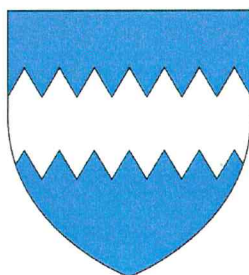


Ir-Rapport tal-Awditur u l-*Financial Statements*



IL-MUNXAR LOCAL COUNCIL

Annual Report
and
Financial Statements

for the year ended 31 December 2016



Prepared by

Daniel Galea B. Accty. (Hons.) CPA

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2016

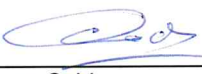
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Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2016

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's statement of comprehensive income for the year and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, and the Local Councils (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 Councils (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 27 April 2017 and signed on its behalf by


Carmen Said
Mayor


Anthony Grech
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

		2016 €	2015 €
	<i>Notes</i>		
INCOME			
Funds received from Central Government	4	317,329	304,277
Income raised under Local Enforcement System	5	703	5,568
General Income	6	10,471	12,925
		<u>328,503</u>	<u>322,770</u>
 EXPENDITURE			
Personal emoluments	8	(77,339)	(66,221)
Operations and maintenance	9	(70,035)	(99,683)
Administration and other expenditure	10	(154,346)	(167,361)
		<u>(301,720)</u>	<u>(333,265)</u>
 OPERATING SURPLUS / (DEFICIT) FOR THE YEAR		26,783	(10,495)
 Finance income	11	18	90
 TOTAL COMPREHENSIVE SURPLUS / (DEFICIT) FOR THE YEAR		<u>26,801</u>	<u>(10,405)</u>


The notes on pages 8 to 24 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

		2016 €	2015 €
	<i>Notes</i>		
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	<u>1,086,450</u>	<u>1,196,391</u>
		<u>1,086,450</u>	<u>1,196,391</u>
Current Assets			
Receivables	13	<u>17,760</u>	<u>47,353</u>
Cash and Cash Equivalents	14	<u>195,624</u>	<u>184,197</u>
		<u>213,384</u>	<u>231,550</u>
Total Assets		<u><u>1,299,834</u></u>	<u><u>1,427,941</u></u>
EQUITY AND LIABILITIES			
Reserves			
Retained Fund		<u>391,283</u>	<u>364,482</u>
		<u>391,283</u>	<u>364,482</u>
Non-Current Liabilities			
Deferred income	16	<u>734,006</u>	<u>810,353</u>
		<u>734,006</u>	<u>810,353</u>
Current Liabilities			
Payables	15	<u>174,545</u>	<u>253,106</u>
		<u>174,545</u>	<u>253,106</u>
Total Equity and Liabilities		<u><u>1,299,834</u></u>	<u><u>1,427,941</u></u>

These financial statements were approved by the Local Council on 27 April 2017 and signed on its behalf by:



 Carmen Said
 Mayor



 Anthony Grech
 Executive Secretary

The notes on pages 8 to 24 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Retained Funds €
At 1 January 2015	374,887
Total Comprehensive Deficit for the year	(10,405)
	<hr/>
At 31 December 2015	364,482
	<hr/> <hr/>
At 1 January 2016	364,482
Total Comprehensive Surplus for the year	26,801
	<hr/>
At 31 December 2016	391,283
	<hr/> <hr/>

The notes on pages 8 to 24 form an integral part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

		2016 €	2015 €
	Note		
Cash flows from Operating Activities			
Surplus/(Deficit) for the year		26,801	(10,405)
Reconciliation to cash generated from operations:			
Depreciation		114,993	122,437
Interest receivable		(18)	(90)
Grant released		(85,162)	(80,373)
Operating Profit before Working Capital Changes		56,614	31,569
Decrease in receivables		29,593	102,054
Decrease in payables		(72,879)	(99,089)
Cash generated from operating activities		13,328	34,534
Cash flows from Investing Activities			
Interest received		18	90
Purchase of property, plant & equipment		(5,052)	(328,681)
Net receipt of grants		3,133	181,399
Cash used in investing activities		(1,901)	(147,192)
Net Increase/(Decrease) in Cash and Cash Equivalents		11,427	(112,658)
Cash and Cash Equivalents at the Beginning of the year		184,197	296,855
Cash and Cash Equivalents at the End of the year	14	195,624	184,197

The notes on pages 8 to 24 form an integral part of these financial statements

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

1. General Information

Il- Munxar 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 Triq Profs Guze Aquilina, Munxar. These financial statements were approved for issue by the Council Members on 27 April 2017. 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 Local Council

During the year under review, the Local Council has adopted the following International Financial Reporting Standards as adopted by the EU:

IFRS 14 permits an entity which is a first time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Entities which are eligible to apply IFRS 14 are not required to do so, and so can choose to apply only the requirements of IFRS 1 First time Adoption of International Financial Reporting Standards when first applying IFRSs. However, an entity that elects to apply IFRS 14 in its first IFRS financial statements must continue to apply it in subsequent financial statements. IFRS 14 cannot be applied by entities that have already adopted IFRSs. Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset. Applicable to annual periods beginning on or after 1 January 2016.

Improvements in Annual Improvements 2012-2014 Cycle makes amendments to the following standards: IFRS 5 — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued,

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

2. Accounting Policies and Reporting Procedures (cont.)

IFRS 7 — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements,

IAS 9 — Clarify that the high quality corporate bonds used in estimating the discount rate for postemployment benefits should be denominated in the same currency as the benefits to be paid

IAS 34 — Clarify the meaning of 'elsewhere in the interim report' and require a cross reference. Applicable to annual periods beginning on or after 1 January 2016.

Amendments in IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes; clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply; clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; additional examples of possible ways of ordering the notes to clarify that understand ability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. Effective for annual periods beginning on or after 1 January 2016.

New Standards and amendments not yet effective:

A number of new International Financial Reporting Standards and amendments and revisions thereto were in issue but not yet adopted by the EU during the financial period under review. These include the following:

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows: Debt instruments meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortised cost (the use of fair value is optional in some limited circumstances). Investments in equity instruments can be designated as 'fair value through other comprehensive income' with only dividends being recognised in profit or loss. All other instruments (including all derivatives) are measured at fair value with changes recognised in the profit or loss. The concept of 'embedded derivatives' does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines. The standard remains available for application if the relevant date of initial application is before 1 February 2015 and is not yet endorsed for use in the EU.

A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement. The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. The standard remains available for application if the relevant date of initial application is before 1 February 2015 and is not yet endorsed for use in the EU.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

Impairment. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)**2. Accounting Policies and Reporting Procedures (cont.)**

Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and nonfinancial risk exposures.

Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. These standards remain available for application if the relevant date of initial application is before 1 February 2015. Its effective for annual periods beginning on or after 1 January 2018 and is not yet endorsed for use in the EU.

IFRS 15 provides a single, principles based five step model to be applied to all contracts with customers. The five steps in the model are as follows:

Identify the contract with the customer

Identify the performance obligations in the contract

Determine the transaction price

Allocate the transaction price to the performance obligations in the contracts

Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2018.

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. Applicable to annual reporting periods beginning on or after 1 January 2019.

Amendments to IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. Effective for annual periods beginning on or after 1 January 2017 however not yet endorsed for use in the EU.

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

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

2. Accounting Policies and Reporting Procedures (cont.)

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.

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.

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.

Other payables

Other payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material in which case 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.

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

2. Accounting Policies and Reporting Procedures (cont.)

Financial assets

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

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

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

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

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit 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 and it can be measured reliably. 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

As from September 2012, the income recognised in the Statement of Comprehensive Income was derived from the five Regional Committees and Local Enforcement System Agency.

Government grants

Government grants relating to costs are deferred and recognised in the statement of comprehensive income 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

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

2. Accounting Policies and Reporting Procedures (cont.)

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.

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 Statement of Cash Flows, cash and cash equivalents comprise cash in hand and balances held with banks.

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 year ended 31 December 2016 (cont.)**4. Funds received from central government**

	2016	2015
	€	€
In terms of section 55 of the Local Councils Act	223,884	216,826
Other Government Income	8,283	7,078
Grants Released	85,162	80,373
	<u>317,329</u>	<u>304,277</u>

5. Local Enforcement system

	2016	2015
	€	€
Administration fees to Regional Committees/LESA	681	808
Income from Contraventions	22	4,760
	<u>703</u>	<u>5,568</u>

6. General Income

	2016	2015
	€	€
Community Services		-
Rent Receivable	2,950	2,950
Insurance claim	4,001	-
Tender Documents/Info Charges	85	921
Income from Permits	3,435	2,207
Other income	-	6,847
	<u>10,471</u>	<u>12,925</u>

7. (Deficit)/Surplus for the year

	2016	2015
	€	€
Profit for the year is stated after charging		
Staff salaries	77,339	66,221
Depreciation of property, plant & equipment	114,993	122,437

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)**8. Personal Emoluments**

	2016	2015
	€	€
Mayor's Remuneration	7,228	7,048
Mayor's and Councillors' Allowances	6,400	6,400
Executive Secretary Salary and Allowances	29,867	29,054
Employees' Salaries	28,885	19,788
Social Security Contributions	4,959	3,931
	<u>77,339</u>	<u>66,221</u>

9. Operations and Maintenance

	2016	2015
	€	€
<i>Repairs and Upkeep:</i>		
Road/Street Pavements (patching works)	6,262	17,203
Signs and Road Markings	3,562	4,121
Council premises	2,235	266
Ix-Xlendi maintenance and upkeep	5,414	6,831
Other repairs and Upkeep	1,402	13,002
Public Property	1,817	367
	<u>20,692</u>	<u>41,790</u>
<i>Contractual Services:</i>		
Refuse Collection	21,948	20,487
Bulky Refuse Collection	1,347	643
Road & Street Cleaning	4,229	4,612
Cleaning - Public Conveniences	6,729	7,192
Cleaning & Maintaining Parks & Gardens	1,800	1,152
Cleaning & Maintenance of verges	146	1,801
Cleaning & Maintenance of Council premises	1,517	1,373
Tipping fees	8,761	9,920
Insurance	1,569	1,707
Local Enforcement System expenses	-	715
Street Lighting	1,297	8,291
	<u>49,343</u>	<u>57,893</u>
 Total Operations and Maintenance Costs	 <u>70,035</u>	 <u>99,683</u>

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

10. Administration and other expenditure

	2016	2015
	€	€
Utilities	5,469	7,177
Materials and supplies	430	788
Rent	2,816	2,446
Office repair and upkeep	397	781
National and International Membership	550	510
Office Services	2,113	4,648
Transport	736	398
Information Services	113	1,225
Professional Services	7,401	6,580
Community services and events	18,480	20,200
Bad Debts written off	50	136
Sundry expenses	798	35
Depreciation	114,993	122,437
	<u>154,346</u>	<u>167,361</u>

11. Finance Income

	2016	2015
	€	€
Bank Interest Receivable	18	90
	<u>18</u>	<u>90</u>

IL-MUNXAR LOCAL COUNCIL

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

12. Property, plant and equipment

	Buildings & Improvement €	Office Furniture & Fittings €	Computer & Office Equipment €	Plant & Machinery €	New Street Signs €	Urban Improvem €	Const €	Assets under constr €	Special Program €	Total €
Cost										
At 1 January 2015	3,736	15,583	44,456	1,210	3,785	91,581	164,742	-	1,347,608	1,672,701
Additions	-	-	-	-	-	37,186	6,283	187,088	98,124	328,681
Reclassification	-	-	-	-	-	-	-	-	-	-
At 31 December 2015	3,736	15,583	44,456	1,210	3,785	128,767	171,025	187,088	1,445,732	2,001,382
Depreciation										
At 1 January 2015	565	9,635	35,743	872	3,785	31,269	73,859	-	324,354	480,082
Charge for the year	32	431	1,669	62	-	7,082	8,684	-	104,479	122,439
At 31 December 2015	597	10,066	37,412	934	3,785	38,351	82,543	-	428,833	602,521
Grants										
At 1 January 2015	-	-	-	-	-	-	-	-	202,470	202,470
At 31 December 2015	-	-	-	-	-	-	-	-	-	-
Net Book values										
At 31 December 2015	3,139	5,517	7,044	276	-	90,416	88,482	187,088	814,429	1,196,391

IL-MUNXAR LOCAL COUNCIL

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

12. Property, plant and equipment (cont.)

	Buildings & Improvements €	Office Furniture & Fittings €	Computer & Office Equipment €	Plant & Machinery €	New Street Signs €	Urban Improvements €	Const €	Assets under construction €	Special Programmes €	Total €
Cost										
At 1 January 2016	3,736	15,583	44,456	1,210	3,785	128,767	171,025	187,088	1,445,732	2,001,381
Additions	-	1,059	1,852	-	-	2,141	-	-	-	5,051
Reclassification	-	-	-	-	-	-	-	(187,088)	187,088	-
At 31 December 2016	3,736	16,642	46,308	1,210	3,785	130,908	171,025	-	1,632,820	2,006,434
Depreciation										
At 1 January 2016	597	10,066	37,412	934	3,785	38,351	82,543	-	428,833	602,521
Charge for the year	31	421	1,585	51	-	8,766	8,453	-	95,686	114,991
At 31 December 2016	628	10,487	38,997	985	3,785	47,117	90,996	-	524,519	717,514
Grants										
At 1 January 2016	-	-	-	-	-	-	-	-	202,470	202,470
At 31 December 2016	-	-	-	-	-	-	-	-	-	-
Net Book values										
At 31 December 2016	3,108	6,155	7,311	225	-	83,791	80,029	-	905,831	1,086,451

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

	2016	2015
	€	€
Other receivables	2,998	1,881
Prepayments and accrued income	14,762	45,472
	<u>17,760</u>	<u>47,353</u>

Receivables

General receivables are analysed as follows:

	2016	2015
	€	€
Within credit period	7,267	45,682
Exceeded credit period but not impaired	10,493	1,671
Impaired and provided for	24,622	934
Provision for doubtful debts	(24,622)	(934)
	<u>17,760</u>	<u>47,353</u>

Included in the accounts receivable are amounts due from related parties amounting to €1,831 (2015 : €2,998). These amounts are unsecured, interest free and repayable on demand.

14. Cash & cash equivalents

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

	2016	2015
	€	€
Cash at Bank	195,311	183,880
Cash in Hand	313	317
	<u>195,624</u>	<u>184,197</u>

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)**15. Payables**

	2016	2015
	€	€
Payables	13,990	111,518
Other payables	24,050	7,312
Deferred Income	81,702	84,434
Accruals	54,803	49,842
	<u>174,545</u>	<u>253,106</u>

Included in the accounts payable are amounts due to related parties amounting to €5,507 (2015 : €5,239). These amounts are unsecured, interest free and repayable on demand.

16. Deferred Income

	2016	2015
	€	€
Government grants		
At 1 January	894,787	793,761
Increase in year	34,533	181,399
Refunds paid	(31,400)	-
	<u>897,920</u>	<u>975,160</u>
Released in year	(85,162)	(80,373)
	<u>812,758</u>	<u>894,787</u>
Current Deferred Income	<u>78,752</u>	<u>84,434</u>
Non-Current Deferred Income	<u>734,006</u>	<u>810,353</u>
Deferred Government Grants		
Deferred between one and two years	71,029	62,306
Deferred between two and five years	174,101	191,511
Deferred in five years or more	488,876	556,536
	<u>734,006</u>	<u>810,353</u>
Deferred after five years or more	<u>488,876</u>	<u>556,536</u>

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)**17. Capital Commitments**

	2016	2015
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	110,000	-
- Contracted for but not provided in the financial statements	-	12,363
(i) Approved but not yet contracted for:		
Pjazza tal-Munxar (shelters and pavement)	55,000	-
Ix-Xlendi Tower restoration	25,000	-
Decorative luminaries	30,000	-
	110,000	-
(i) Contracted for but not provided in the Financial Statements:		
	-	-
	-	-
Pavements - Pathways - Xlendi	-	12,363
	-	12,363

18. 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.

19. Financial Risk Management

The Council's activities expose it to credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Council is not exposed to any market risk. The Council's risk management is coordinated by the council members and focuses on actively securing the council's short to medium term cash flow by minimising exposure to financial risks.

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

Credit risk

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and 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 debtors 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.

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)**19. Financial Risk Management (cont.)****Summary of financial assets and liabilities by category:**

	2016	2015
	€	€
Current Assets		
Loans and receivables:		
Accounts and other receivables	17,760	47,353
Cash and Cash Equivalents	195,624	184,197
	<u>213,384</u>	<u>231,550</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	<u>92,843</u>	<u>168,672</u>

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 195,624. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net current asset position of Euro 38,839 (2015: deficit €21,556) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

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 currency transactions.

Interest Rate Risk

The Council operates bank accounts without any financing facilities. As a result, the Council is not exposed to cash flow interest rate risk on bank balances.

Other risks

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.

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)**20. Related party transactions**

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local 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
Local Enforcement System Agency	No control
Malta Environment and Planning Authority	No control
Malta Information Technology Agency	No control
Water Services Corporation	No control
Enemalta Corporation	No control
ARMS Limited	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Police General Headquarters	No control
Department of Lands	No control
Airmalta plc	No control
Bank of Valletta plc	No control
Malta Tourism Authority	No control
Office of the Prime Minister	No control
Office of the Commissioner for Data Protection	No control

The amounts due from / to related parties at year-end are disclosed in notes 13 and 15. The terms and conditions do not specify the nature of the consideration to be provided in settlement. These amounts are unsecured, interest free and repayable on demand.

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

	Related party activity	2016		Related party activity	2015	
	€	Total activity	%	€	Total activity	%
		€			€	
<i>Income</i>						
Transactions with central government	317,329			304,277		
Transactions with regions	703			5,568		
	<u>318,032</u>	<u>328,503</u>	<u>97</u>	<u>309,845</u>	<u>322,770</u>	<u>96</u>
<i>Expenditure</i>						
Transactions with government entities	8,761			11,669		
Key personnel remuneration	43,495			42,502		
	<u>52,256</u>	<u>301,720</u>	<u>17</u>	<u>54,171</u>	<u>333,265</u>	<u>16</u>

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

21. Fair values estimation

At 31 December 2016 and at 31 December 2015, 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.

IL-MUNXAR LOCAL COUNCIL**REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL****Opinion**

We have audited the accompanying financial statements of Il-Munxar Local Council, which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 4 - 24.

In our opinion, the financial statements give a true and fair view of the financial position of the Local Council as of 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Local Council 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Executive Secretary and the Local Council Members are responsible for the other information. The other information comprises the Statement of Local Council Members' and Executive Secretary's Responsibilities. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL - continued

Council Responsibilities for the Financial Statements

As described on page 3, the Executive Secretary and the Local Council Members are 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 European Union, and for such internal control as the Executive Secretary and the Local Council Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Secretary and the Local Council Members are responsible for assessing the Local Council'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 it is inappropriate to presume that the Local Council will continue as a going concern.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 skepticism 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 Local Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Secretary and the Local Council Members.

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REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL - continued

Auditor's Responsibilities for the Audit of the Financial Statements - continued

- Conclude on the appropriateness of the Executive Secretary's and the Local Council Members' 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 Local Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 auditor's report. However, future events or conditions may cause the Local Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been properly prepared in accordance with the Local Councils Act (Cap. 363), the Financial Regulations issued in terms of the said Act and the Local Councils (Financial) Procedures.



*This copy of the audit report has been signed by
Conrad Borg (Partner)
for and on behalf of*

RSM Malta
Certified Public Accountants

Date: 27th April 2017