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MQABBA LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31st December 2016



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Financial Statements for the year ended 31st December 2016

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 18th April 2017 and signed on its behalf by:

Dr. Charlene Zammit
(Mayor)

Mr. Anthony Bonello
(Executive Secretary)

Financial Statements for the year ended 31st December 2016**Report of the Local Government Auditor to the Auditor General****Qualified Opinion**

We have audited the financial statements of Mgabba Local Council, set out on pages 5 to 24, which comprise the Statement of Financial Position as at 31 December 2016, and the statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion, the financial statements give a true and fair view of the financial position of the Mgabba Local Council as at 31 December 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Qualified Opinion

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

We were not able to determine if the written down value of the property, plant and equipment stated in the accounts, amounting to €1,004,574, is complete and free from material misstatement as we were not provided with sufficient evidence to support the amounts disclosed in the financial statements.

Material Uncertainty Relating to Going Concern

Without qualifying our opinion, we draw attention to the Council's Statement of Financial Position on page 6 which shows that at 31 December 2016 the Council's current liabilities exceeded current assets by €47,785. The significance of this imbalance casts doubt as to whether the Council will be able to meet its liabilities as they fall due.

As explained in note 19 to these financial statements, the going concern assumption underlying the preparation of these financial statements is dependent on the Council having sources of funds other than the annual financial allocation it receives from Government, and on the continued support of the Council's creditors. If these assumptions do not materialize, the Council will not be able to meet its financial obligations as they fall due without curtailing its future commitments.

Report of the Local Government Auditor to the Auditor General- continued

Responsibilities of the Executive Secretary

The Executive Secretary is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the EU, and for such internal control as the Executive Secretary determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Secretary is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the entity is intended to be liquidated or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Secretary.

- Conclude on the appropriateness of the Executive Secretary's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the entity to cease to continue as a going concern.

Report of the Local Government Auditor to the Auditor General- continued

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements comply fully with the Local Councils Act, the Financial Regulations issued in terms of this Act and the Local Council (Financial) Procedures.

Mr Manuel Castagna

For and on behalf of

Nexia BT

Certified Public Accountants

The Penthouse, Suite 2

Capital Business Centre, Entrance C

Triq taz-Zwejt

San Gwann SGN 3000

Malta

Date: 18th April 2017

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31st December 2016

Year Ended	2016	Year Ended	2015
	Notes		€
Income			
Funds received from Central Government	4	339,473	324,349
Income raised by Local Council Bye-Laws	5	5,328	4,679
Income from Law Enforcement System	6	5,492	15,542
General Income	7	1,110	8,352
		351,403	352,922
Expenditure			
Personal emoluments	8	83,964	80,080
Operations and maintenance	9	111,888	103,567
Administrative and other expenditure	10	149,642	180,478
		345,494	364,125
Operating surplus/(deficit) for the year		5,909	(11,203)
Investment income	11	32	68
		32	68
Surplus/(deficit) for the year		5,941	(11,135)
Total comprehensive income/(expense) for the year		5,941	(11,135)

The notes on pages 9 to 24 form an integral part of these financial statements.

Statement of Financial Position as at 31st December 2016

Year Ended	2016	Year Ended	2015
€	€	Notes	€
Assets			
<u>Non-current assets</u>			
Property, plant and equipment	1,108,510	12 a-b	1,108,510
Total non-current assets	1,004,574		1,004,574
<u>Current assets</u>			
Total non-current assets	1,108,510		1,108,510
Trade and other Receivables	13,633	13	13,633
Cash and cash equivalent	49,593	14	49,593
Total current assets	123,001		63,226
Total assets	1,127,575		1,171,736
<u>Reserves and liabilities</u>			
<u>Reserves</u>			
Retained Earnings	408,152		402,211
Total Reserves	408,152		402,211
<u>Non-current liabilities</u>			
Deferred Income	593,995	15	593,995
Total non-current liabilities	548,637		548,637
<u>Current liabilities</u>			
Trade and Other Payables	170,786	16	175,530
Total current liabilities	170,786		175,530
Total liabilities	719,423		769,525
Total reserves and liabilities	1,127,575		1,171,736

The notes on pages 9 to 24 form an integral part of these financial statements.

These financial statements were approved by the Local Council on 18th April 2017 and are signed by

Dr. Charlene Zammit
(Mayor)

Mr. Anthony Bonello
(Executive Secretary)

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

Retained Earnings €		
	At 1 January 2015	At 31 December 2015
413,346	Total comprehensive expense for the year	
(11,135)		
402,211		
	At 1 January 2016	At 31 December 2016
402,211	Total comprehensive income for the year	
5,941		
408,152		

Statement of Cash Flows for the year ended 31st December 2016

2016	2015	Notes
€	€	
5,941	(11,135)	Cashflows from operating activities
		Surplus/(deficit) for the year
		Adjustments for:
105,989	117,739	Depreciation
2,641	13,640	Increase in provision for doubtful debts
(67,733)	(73,333)	Grants released to income
32	-	Interest received
46,870	46,909	Operating surplus before working capital changes
		Movements in working capital:
1,656	(9,450)	Movement in receivables
(16,853)	(23,046)	Movement in payables
31,673	14,413	Net cash generated by operating activities
(2,053)	(4,069)	Cashflows from investing activities
		Payment to acquire property, plant and equipment
32	-	Interest received
(2,021)	(4,069)	Net cash generated used in investing activities
		Cash flows from financing activities
		Grants Received
31,730	1,164	Net cash generated by financing activities
61,382	11,508	Net movement in cash and cash equivalents in the year
14	14	Cash and cash equivalents at beginning of year
14	14	Cash and cash equivalents at end of year
110,975	49,593	Cash and equivalents – cash at bank & in hand
110,975	49,593	

The notes on pages 9 to 24 form an integral part of these financial statements.

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

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 by-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. During the year the L.E.S. undergone changes with the introduction of the LESA which has taken over the functions previously undertaken by the 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 2016(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 2016, 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 2016 (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 2016(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 comprehensive 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 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 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 user 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.

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

	2016	2015
€	€	€
In terms of section 55 of the Local Councils Act (Cap 363)	258,206	249,990
Government Grants	-	26
Other Government Income	13,534	1,000
Grants released for the year (note 15)	67,733	73,333
	<u>339,473</u>	<u>324,349</u>

Notes to the Financial Statements for the year ended 31 December 2016(cont..)

5. Income raised from Bye-Laws

Income raised under Local Council Bye-Laws		
2016	€	5,328
2015	€	4,679

6. Local Enforcement Income

Fines, Penalties and fees		
2016	€	5,492
2015	€	15,542

7. General Income

Income from tender documents		
Income from permits		
Contributions and donations		
Other income		
2016	€	1,110
2015	€	8,352

8. Personal Emoluments

Mayor's allowance		
Councillors' allowances		
Executive Secretary's salary and allowances		
Employees' salaries		
Social Security Contributions		
2016	€	83,964
2015	€	80,080

9. Operations and Maintenance

Road and street pavements		
Street signs		
Road markings		
2016	€	13,013
2015	€	11,206

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

9. Operations and Maintenance (cont.)

2016	2015	€	€
31,309	31,535		
2,804	2,653		
22,351	19,531		
21,838	22,361		
4,275	4,668		
4,220	3,641		
7,464	6,213		
4,614	1,759		
98,875	92,361		
111,888	103,567		
Contractual Services:			
Refuse collection			
Bulky refuse collection			
Road and Street Cleaning& premises			
Waste disposal			
Cleaning and Maintenance of Public Conveniences			
Cleaning and Maintenance of Parks and Gardens			
Street lighting expenses			
Local Enforcement System (L.E.S) Expenses			

10. Administration and other expenditure

2016	2015	€	€
7,013	8,241		
1,422	1,650		
1,746	1,746		
345	189		
3,317	3,414		
2,251	1,508		
5,612	5,630		
801	1,386		
2,666	5,375		
13,028	13,613		
1,276	3,036		
1,535	3,311		
105,989	117,739		
2,641	13,640		
149,642	180,478		
Utilities			
Other repairs and upkeep			
Rent			
National and International Memberships			
Office Services			
Transport			
Information Services			
Insurance			
Professional services			
Community and hospitality			
Sundry expenses			
Other interest			
Depreciation			
Increase in provision for doubtful L.E.S debtors			

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

11. Investment Income

Bank Interest		
	2016	2015
	€	€
	32	68

Notes to the Financial Statements for the year ended 31st December 2016(cont..)

12a. Property, plant and equipment	Council Admin Offices	Office Furniture	Plant & machinery	Computer Equip.	Computer Software	Office Equipment	Urban Improvement	New Street Signs	Construction works	Special Projects	Total
	€	€	€	€	€	€	€	€	€	€	€
Cost											
At 1 January 2016	106,324	22,095	6,986	14,913	985	28,080	419,443	7,932	1,568,588	360,680	2,536,026
Additions	-	-	-	540	-	1,513	-	-	-	-	2,053
At 31 December 2016	106,324	22,095	6,986	15,453	985	29,593	419,443	7,932	1,568,588	360,680	2,538,079
Depreciation											
At 1 January 2016	(12,987)	(11,793)	(4,974)	(10,196)	(985)	(14,758)	(71,616)	(7,932)	(640,771)	-	(776,012)
Current charge	(929)	(394)	(368)	(538)	-	(1,974)	(9,545)	-	(92,241)	-	(105,989)
At 31 December 2016	(13,916)	(12,187)	(5,342)	(10,734)	(985)	(16,732)	(81,161)	(7,932)	(733,012)	-	(882,001)
Government Grants											
At 1 January 2016	-	-	-	(2,637)	-	-	(255,231)	-	(32,956)	360,680	651,504
Movement	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2016	-	-	-	(2,637)	-	-	(255,231)	-	(32,956)	360,680	651,504
N.B.V. at 31 December 2016	92,408	9,908	1,644	2,082	-	12,861	83,051	-	802,620	-	1,004,574
N.B.V. at 31 December 2015	93,337	10,302	2,012	2,080	-	13,322	92,596	-	894,861	-	1,108,510

Notes to the Financial Statements for the year ended 31st December 2016(cont..)

12b. Property, plant and equipment	Council											
	Admin Offices	Office Furniture	Plant & machinery	Computer Equip.	Computer Software	Office Equipment	Urban Improvement	New Street Signs	Construction works	Special Projects	Total	
Cost	€	€	€	€	€	€	€	€	€		€	€
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)	(495)	-	(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)	
Government Grants												
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	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 2016(cont..)

13. Receivables

2016	2015
€	€
5,099	5,353
(3,450)	(3,450)
244	734
992	651
9,141	10,345
12,026	13,633

Trade receivables (Note 13.1)
Provision for doubtful debts
Other receivables
LES debtors (Note 13.2)
Prepayments and accrued income

Note 13.1

Receivables within credit period
Receivables not within credit period*

* None of the receivables are at impaired status

2016	2015
€	€
1,649	682
3,450	4,671
5,099	5,353

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:

1 - 89 days
90 - 730 days

Note 13.2

L.E.S receivables
Provision for L.E.S doubtful debts (reconciled in the next page)

2016	2015
€	€
112,187	109,205
(111,195)	(108,554)
992	651

13. Receivables - cont.
Note 13.2 - cont.

2016	€	(108,554)	(2,641)	(111,195)
2015	€	(94,914)	(13,640)	(108,554)

14. Cash and Cash Equivalents

2016	€	122,830	(12,105)	250	110,975	49,593
2015	€	49,343	-	250		

Deferred income as at 1st January
Amount increased during the year
Less amount of refundable grants
Less amount released during the year
Deferred income as at 31st December

2016	€	659,994	31,730	(14,394)	(67,733)	609,597
2015	€	732,163	1,164	-	(73,333)	659,994

Notes to the Financial Statements for the year ended 31st December 2016(cont..)

15. Deferred income (cont..)

	2016	2015
Non-current deferred income	€	€
Current deferred income (Note 16)	548,637	593,995
Deferred income as at 31 st December	60,960	65,999
	<u>609,597</u>	<u>659,994</u>

16.1 Trade and other payables

	2016	2015
Payables	€	€
Current deferred income (Note 15)	62,649	83,815
Accruals	60,960	65,999
	<u>47,177</u>	<u>25,716</u>
	<u>170,786</u>	<u>175,530</u>

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, LESA 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 €339,473 (2015: €324,349). The Council also received income derived from the Local Enforcement System amounting to €5,492 (2015: €15,542).

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.

Notes to the Financial Statements for the year ended 31st December 2016 (cont.)

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.

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)	€
Prepayments and Accrued Income (Note 13)	5,099
Cash and cash equivalents (Note 14)	9,141
	110,975

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 €992 since total L.E.S receivables of €112,187 (100%), have been provided for with a provision for bad debts of €111,195 (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.

Notes to the Financial Statements for the year ended 31st December 2016 (cont..)

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.

Notes to the Financial Statements for the year ended 31st December 2016(cont..)

20. Risk management objectives - cont.

Contractual maturity risk

At 31 December 2016 and 31 December 2015, the contractual maturities on the financial liabilities of the Council were as summarised below. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the Statement of Financial Position.

	2015			
	Less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years
Payables	10,878	10,878	37,985	-
	2016			
	Less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years
Payables	46,845	46,845	59,740	-

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 2016 (cont..)

Fair value of financial assets and financial liabilities

At 31st December 2016, 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 resisting these claims. No provision has been made in these financial statements in respect of these actions.