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Our Ref: NAO 107/2015/46
Your Ref:

11 May 2017

The Mayor and Executive Secretary
Pembroke Local Council
Pembroke

Dear Sir/Madam,

**AUDIT REPORT and FINANCIAL STATEMENTS
YEAR ENDING 31 DECEMBER 2016**

In terms of Section P2.06 (c.02) of the Local Councils (Audit) Procedures 2006, I am forwarding a copy of the Audit Report and Financial Statements, together with the Management Letter for the financial year ending 31 December 2016.

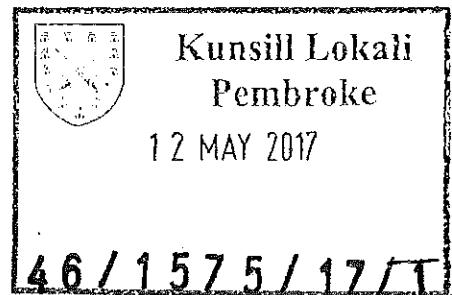
After seeking the Council's approval, you are kindly requested to submit your response to the Director (Local Government), the Local Government Auditor, and to this Office as stipulated in Section P2.06 (d) of the same Procedures, by not later than six weeks following receipt of this letter.

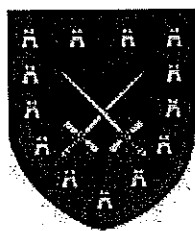
Yours faithfully,



Tanya Mercieca
Asst. Auditor General

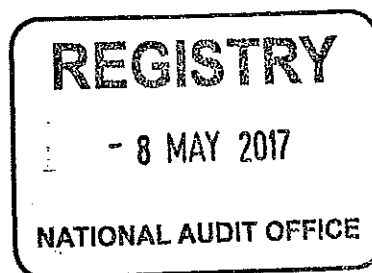
Encls.





**PEMBROKE LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2016**

*Prepared by Romina Perici Ferrante B. Com, B.A. Hons (Mgt), F.I.A., C.P.A.
Certified Public Accountant
15, St. John Street,
Mosta MST 3603*



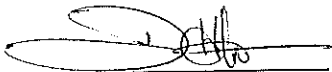
**PEMBROKE LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2016**

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**PEMBROKE LOCAL COUNCIL
STATEMENT OF LOCAL COUNCIL MEMBERS' AND
EXECUTIVE SECRETARY'S RESPONSIBILITIES**

The Local Council (Financial) Regulations, 1993, require the Executive Secretary to prepare a detailed Annual Administrative Report, which includes a statement of the Local Council's comprehensive income for the year and of the Local Council's retained funds at the end of the 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 accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year ended and its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, 1993, and the Local Council (Financial) Procedures, 1996 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, CAP 363, the Local Councils (Financial) Regulations, 1993, and the Local Councils (Financial) Procedures, 1996. 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.



Dr. Dean Hili LLD
Mayor



Kevin Borg
Executive Secretary

Date: 25th April 2017

LOCAL COUNCIL PEMBROKE
Report of the Local Government Auditors to the Auditor General

Report on the Audit of the Financial Statements

We have audited the financial statements of LOCAL COUNCIL PEMBROKE, set out on pages 6 to 28, 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 notes to the financial statements, including a summary of significant accounting policies.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of LOCAL COUNCIL PEMBROKE as at 31 December 2016, and its financial performance for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis for Qualified Opinion

In accordance with the Local Enforcement System (LES) issued by the Ministry by virtue of Article 72 of the Local Councils Act, 1993, the income relating to contraventions was delegated to the local councils through Legal Notice 32 of 2000. The Council entered into a pooling agreement with a number of local councils within the Local Enforcement System and formed a Joint Committee to manage and administer this function up to September 2011, when this was delegated to Regional Committees. Due to the fact that no proper audited financial statements have been prepared by the Joint Committee, we could not obtain reasonable assurance on the completeness of the share of income, which amounted to €150.35 for the year under review, which has been recorded in the financial statements as well as on any possible accrued income or liabilities present as at end of the current financial year.

The Council maintains a fixed asset register to record fixed assets acquired by it. However a number of assets have been incorrectly categorized with the consequence that an incorrect depreciation rate has been applied and recognised in the financial statements. Whilst we are of the opinion that there may be material misstatements in the depreciation provision and charge for the year, there were no practicable procedures to arrive to the exact amount of misstatement in the depreciation provision and depreciation charge for the year.

IFRS require that all applicable standards and their disclosure requirements are adhered to. These financial statements lack appropriate disclosure in line with the requirements of IAS 24 - Related Party Disclosure in relation to disclosure of related party transactions (apart from the annual financial allocation) with Department of Local Government/Central Government as well as related party transactions with the Group H LES Joint Committee and North Regional Committee. These financial statements lack proper disclosures emanating from IAS 38 - Intangible Assets in relation to the recognition and disclosure of computer software. Furthermore, they also lack disclosures emanating from IAS 1 - Presentation of Financial Statements in relation to new and revised IFRSs adopted by the EU that are not mandatorily effective but allow early application for the year ending 31 December 2016.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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 qualified opinion.

Other Information

The Council is 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 this information, including the Statement of Local Council Members' and Executive Secretary's Responsibilities. In connection with our audit of the financial statements, our responsibility is to read the other information 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. We have nothing to report in this regard.

Council's Responsibility for the Financial Statements

The Council Members and the Executive Secretary 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 EU and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management are responsible for assessing the 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 the management either intend to cease operations, or has no realistic alternative but to do so.

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 auditor's 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.

Report on Other Legal and Regulatory Requirements

The Local Council (Financial) Procedures, 1996, require that the financial statements should be prepared in accordance with the International Financial Reporting Standards. In view of the matters set out under the basis for qualified opinion section of this report, these financial statements have not been prepared in line with the requirements of International Financial Reporting Standards.



This copy of the audit report has been signed by
Mr. Neville Cutajar (Audit Partner) for and on behalf of
3a
Certified Public Accountants
Level 2,
Palazzo Ca Brugnera',
Valley Road,
Birkirkara Malta.

Date: 25th April 2017

PEMBROKE LOCAL COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2016

		2016	2015
	Notes	Euro	Euro
INCOME			
Funds received from Central Government	3	411,351	423,780
Income raised under Law Enforcement system	4	5,984	6,154
Income raised under Local Council Bye Laws	5	3,506	2,445
General income	6	<u>7,173</u>	<u>13,794</u>
		<u>428,014</u>	<u>446,173</u>
EXPENDITURE			
Personnel emoluments	7	91,085	86,946
Operations and maintenance expenses	8	214,626	201,350
Administration and other expenditure	9	<u>83,198</u>	<u>129,461</u>
		<u>388,909</u>	<u>417,757</u>
OPERATING PROFIT FOR THE YEAR		€39,105	€28,416
Finance Income	10	<u>176</u>	<u>368</u>
PROFIT FOR THE YEAR		<u>€ 39,281</u>	<u>€ 28,784</u>

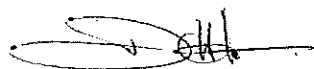
The notes on pages 10 to 28 form an integral part of these financial statements.

**PEMBROKE LOCAL COUNCIL
STATEMENT OF FINANCIAL POSITION
At 31 December 2016**

	Notes	31 Dec 2016	31 Dec 2015
		Euro	Euro
ASSETS			
Non-Current Assets			
Property, plant and equipment	11	<u>379,999</u>	<u>345,014</u>
Current Assets			
Inventories	12	1,790	1,980
Trade and other receivables	13	21,364	12,104
Cash and cash equivalents	14	<u>354,299</u>	<u>367,905</u>
Total Current Assets		<u>377,453</u>	<u>381,989</u>
TOTAL ASSETS		<u>€ 757,452</u>	<u>€ 727,003</u>
RESERVES AND LIABILITIES			
Reserves			
Retained earnings		<u>659,968</u>	<u>620,687</u>
Non-Current Liabilities			
Deferred Income	15	<u>42,548</u>	<u>46,467</u>
Total Non-Current Liabilities		<u>42,548</u>	<u>46,467</u>
Current Liabilities			
Trade and other payables	16	<u>54,936</u>	<u>59,849</u>
Total Current Liabilities		<u>54,936</u>	<u>59,849</u>
TOTAL RESERVES AND LIABILITIES		<u>€ 757,452</u>	<u>€ 727,003</u>

The notes on pages 10 to 28 form an integral part of these financial statements.

These Financial Statements were approved by the Local Council on the **25th April 2017**
and signed on its behalf by:



Dr. Dean Hill LLD
Mayor



Kevin Borg
Executive Secretary

PEMBROKE LOCAL COUNCIL
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2016

	Retained Funds Euro
At 1 January 2015	591,903
Profit for the year	<u>28,784</u>
At 31 December 2015	<u>620,687</u>
At 1 January 2016	620,687
Profit for the year	<u>39,281</u>
At 31 December 2016	<u>659,968</u>

The notes on pages 10 to 28 form an integral part of these financial statements.

PEMBROKE LOCAL COUNCIL
STATEMENT OF CASH FLOWS
For the year ended 31 December 2016

		1 Jan 2016 – 31 Dec 2016	1 Jan 2015 – 31 Dec 2015
	Notes	Euro	Euro
Net Profit for the year		39,281	28,784
Reconciliation to cash generated from operations:			
Depreciation		51,220	78,027
Interest Receivable		(176)	(368)
Loss on disposal of fixed assets		0	57
Operating Profit before Working Capital changes		90,325	106,500
Decrease in Inventories		190	128
(Increase)/Decrease in Trade and other receivables		(9,260)	42,140
(Decrease) in payables		(3,120)	(3,105)
(Decrease) in other payables		(333)	(601)
Government Grant released		<u>(5,379)</u>	<u>(46,726)</u>
Cash generated from operating activities		<u>72,423</u>	<u>98,336</u>
Cash flows from investing activities			
Interest Received		176	368
Acquisition of property, plant and equipment		<u>(86,205)</u>	<u>(87,665)</u>
Cash used in investing activities		<u>(86,029)</u>	<u>(87,297)</u>
Cash flows from financing activities			
Grant Received		<u>0</u>	<u>41,129</u>
Cash generated from financing activities		<u>0</u>	<u>41,129</u>
Net (decrease)/increase in cash and cash equivalents		<u>(13,606)</u>	<u>52,168</u>
Analysis of changes in cash and cash equivalents during the year			
Cash and cash equivalents at beginning of year		367,905	315,737
Net (decrease)/increase in cash and cash equivalents		<u>(13,606)</u>	<u>52,168</u>
Cash and cash equivalents at end of year	14	<u>354,299</u>	<u>367,905</u>

The notes on pages 10 to 28 form an integral part of these financial statements.

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016

1. GENERAL INFORMATION

Pembroke Local Council is the local authority of Pembroke setup in accordance with the Local Councils Act 1993. The office of the Council is at Triq Alamein, Pembroke.

The financial statements were authorised for issue by the Council on the 25th April 2017.

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.

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 the Council has applied the following International Financial reporting Standards as adopted by the EU which have been mandatorily effective for the year ending 31 December 2016:

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

On 12 May 2014 the IASB issued Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation. The amendments 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. The issue also introduces 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. The amendments finally 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.

On 18 December 2014 the IASB issued Amendments to IAS 1 Disclosure Initiative. It clarifies that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to all the parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply; provides 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; and gives additional examples of possible ways of ordering the notes to clarify that understandability 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.

Standards and Interpretations issued by the IASB but not yet adapted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following standards and amendments to the existing standards, which were not endorsed for use in the EU as at 31 December 2016 and cannot be applied by the entities preparing their financial statements in accordance with IFRS as adopted by the EU:

- Annual Improvements to IFRS Standards 2014-2016 Cycle (issued December 2016)
- IFRS 15 Revenue from Contracts with Customers (issued in May 2014)
- Amendments to IAS 7 Disclosure Initiative (issued January 2016);

The Councillors are assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Councillors anticipate that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss 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	0.0
Trees	0.0
Buildings	1.0
Office Furniture, Fixtures and Fittings	7.5
Construction works	10.0
Urban Improvements (street furniture)	10.0
Special Programs (Projects)	10.0
Office Equipment	20.0
Motor Vehicles	20.0
Plant and Machinery	20.0
Computer Equipment	25.0
Plants	100.0
Litter Bins	Replacement Basis
Playground Furniture	100.0
Traffic Signs	Replacement Basis
Road Signs	Replacement Basis
Street Mirrors	Replacement Basis
Street Lights	100.0

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24. The paragraphs adopted from IAS 24 are paragraphs 25 – 27, being amendments to government related entities' disclosures.

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 Statement of Comprehensive Income.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Amounts Receivable

Amounts receivable are recognized initially at fair value and subsequently measured at amortized 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 receivable. 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 recognized in the Statement of Comprehensive Income.

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

Revenue recognition

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the Statement of Comprehensive Income as it accrues.

Payables and Borrowings

Payable and Borrowing Costs are recognised as an expense in the period in which they are incurred. Amounts payable comprise creditor payments, that is, the amounts payable for the procurement of supplies and services. When an invoice or request for payment is received from a supplier, this is checked to the purchase order previously issued or the services contract, before payment is released in favour of any vendor. All cheque payments are signed by the Mayor and Executive Secretary and then reconciled with the bank statements on a monthly basis.

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 liabilities as deferred government grants and are credited to the Statement of Comprehensive Income 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.

Inventories

Inventories are valued at lower of cost and net realisable value.

Profits and losses

Only profits 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.

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

Local Enforcement System

Pembroke Local Council formed part of the Group H Joint Committee from September 2002 until August 2011. As from September 2011, Pembroke Local Council forms part of the North Region. The amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the Joint Committee after deducting the related expenses. As from September 2011, the Council receives 10% administrative fees on fines collected.

Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Executive Secretary, the accounting estimates and judgements made in the preparation of the Financial Statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS1 (revised) – 'Presentation of Financial Statements'.

Capital Management Policies and Procedures

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objective 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 this, the Council carries out a quarterly review of the working capital ratio (Financial Situation Indicator). This ratio was positive at the reporting date. 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.

Financial Instruments

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs. They are measured subsequently as described below:

Financial Assets

For the purpose of subsequent measurement, financial assets of the Council are classified into loans and receivables upon initial recognition. Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below:

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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 counter party 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 included other payables. These are stated at their nominal account which is a reasonable approximation of fair value.

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

3. FUNDS RECEIVED FROM CENTRAL GOVERNMENT

	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
	Euro	Euro
In terms of Section 55 of the Local Councils Act, 1993	378,463	366,389
Supplimentary Government Income	25,509	10,665
Other Government Income	<u>7,379</u>	<u>46,726</u>
	<u>411,351</u>	<u>423,780</u>

4. INCOME RAISED UNDER LOCAL ENFORCEMENT INCOME

	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
	Euro	Euro
Administrative charges to Regional Committees	5,834	5,843
Share of Surplus from Joint Committee	<u>150</u>	<u>311</u>
	<u>5,984</u>	<u>6,154</u>

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

5. INCOME RAISED UNDER LOCAL COUNCIL BYE-LAWS

	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
	Euro	Euro
Sale of Pembroke books, Contributions and Advertising	<u>3,506</u>	<u>2,445</u>

6. GENERAL INCOME

	1 Jan – 31 Dec 2016	1 Jan – 31 Dec 2015
Tender Documents	572	355
Donations and Sponsorships	531	2,569
Contributions	360	1,500
Others	1,159	3,343
Income from permits	3,990	3,909
Income re Library	561	554
Insurance Claims	<u>0</u>	<u>1,564</u>
	<u>€ 7,173</u>	<u>€ 13,794</u>

7. PERSONNEL EMOLUMENTS

	1 Jan – 31 Dec 2016	1 Jan – 31 Dec 2015
Personnel Emoluments include, <i>inter alia</i>		
Mayor's Honoraria	7,229	7,048
Mayor's and Councillors' Allowances	5,907	6,400
Executive Secretary Salary and Allowances	28,616	27,936
Employees' Salaries	43,173	39,940
Social Security Contributions	<u>6,160</u>	<u>5,622</u>
	<u>€ 91,085</u>	<u>€ 86,946</u>

Average number of people employed

Employees	3	3
Mayor & Councillors	5	5

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

	1 Jan – 31 Dec 2016	1 Jan – 31 Dec 2015
8. OPERATIONS AND MAINTENANCE EXPENSES	Euro	Euro
Operations and maintenance includes, <i>inter alia</i>		
REPAIRS AND UPKEEP		
Roads and street pavements (patching works)	26,432	28,960
Public Property	9,874	1,957
Office furniture & equipment	771	3,296
Street Signs	1,223	3,006
Other repairs & upkeep	372	26
Road Markings	3,776	5,889
	<u>€ 42,448</u>	<u>€ 43,134</u>
CONTRACTUAL SERVICES		
Refuse collection	59,513	58,814
Bulky refuse collection	13,346	11,989
Road and street cleaning	19,313	20,505
Cleaning and maintenance of non-urban roads	17,762	17,884
Cleaning and maintenance parks and gardens	16,935	16,402
Cleaning and maintenance of verges	18,473	17,884
Cleaning and maintenance council premises	2,319	2,279
Cleaning and maintenance public conveniences	5,987	4,187
LES related expenditure	19	26
Street lighting	7,666	3,601
Other Contractual Services	10,845	4,645
	<u>€ 172,178</u>	<u>€ 158,216</u>
TOTAL OPERATIONS AND MAINTENANCE EXPENSES	<u>€ 214,626</u>	<u>€ 201,350</u>

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015
	Euro	Euro
9. ADMINISTRATIVE AND OTHER EXPENSES		
Depreciation	51,220	78,027
Water, Electricity & Telecommunications	4,930	4,645
Rent	1,456	1,456
National and international memberships	710	500
Office Services	2,127	3,078
Insurance	2,002	1,787
Library expenses	2,341	2,384
Transport	576	947
Advertising & Public relations	1,137	538
Professional services	10,710	23,925
Community and hospitality	5,641	11,274
Sundry minor expenses	133	547
Loss on Disposal	0	57
Bank Charges	<u>215</u>	<u>296</u>
TOTAL ADMINISTRATIVE EXPENSES	<u>€ 83,198</u>	<u>€ 129,461</u>
 10. FINANCE INCOME		
	1 Jan-31 Dec 2016	1 Jan- 31 Dec 2015
Bank Interests	<u>€ 176</u>	<u>€ 368</u>

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

11. PROPERTY, PLANT AND EQUIPMENT

	Office Furniture, Fixtures & Fittings €	Office Equipment €	New Street Signs €	Urban Improvements €	Construction & Street Paving €	Special Programmes €	Trees €	Plant & Machinery €	Asset not yet capitalised €	Total €
Depreciation Rate	7.50%	20.00%	100.00%	10.00%	10.00%	10.00%	0.00%	20.00%		
Cost										
At 1 January 2016	24,583	46,312	11,787	438,534	589,175	653,660	16,147	6,300	0	1,786,498
Additions	0	1,108	0	57,714	23,272	0	1,160	0	2,951	86,205
Transferred	0	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0	0
At 31st December 2016	24,583	47,420	11,787	496,248	612,447	653,660	17,307	6,300	2,951	1,872,703
Grants										
At 1 January 2016	0	3,494	0	60,436	0	653,923	0	0	0	717,853
Transferred during the year	0	0	0	0	0	0	0	0	0	0
At 31st December 2016	0	3,494	0	60,436	0	653,923	0	0	0	717,853
Depreciation										
At 1 January 2016	12,836	35,438	11,787	265,206	392,826	-263	0	5,801	0	723,631
Transferred	0	0	0	0	0	0	0	0	0	0
Charge for the period	1,010	2,157	0	25,668	22,267	0	0	118	0	51,220
Released on Disposal	0	0	0	0	0	0	0	0	0	0
At 31st December 2016	13,846	37,595	11,787	290,874	415,093	-263	0	5,919	0	774,851
Net Book Value										
At 31st December 2016	10,737	6,331	0	144,938	197,354	0	17,307	381	2,951	379,999

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

11. PROPERTY, PLANT AND EQUIPMENT (cont.)

	Office Furniture, Fixtures & Fittings €	Office Equipment €	New Street Signs €	Urban Improvements €	Construction & Street Paving €	Special Programmes €	Trees €	Plant & Machinery €	Asset not yet capitalised €	Total €
Cost										
At 1 January 2015	24,583	45,367	11,787	393,979	547,060	653,660	16,097	6,481	0	1,699,014
Additions	0	945	0	44,555	42,115	0	50	0	0	87,665
Transferred	0	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	-181	0	-181
At 31st December 2015	24,583	46,312	11,787	438,534	589,175	653,660	16,147	6,300	0	1,786,498
Grants										
At 1 January 2015	0	3,494	0	60,436	0	653,923	0	0	0	717,853
Transferred during the year	0	0	0	0	0	0	0	0	0	0
At 31st December 2015	0	3,494	0	60,436	0	653,923	0	0	0	717,853
Depreciation										
At 1 January 2015	11,881	33,214	11,787	210,816	372,509	-263	0	5,784	0	645,728
Transferred	0	0	0	0	0	0	0	0	0	0
Charge for the period	955	2,224	0	54,390	20,317	0	0	141	0	78,027
Released on Disposal	0	0	0	0	0	0	0	-124	0	-124
At 31st December 2015	12,836	35,438	11,787	265,206	392,826	-263	0	5,801	0	723,631
Net Book Value										
At 31st December 2015	11,747	7,380	0	112,892	196,349	0	16,147	499	0	345,014

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

12. INVENTORIES

	As at 31 December 2016	As at 31 December 2015
Books and other publications	<u>1,790</u>	<u>1,980</u>

13. TRADE AND OTHER RECEIVABLES

	As at 31 December 2016	As at 31 December 2015
	Euro	Euro
Amount invoiced but not yet settled	7,942	12,490
Provision for general Bad debts	(4,200)	(4,200)
Pre-Pooling LES Debtors	8,583	8,629
Provision for Bad LES debts	(8,583)	(8,629)
Other debtors	700	700
Prepayments and Accrued income	<u>16,922</u>	<u>3,114</u>
	<u>21,364</u>	<u>12,104</u>

Prepayments include prepayments of Local Council property rental and insurance premium.

Receivables

General receivables are analysed as follows:

	As at 31 December 2016	As at 31 December 2015
	Euro	Euro
Within credit period	2,739	5,356
Exceeded credit period but not impaired	1,003	2,934
Provision for doubtful debts	<u>4,200</u>	<u>4,200</u>
	<u>7,942</u>	<u>12,490</u>

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the cash flow statement comprise the following amounts in the Local Council's Statement of Financial Position:

	As at 31 December 2016	As at 31 December 2015
	Euro	Euro
Cash in hand	233	233
Bank balances – Ordinary Funds	<u>354,066</u>	<u>367,672</u>
	<u>€ 354,299</u>	<u>€ 367,905</u>

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

15. DEFERRED INCOME

	As at 31 December 2016	As at 31 December 2015
	€	€
Government Grants		
At beginning of year	51,595	56,762
Increase in period	<u>1,127</u>	<u>41,559</u>
	52,722	98,321
Released in period	<u>(5,379)</u>	<u>(46,726)</u>
At end of year	<u>47,343</u>	<u>51,595</u>
 Current Deferred Income	 <u>4,795</u>	 <u>5,128</u>
 Non-Current Deferred Income	 <u>42,548</u>	 <u>46,467</u>
 Deferred Government Grants		
Deferred between one and two years	9,076	9,727
Deferred between two and five years	10,326	11,174
Deferred in five years or more	<u>27,941</u>	<u>30,695</u>
	<u>47,343</u>	<u>51,595</u>
 Deferred after five years or more		
Government Grants	<u>27,941</u>	<u>30,695</u>

16. TRADE AND OTHER PAYABLES

	As at 31 December 2016	As at 31 December 2015
	Euro	Euro
Trade Payables	16,735	17,490
Accruals and Deferred Income	<u>38,201</u>	<u>42,359</u>
	<u>54,936</u>	<u>59,849</u>
 Trade Payables are analysed as follows:		
	As at 31 December 2016	As at 31 December 2015
	Euro	Euro
Within credit period	8,132	7,811
Exceeded credit period	<u>8,603</u>	<u>9,679</u>
	<u>16,735</u>	<u>17,490</u>

Accruals include estimates for goods and services received prior to 31 December 2016 and for which invoices have not yet been received by the Local Council.

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

17. CONTINGENT LIABILITIES

The council has no contingent liabilities at year end.

18. CAPITAL COMMITMENTS

	As at 31 December 2016	As at 31 December 2015
	Euro	Euro
- Capital expenditure that has been approved but not provided for in the Financial Statements		
(i) New underground installation in Triq Burma	9,152	0
- Capital expenditure that has been approved but not yet contracted for.		
(ii) General upgrading works	0	0
	<u>€ 9,152</u>	<u>€0</u>

19. FAIR VALUES ESTIMATION

The nominal values less estimated credit adjustments of receivables and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair values.

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

20. RELATED PARTY TRANSACTIONS

The Pembroke Local Council has the following related parties, exercising:

- i. Significant Control – The Department of Local Government
- ii. Joint Control – Group H Joint Committee for Local Enforcement and North Regional Committee for Local Enforcement
- iii. No Control – Arms Ltd., Water Services Corporation, Enemalta Corporation, WasteServ Malta Ltd., Malta Information Technology Agency, Northern Harbour District Joint Committee, Malta Tourism Authority, Bank of Valletta plc., South Regional Committee, Gozo Regional Committee, South Eastern Regional Committee, Central Regional Committee, LESA, Police General Head Quarters, Malta Environment and Planning Authority, Department of Lands and the Department of Information.

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

	2016	2015
	Euro	Euro
Annual Financial Allocation	378,463	366,389
<u>Key Management Emoluments</u>		
Executive Secretary	28,554	27,876
Mayor's Honoraria	7,229	7,048
Mayor & Councillors' Allowances	5,907	6,400

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

21. FINANCIAL RISK MANAGEMENT

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

Market Risk

The Council's interest rate risk arises from its deposits with financial institutions. The Council does not have any long term borrowings. 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.

Credit Risk

Financial assets which potentially subject the Council to concentrations of credit risk which are principally made up of cash at bank and debtors. The Council's cash is placed with a quality 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. Furthermore, credit risk is limited due to the fact that government-owned customers comprise a high percentage of the council's debtor base. LES Debtor balance has been provided for fully with an allowance for bad debts.

The Council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period and is summarized as follows:

	2016 €	2015 €
Classes of financial assets - carrying amounts		
Trade and other receivables	18,785	8,990
Cash and cash equivalents	<u>354,299</u>	<u>367,905</u>
	<u>373,084</u>	<u>376,895</u>

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

Included in the council's trade receivable there are no balances which are past due and which have not been provided for.

	2016 Euro	2015 Euro
31-60 days	2,727	4,228
61-90 days	0	0
91-180 days	12	1,127
181-365 days	1,003	2,935
Over 365 days	<u>4,200</u>	<u>4,200</u>
	<u>7,942</u>	<u>12,490</u>

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

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

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 € 354,299. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net asset position ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

At 31 December 2016, the Council's financial liabilities have contractual maturities which are summarised below:

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

	Current within 1 year €	Non-Current 1 to 5 years €	Non-Current later than 5 years €
Payables	<u>16,735</u>	<u>-</u>	<u>-</u>

This compares to the maturity of the Council's financial liabilities in the previous reporting period as follows:

	Current Within 1 year €	Non-Current 1 to 5 years €	Non-Current later than 5 years €
Payables	<u>17,490</u>	<u>-</u>	<u>-</u>

22. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of the council's financial assets and liabilities as recognized at the reporting dates under review are categorized as follows:

	2016 €	2015 €
Current assets		
Loans and receivables:		
Trade and other receivables	18,785	8,990
Cash and cash equivalents	<u>354,299</u>	<u>367,905</u>
	<u>373,084</u>	<u>376,895</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	<u>16,735</u>	<u>17,490</u>
	<u>16,735</u>	<u>17,490</u>