plant & machinery	Computer Equipment	Computer Software	Office Equipment	Urban Improvement	Traffic Signs - /Lights	Construction works	Special Projects	Total
€	€	€	€	€	€	€	€	€	€	€	€
At 1 January 2014	106,324	20,830	6,986	14,236	985	23,914	355,391	3,962	1,568,288	360,680	2,461,596
Additions	-	1,265	-	199	-	2,686	62,241	3,970	-	-	70,361
At 31 December 2014	106,324	22,095	6,986	14,435	985	26,600	417,632	7,932	1,568,288	360,680	2,531,957

Depreciation	(11,101)	(10,305)	(3,974)	(9,161)	(985)	(10,072)	(53,289)	(3,962)	(432,568)	-	(535,417)
Current charge	(948)	(846)	(550)	(560)	-	(2,902)	(7,720)	(3,970)	(105,360)	-	(122,856)
At 31 December 2014	(12,049)	(11,151)	(4,524)	(9,721)	(985)	(12,974)	(61,009)	(7,932)	(537,928)	-	(658,273)

Grants and other reimbursements	-	-	-	(2,637)	-	-	(255,231)	-	(32,956)	(360,680)	(651,504)
At 1 January 2014	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2014	-	-	-	(2,637)	-	-	(255,231)	-	(32,956)	(360,680)	(651,504)

N.B.V. at 31 December 2014	94,275	10,944	2,462	2,077	-	13,626	101,392	-	997,404	-	1,222,180
N.B.V. at 31 December 2013	95,223	10,525	3,012	2,438	-	13,842	46,871	-	1,102,764	-	1,274,675

Notes to the Financial Statements for the year ended 31st December 2015 (cont..)**13. Receivables**

	2015	2014
	€	€
Amounts owed by related parties (Note 13.1)	5,353	6,182
Provision for doubtful debts	(3,450)	(3,450)
Other receivables	734	-
LES debtors	651	-
Prepayments and accrued income	10,345	15,090
	13,633	17,822

Note 13.1

Receivables within credit period	682	801
Receivables not within credit period*	4,671	5,381
	5,353	6,182

* None of the receivables are at impaired status

The credit period on receivables (Note 13.1) is of 90 days. No interest is charged on receivables for the first 90 days from the date of request of payment. Thereafter, the Council may consider to impose an interest charge of 2% per annum on the outstanding balance. Allowances for doubtful debts are recognised against receivables after 730 days (two years). Receivables disclosed in (Note 13.1) include amounts (see below for aged analysis) that are past due at the end of the reporting date for which the Council has not recognised an allowance for doubtful debts, as these are still considered recoverable. The aging of receivables that are past due but not impaired are as follows;

	2015	2014
	€	€
1 - 89 days	682	801
90 - 730 days	4,671	5,381
	5,353	6,182

Note 13.2

	2015	2014
	€	€
L.E.S receivables	109,205	94,914
Provision for L.E.S doubtful debts (reconciled in the next page)	(108,554)	(94,914)
	651	-

Notes to the Financial Statements for the year ended 31st December 2015 (cont..)**13. Receivables - cont.****Note 13.2 - cont.**

	2015	2014
	€	€
<i>Movement in the allowance for doubtful debts:</i>		
Balance at beginning of the year	(94,914)	(96,014)
Movement in provision	(13,640)	1,100
Balance at the end of the year	<u>(108,554)</u>	<u>(94,914)</u>

The credit period on L.E.S receivables (Note 13.2) is of 60 days. As the system is controlled by the Central Government, the Council has no control on the charging of interest or the imposition of penalties. Allowances for doubtful debts are recognised against receivables after 730 days (two years).

14. Cash and Cash Equivalents

	2015	2014
	€	€
Cash at bank	49,343	37,835
Cash in hand	250	250
	<u>49,593</u>	<u>38,085</u>

15. Deferred income

Deferred income relates to grants received from Central Government by the Council. It is composed of an amount which is apportioned between short-term and long-term components. The short term component represents the amounts expected to be released in the next financial year.

	2015	2014
	€	€
Deferred income as at 1st January	732,163	801,188
Amount increased during the year	1,164	12,326
Less amount released during the year	(73,333)	(81,351)
Deferred income as at 31st December	<u>659,994</u>	<u>732,163</u>

	2015	2014
	€	€
Non-current deferred income	593,995	658,948
Current deferred income	65,999	73,215
	<u>659,994</u>	<u>732,163</u>

Notes to the Financial Statements for the year ended 31st December 2015 (cont..)**16. Trade and other payables**

	2015	2014
	€	€
Payables	83,815	101,817
Current deferred income	65,999	73,215
Accruals	25,716	30,761
	175,530	205,793

17. Capital commitments

At the end of the reporting period, the Council had no future capital expenditure plans.

18. Related party transactions

Mqabba Local Council is ultimately controlled by the Central Government Local Councils Department.

Other related parties through ultimate control of the Central Government, but which have no control on the Mqabba Local Council include Water Services Corporation, Enemalta Corporation and Malta Environmental Planning Authority.

In the ordinary course of its operations, the Council received funds and income from the related parties. The Council's income reflected in the statement of profit or loss and comprehensive income comprises funds received from the Central Government amounting to €324,349 (2014: € 354,872). The Council also received income derived from the Local Enforcement System amounting to € 15,542 (2014: € 4,053).

In the opinion of the Local Council's members, disclosure of related party transactions, which are generally carried out, is only necessary when the transactions effected have a material impact on the operating results and financial position of the Council. Expenses charged by related parties during the year ended 31st December 2015 amount to € 23,946 (2014: € 18,858).

19. Capital management policies and procedures**Capital Management**

It is the policy of the Executive Secretary to maintain an adequate capital base in order to sustain the future development of the Local Council and safeguard the ability of the Local Council to continue as a going concern. In this respect, the Executive Secretary monitors the operations and results of the Local Council.

Notes to the Financial Statements for the year ended 31st December 2015 (cont..)**20. Risk management objectives**

The Council is exposed to credit risk, liquidity risk and contractual maturity risk through its use of financial instruments which result from its operating and investing activities. The most significant financial risks to which the Council is exposed to are described below.

Credit risk

The Council's exposure to credit risk is limited to the carrying amount of financial assets recognized at the date of the Statement of Financial Position (as disclosed in Notes 13 and 14, and as referred to hereunder), which arises from cash and cash equivalents and credit exposures from receivables as follows:

	€
Receivables (Note 13.1)	5,353
Prepayments and Accrued Income (Note 13)	10,345
Cash and cash equivalents (Note 14)	49,593

L.E.S receivables relate to sentenced cases arising from contraventions which are legally due to the Council. The credit risk exposure is high on L.E.S receivables as the Council has no control on such collectables. The amount disclosed is € 651 since total L.E.S receivables of € 109,205 (100%), have been provided for with a provision for bad debts of € 108,554 (99%).

Receivables arise from legal obligations due to the Council by third parties. The credit risk exposure is considered low as the Council is in direct contact with such debtors. Accrued income represents income receivable from Government and related agencies. Their relative credit exposure is considered low. The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective note to the financial statements and there is no collateral to secure such assets.

Cash at bank relates to balances held as savings accounts placed with a local reliable financial institution. The credit risk exposure in this respect is considered low.

Liquidity risk

The Council's exposure to liquidity risk arises from its obligations to meet financial liabilities, which comprise of trade and other payables. The Council monitors and manages its liquidity risk to a shortage of funds by maintaining sufficient cash and cash at bank, and by monitoring the availability of raising funds to ensure adequate amounts of funding to meet the obligations when they become due.

Foreign currency risk

Most of the Council's transactions are carried out in Euro. Exposure to foreign currency exchange rates arise from the Council's transactions in foreign currency. There were no figures translates from foreign currency to Euro as at the date of the Statement of the Financial Position, thus putting the foreign currency risk at nil.

Notes to the Financial Statements for the year ended 31st December 2015 (cont..)**20. Risk management objectives - cont.****Fair value of financial assets and financial liabilities**

At 31st December 2015, the fair value of non-current financial assets and non-current financial liabilities are not materially different from the carrying amounts.

21. Contingent liabilities

The Council is currently engaged in legal action initiated by one of the suppliers, whereby the supplier is claiming that an amount of €8,088 is due by the Council. The Council is restricting these claims. No provision has been made in these financial statements in respect of these actions.

Actual to Budget Comparison for the Year

	Budget 2015 €	Actual 2015 €	Variance Actual - Budget €
Income			
Funds received from Central Government	258,990	324,349	65,359
Income raised from Bye-Laws	55	4,679	4,624
Income raised Law Enforcement System	-	15,542	15,542
Investment Income	50	-	(50)
Other Income	11,760	8,352	(3,408)
Total Income	270,855	352,922	82,067
Expenditures			
Personal emoluments	81,300	80,080	(1,220)
Operations and Maintenance	155,200	103,567	(51,633)
Administration	17,800	62,739	44,939
Finance Cost	-	-	-
Other Expenditure – Depreciation & Amortisation	118,000	117,739	(261)
Total Expenditure	372,300	364,125	(8,175)
Investment income	-	68	68
Surplus / (Deficit)	(101,445)	(11,135)	90,310

Actual to Budget Comparison for the Year

	Budget	Actual	Variance
	2015	2015	Actual - Budget
	€	€	€
<i>Operations, maintenance, administrative and other expenditure</i>			
Public Utilities	12,500	8,241	(4,259)
Materials & Supplies	2,000	-	(2,000)
Repairs and Upkeep	22,000	1,650	(20,350)
Rent	1,800	1,746	(54)
Street Lighting	-	6,213	6,213
Insurance	-	1,386	1,386
Bank Charges	-	-	-
Refuse collection	-	31,535	31,535
Bulky refuse collection	-	2,653	2,653
Bins on wheels	-	-	-
Bring in sites	-	-	-
Roads and street cleaning	-	19,531	19,531
Cleaning public conveniences	-	4,668	4,668
Other contractual services	100,000	-	(100,000)
Cleaning and maintenance of Parks & Gardens	-	3,641	3,641
Hospitality	16,000	-	(16,000)
Community	-	13,613	13,613
Local Enforcement Expenses	900	1,759	859
Office Utilities	-	-	-
Office materials and supplies	4,000	-	(4,000)
National & International Memberships	500	189	(311)
Office Services	-	3,414	3,414
Transport	2,000	1,508	(492)
Information Services	3,500	5,630	2,130
Professional Services	7,200	5,375	(1,825)
Training	600	-	(600)
Other Interest	-	-	-
Waste disposal	-	22,361	22,361
Road and street pavements	-	9,006	9,006
Street signs	-	1,489	1,489
Road markings	-	711	711
Sundry expenses	-	3,036	3,036
Other interest	-	3,311	3,311
Depreciation	-	117,739	117,739
Provision for Local Enforcement System debtors	-	13,640	13,640
Total Expenditure	173,000	284,045	111,045

Actual to Budget Comparison for the Year

	Budget 2015 €	Actual 2015 €	Variance Bud-Act €
Capital Expenditure:			
Buildings	-	-	-
Office Furniture & Fittings	-	-	-
Plant & machinery	-	-	-
Computer Equipment	-	478	(478)
Computer Software	-	-	-
Office Equipment	-	1,480	(1,480)
Urban Improve-ment	-	1,811	(1,811)
Traffic Signs /Lights	-	-	-
Construction works	-	300	(300)
Special Projects	16,555	-	16,555
Total Capital Expenditure/Variance for the year	16,555	4,069	12,486