

QALA LOCAL COUNCIL

Report and financial statements
For the year ended 31 December 2016

REGISTRY

- 5 MAY 2017

NATIONAL AUDIT OFFICE

Prepared by:

John C Buttigieg
Certified Public Accountant
Capital Heights, Triq Gorg Borg Olivier,
Victoria VCT 2519 – Gozo

QALA LOCAL COUNCIL

Annual report and financial statements for the year ended 31 December 2016

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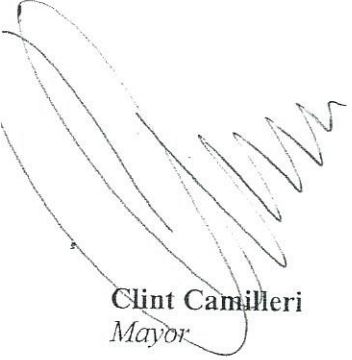
**Annual report and financial statements
for the year ended 31 December 2016**

Statement of Local Council Members' and Executive Secretary's Responsibilities

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 Local Council's retained funds at the end of the year. By virtue of the same regulations it is duty of the 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 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 Councils (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, 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.

Approved by the Council and signed on its behalf on 27 April 2017 by:



Clint Camilleri
Mayor



Marcia Borg
Executive Secretary

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Statement of Comprehensive Income for the year ended 31 December 2016

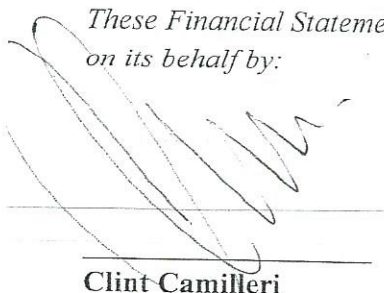
		2016	2015
	Note	€	€
Income			
Funds received from central government	3	315,596	315,792
Law Enforcement income	4	629	1,202
General income	5	10,441	5,909
		<u>326,666</u>	<u>322,903</u>
Expenditure			
Personal emoluments	6	59,450	57,814
Operations and maintenance	7	62,436	64,750
Administration and other expenditure	8	148,060	186,165
		<u>269,946</u>	<u>308,729</u>
Operating income for the year		€ 56,720	€ 14,174
Finance income	9	2	292
Finance cost	10	(46)	(62)
Total comprehensive income for the year		<u>€ 56,676</u>	<u>€ 14,404</u>

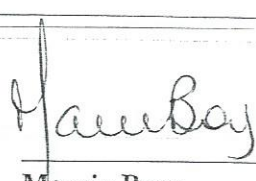
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Statement of Financial Position at 31 December 2016

		31 Dec 2016	31 Dec 2015
Assets	Note	€	€
Non-current assets			
Property, plant and equipment	11	736,573	797,905
Current Assets			
Receivables	12	82,967	107,328
Cash and cash equivalents	13	402,245	352,919
		485,212	460,247
Total assets		€ 1,221,785	€ 1,258,152
Reserves and liabilities			
Reserves			
Retained funds		587,241	530,565
Non Current liabilities			
Deferred Income	14	404,692	437,949
		404,692	437,949
Current liabilities			
Payables and accruals	15	229,852	289,638
		229,852	289,638
Total Reserves and Liabilities		€ 1,221,785	€ 1,258,152

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


Clint Camilleri
Mayor


Marcia Borg
Executive Secretary

QALA LOCAL COUNCIL

Statement of changes in equity for the year ended 31 December 2016

	Retained funds
	€
Balance at 01 January 2015	516,161
Total comprehensive income for the year	14,404
Balance at 31 December 2015	€ 530,565
Balance at 01 January 2016	530,565
Total comprehensive income for the year	56,676
Balance at 31 December 2016	€ 587,241

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Statement of Cash Flows for the year ended 31 December 2016

	2016	2015
Note	€	€
<i>Cash flows from operating activities</i>		
Total comprehensive income for the year	56,676	14,404
<i>Adjustment for:</i>		
Depreciation	78,286	71,905
Amortisation of funds	(45,361)	(38,283)
Interest receivable	(2)	(292)
Interest payable	46	62
<i>Operating surplus before working capital movements</i>	<u>89,645</u>	<u>47,796</u>
Decrease/(Increase) in receivables	24,361	(53,314)
(Decrease)/Increase in payables	(56,729)	73,625
<i>Net cash generated from operating activities</i>	<u>57,277</u>	<u>68,107</u>
<i>Cash flows from investing activities</i>		
Purchase of property, plant and equipment	(16,954)	(183,477)
Grants received	9,047	161,963
Interest received	2	292
<i>Net cash flows used in investing activities</i>	<u>(7,905)</u>	<u>(21,222)</u>
<i>Cash flows from financing activities</i>		
Interest paid	(46)	(62)
<i>Net cash used for financing activities</i>	<u>(46)</u>	<u>(62)</u>
Net increase in cash and cash equivalents	49,326	46,823
Cash and cash equivalents at the beginning of the year	<u>352,919</u>	<u>306,096</u>
Cash and cash equivalents at the end of the year	<u>13 € 402,245</u>	<u>€ 352,919</u>

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2016

1. General Information

Qala Local Council is the local authority of Qala setup in accordance with the Local Councils Act.
The office of the Local Council is situated at :

'Civil Centre' Bishop Buttigieg Street, Qala.

The Qala Local Council forms part of the Gozo Regional Committee.

2. Accounting policies and reporting procedures

The 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 the Local Government in terms of section 67 of the Local Councils Act, (CAP 363). The Financial Statements are prepared under the historical cost convention as modified to include fair values stated in the accounting policies below. These Financial Statements are prepared in accordance to the requirements of International Financial Reporting Standards as adopted by the EU and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

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 chose 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.

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Notes to the financial statement for the year ended 31 December 2016

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 and were not yet effective. 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.

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.

**Notes to the financial statement
for the year ended 31 December 2016**

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.

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.

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Notes to the financial statement

for the year ended 31 December 2016

a. 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.

b. Local Enforcement Systems

The Local Council forms part of the Gozo Regional Committee. During the year, the amount disclosed in the financial statements under Local Enforcement System income represents the administrative fee of 10% that is now chargeable to the Regional Committee and the Law Enforcement System Agency for contraventions paid at the Council.

c. Property, Plant and Equipment

Property, plant and equipment is 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
Trees	0
Buildings	1
Office furniture and fittings	7.5
Construction works	10
Urban Improvements	10
Special programmes	10
Office equipment	20
Motor vehicles	20
Plant and machinery	20
Computer equipment	25
Plants	100
Litter bins	replacement basis
Playground equipment	100
Road and Traffic signs	replacement basis
Street mirrors	replacement basis
Street lights	100

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each financial reporting 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 benefit associated with the item will flow to the Local 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.

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Notes to the financial statement for the year ended 31 December 2016

d. Government Grants

Government grants are accounted for on the Income Approach according to IAS 20.

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

e. 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.

f. Amounts Receivable

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

g. Payables

Amounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

Liabilities for trade and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Council.

h. 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 Euro (€) which is the Council's functional and presentation currency.

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

i. Profit 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.

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Notes to the financial statement for the year ended 31 December 2016

j. Cash and Equivalents

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

k. Related parties

Related parties are those persons or bodies having relationship with the Council as defined in IAS 24.

Related parties to the Local Council comprise the Department for Local Government, the Regional Committee and other Government entities.

The related party that exercises a significant control is the Department for Local Government. Those that exercise no control are the Regional Committee and other Government entities such as Water Service Corp. and Wasteserve.

l. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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 (revised).

m. 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
- the the Council's 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). 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.

n. Borrowings

Borrowings are initially recognised at cost, being the fair value of the consideration received and including acquisition charges associated with the borrowing.

Subsequent to initial recognition all interest-bearing borrowings, other than liabilities held for trading, are subsequently measured at amortised cost, using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on settlement. Borrowing costs are recognised as an expense in the period in which they are incurred.

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Notes to the financial statement for the year ended 31 December 2016

o. 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.

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

Loans and receivables are non-derivating 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 aren't considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of 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'.

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Notes to the financial statement for the year ended 31 December 2016

3. Funds received from Central Government

	2016 €	2015 €
In terms of Section 55 of the Local Councils Act (CAP 363)	269,955	261,199
Other Government Funds	45,641	54,593
	<u>€ 315,596</u>	<u>€ 315,792</u>
Total funds received from central government		

4. Local Enforcement Income

	2016 €	2015 €
Administrative fees from regional committees and LESA	<u>€ 629</u>	<u>€ 1,202</u>

5. General Income

	2016 €	2015 €
Income from tender documents	175	850
Income from Permits	7,051	4,948
Contributions and donations	900	111
Other income	2,315	-
	<u>€ 10,441</u>	<u>€ 5,909</u>

6. Personal emoluments

	2016 €	2015 €
Mayor's honoraria	7,229	7,048
Executive Secretary Salary and allowance	28,616	27,526
Employees' Salaries	13,675	13,384
Social Security Contributions	3,530	3,456
Allowances for Councilors and Mayor	6,400	6,400
	<u>€ 59,450</u>	<u>€ 57,814</u>

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Notes to the financial statement for the year ended 31 December 2016

7. Operations and maintenance

	2016	2015
	€	€
Signs	1,153	994
Walkways	910	2,097
Road and street pavements (patching work)	3,150	3,786
Refuse collection	20,481	20,584
Bulky refuse collection	10,374	11,170
Road and street cleaning	15,342	14,930
Cleaning and maintenance of Public Conveniences	2,832	2,832
Cleaning and maintenance of parks and gardens	-	47
Waste Disposal fees	8,194	8,310
	<u>€ 62,436</u>	<u>€ 64,750</u>

8. Administration and other expenses

	2016	2015
	€	€
Utilities	5,153	5,610
Sundry material & supplies	8,336	14,587
Rent	2,388	3,976
National /International memberships	675	675
Office services	1,776	13,511
Transport	2,388	3,360
Travel	802	141
Advertising	744	492
Information services	2,030	4,133
Other contractual services	9,257	16,853
Professional services	2,229	1,788
Community services and events	32,749	45,943
Provision for bad debts	-	3,191
Bad debts	1,247	-
Depreciation	78,286	71,905
	<u>€ 148,060</u>	<u>€ 186,165</u>

9. Investment income

	2016	2015
Bank interest received	€ 2	€ 292

10. Finance cost

	2016	2015
Bank charges	€ 46	€ 62

Notes to the financial statements
for the year ended 31 December 2016

11 a. Property, Plant and Equipment

	Trees	Office Furn. & fittings	Plant & Machinery	Computer Equipment	Office Equipment	New Street Signs	Urban Improvements	Construction programmes	Special programmes	Asset under Construction	Total
Cost	€	€	€	€	€	€	€	€	€	€	€
At 01 January 2016	2,264	22,172	12,968	14,947	8,973	11,537	42,242	670,764	935,778	-	1,721,645
Reallocation	-	-	-	-	-	-	-	-	-	-	-
Additions	-	175	430	50	926	-	-	1,535	13,838	-	16,954
At 31 December 2016	2,264	22,347	13,398	14,997	9,899	11,537	42,242	672,299	949,616	-	1,738,599
Grants and other reimbursements											
At 01 January 2016	-	-	-	-	-	-	-	117,841	81,862	-	199,703
Additions	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2016	-	-	-	-	-	-	-	117,841	81,862	-	199,703
Depreciation											
At 01 January 2016	-	13,359	7,009	13,077	7,153	11,537	30,991	344,799	296,112	-	724,037
Released on disposal	-	-	-	-	-	-	-	-	-	-	-
Charge for the year	-	696	1,353	540	481	-	1,075	19,992	54,149	-	78,286
At 31 December 2016	-	14,055	8,362	13,617	7,634	11,537	32,066	364,791	350,261	-	802,323
Net book value											
At 31 December 2016	€	2,264	8,292	5,036	1,380	2,265	-	10,176	189,667	-	736,573
At 31 December 2015	€	2,264	8,813	5,959	1,870	1,820	-	11,251	208,124	-	797,905

QALA LOCAL COUNCIL

Notes to the financial statements for the year ended 31 December 2016

11 b. Property, Plant and Equipment

	Trees	Office Furn. & fittings	Plant & Machinery	Computer Equipment	Office Equipment	New Street Signs	Urban Improvements	Construction	Special programmes	Asset under Construction	Total
Cost	€	€	€	€	€	€	€	€	€	€	€
At 01 January 2015	2,264	22,172	12,968	14,947	8,973	11,537	40,760	665,534	704,089	54,924	1,538,168
Reallocation	-	-	-	-	-	-	-	-	54,924	(54,924)	-
Additions	-	-	-	-	-	-	1,482	5,230	176,765	-	183,477
At 31 December 2015	2,264	22,172	12,968	14,947	8,973	11,537	42,242	670,764	935,778	-	1,721,645
Grants and other reimbursements											
At 01 January 2015	-	-	-	-	-	-	-	117,841	81,862	-	199,703
Additions	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2015	-	-	-	-	-	-	-	117,841	81,862	-	199,703
Depreciation											
At 01 January 2015	-	12,670	5,677	12,539	6,746	11,537	29,815	322,867	250,281	-	652,132
Released on disposal	-	-	-	-	-	-	-	-	-	-	-
Charge for the year	-	689	1,332	538	407	-	1,176	21,932	45,831	-	71,905
At 31 December 2015	-	13,359	7,009	13,077	7,153	11,537	30,991	344,799	296,112	-	724,037
Net book value											
At 31 December 2015	€ 2,264	8,813	5,959	1,870	1,820	-	11,251	208,124	557,804	-	797,905
At 31 December 2014	€ 2,264	9,502	7,291	2,408	2,227	-	10,945	224,826	371,946	54,924	686,333

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2016

12. Receivables

	2016	2015
	€	€
Accounts receivable	1,769	2,344
Prepayments and accrued income	81,198	104,984
	<u>€ 82,967</u>	<u>€ 107,328</u>

Receivables are stated after a specific provision for doubtful debts:

Provision for bad debts

	€	€
Balance brought forward	3,191	-
Movement	-	3,191
Balance carried forward	<u>€ 3,191</u>	<u>€ 3,191</u>

Receivables are analysed as follows:

Within credit limit	78,084	102,655
Exceeded credit period but not impaired	4,883	4,673
	<u>€ 82,967</u>	<u>€ 107,328</u>

13. Cash and Equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the Local Council Statement of Financial Position:

	2016	2015
	€	€
Ordinary funds	396,969	351,447
Measure 313 and 312 funds	5,273	1,469
Cash in hand	3	3
	<u>€ 402,245</u>	<u>€ 352,919</u>

14. Deferred income

	2016	2015
	€	€
Balance brought forward	482,715	359,035
Increase during the year	9,047	161,963
	<u>491,762</u>	<u>520,998</u>
Released during the year	45,361	38,283
Balance carried forward	<u>€ 446,401</u>	<u>€ 482,715</u>

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2016

14. Deferred income (cont.)

	2016	2015
(i) Current deferred income	€ 41,709	€ 44,766
(ii) Non current deferred income:		
Deferred between 1 and 2 years	37,675	40,414
Deferred between 2 and 5 years	92,576	84,622
Deferred in 5 years or more	274,441	312,913
	€ 404,692	€ 437,949

15. Payables and accruals

	2016	2015
	€	€
Accounts payable	135,551	190,502
Accruals and other payables	52,592	54,370
Deferred income (current portion)	41,709	44,766
	€ 229,852	€ 289,638

16. Capital Commitments

	2016	2015
	€	€
(i) Details of capital commitments are as follows:		
Approved but not yet contracted for (ii)	-	-
Contracted for but not provided in Financial Statements (iii)	4,000	-
(ii) Approved but not yet contracted for:	-	-
	€ -	€ -

(iii) Contracted for but not provided in Financial Statements:

	2016	2015
	€	€
Excavation works near Qala football ground	4,000	-
	€ 4,000	€ -

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2016

17. Contingent liabilities

- i) Euro 532 being amount claimed by JCR Limited which the Council did not recognise since it is claiming that no authorisation was given for such works.

18. Financial instruments

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

The Council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period, as summarised below:

<i>Class of financial assets - carrying amounts</i>	2016 €	2015 €
Trade and other receivables	82,967	107,328
Cash and Cash Equivalents	402,245	352,919
	<u>€ 485,212</u>	<u>€ 460,247</u>

The council continuously monitors defaults of counterparties, identified either individually or by group and incorporates this information into its credit risk controls. The council's policy is to deal with only creditworthy counterparties.

The Council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See note 12 for further information on impairments or financial assets that are past due.

None of the Council's financial assets is secured by collateral or other credit enhancements

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2016

18. Financial instruments (cont.)

Liquidity risk

The Council's exposure to liquidity risk arises from its obligations to meet its financial liabilities which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funds to meet the council's obligations when they become due.

The Council manages its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis.

	2016	2015
	€	€
Payables	229,852	289,638

Other risks

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

19. 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 Councils	Significant control
Gozo Regional Committee	Joint Control
Central Regional Committee	No Control
Regional Committees	No Control
Water Services Corporation	No Control
Enemalta Corporation	No Control
Wasteserv Malta Limited	No Control
Malta Environment and Planning Authority	No Control
Department of Lands	No Control
Director General - Works Division	No Control
Police General Headquarters	No Control
Office of the Prime Minister	No Control

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2016

19. Related party transactions (cont.)

<i>Name of Entity</i>	<i>Nature of relationship</i>
Office of the Prime Minister	No Control
Office of the Commissioner for Data Protection	No Control
Association of Local Councils' Secretaries	No Control
Ministry for Resources and Rural Affairs	No Control

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

	2016	2015
Income		
Annual financial allocation	€ 269,955	€ 261,199

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 improvement and betterment of the locality.

The Council also receives revenue from other Government entities such as Water Services Corporation for trenching works carried out in the locality, and for the reinstatement of roads as a result of the trenching works.

Key management compensation

Transactions with key management personnel are disclosed in note 6.

20. Fair value 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.

RSM Malta

Mdina Road,
Zebbug ZBG 9015,
Malta.

T +356 2278 7000

F +356 2149 3318

www.rsm.com.mt

QALA LOCAL COUNCIL**REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL****Opinion**

We have audited the accompanying financial statements of Qala 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 3 - 22.

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.

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

Council Responsibilities for the Financial Statements

As described on page 2, 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