

## QRENDI LOCAL COUNCIL

### REPORT AND FINANCIAL STATEMENTS

31<sup>st</sup> December 2016

*Prepared by:*

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*Birkirkara*

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QRENDI LOCAL COUNCIL

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**Financial Statements**  
**Year ended 31st December 2016**

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## QRENDI LOCAL COUNCIL

### **Statement of Local Council Members' and Executive Secretary's Responsibilities Year ended 31<sup>st</sup> December 2016**

The Local Councils (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 financial position 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 the accounting policies applicable to Local Councils, the comprehensive income of the Local Council for the year and its financial position as at the year end, and that they comply with the Act, the Local Council (Financial) Regulations, 1993 and the local Council (Financial) Procedures, 1996.

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 Council (Financial) Regulations 1993, and the Local Council (Financial) Procedures 1996. The Executive Secretary is also responsible for safeguarding the assets of the Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on

and signed on its behalf by:

  
\_\_\_\_\_  
**Mr. David Michael Schembri**  
Mayor

  
\_\_\_\_\_  
**Mr. Christopher Falzon**  
Executive Secretary.

QRENDI LOCAL COUNCIL

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**Report of the Local Government Auditor to the Auditor General**

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## QRENDI LOCAL COUNCIL

### Statement of Profit or Loss and Other Comprehensive Income

Year ended 31<sup>st</sup> December 2016

	2016	2015
Notes	€	€
<b>Income</b>		
Funds received from Central Government	3 379,689	419,687
Income raised under Local Enforcement System	4 1,014	1,232
Investment Income	5 177	375
General Income	6 8,935	4,549
	<u>389,815</u>	<u>425,843</u>
<b>Expenditure</b>		
Staff Salaries	7 78,145	74,246
Operations and Maintenance	8 117,348	136,033
Administrative and other Expenditure	9 147,587	167,855
	<u>343,080</u>	<u>378,134</u>
<b>Profit for the year</b>	<u>46,735</u>	<u>47,709</u>
<b>Total comprehensive income</b>	<b>46,735</b>	<b>47,709</b>

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

## QRENDI LOCAL COUNCIL

### Statement of Financial Position

Year ended 31<sup>st</sup> December 2016

	2016	2015
	Notes	€
<b>Assets</b>		€
<b>Non-current assets</b>		
Property, plant and equipment	10	483,313
		794,328
<b>Current assets</b>		
Receivables	11	4,590
Cash and cash equivalents	12	384,221
		266,327
<b>Total Assets</b>		<b>872,124</b>
		1,152,777
<b>Reserves and Liabilities</b>		
<b>Reserves</b>		
Retained Fund		693,580
Profit for the Year		646,799
<b>Non-current liabilities</b>		
Amounts falling due after one year	13	49,879
		290,556
<b>Current liabilities</b>		
Payables	14	128,665
		215,422
<b>Total Reserves and Liabilities</b>		<b>872,124</b>
		1,152,777

These Financial Statements were approved by the Local Council and are signed on its behalf by:

  
Mr. David Michael Schembri  
Mayor

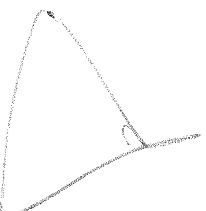
  
Mr. Christopher Falzon  
Executive Secretary

Date:

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

**Statement of Changes in Equity**  
Year ended 31<sup>st</sup> December 2016

	Retained Funds €
<b>At 31<sup>st</sup> December 2014</b>	
Profit for the year	599,136
	47,709
<b>Total comprehensive income</b>	<b>646,845</b>
<b>At 31<sup>st</sup> December 2015</b>	<b>646,845</b>
Profit for the year	46,735
<b>At 31<sup>st</sup> December 2016</b>	<b>693,580</b>





# QRENDI LOCAL COUNCIL

## Statement of Cash Flows Year ended 31<sup>st</sup> December 2016

	2016	2015
	Notes	€
<b>Cash flows from operating activities</b>		
<b>Profit for the year</b>	<b>46,735</b>	<b>47,709</b>
Adjustments for:		
Depreciation	<b>84,513</b>	<b>88,122</b>
Interest received	<b>(177)</b>	<b>(375)</b>
<b>Profit for the year before working capital movements</b>	<b>131,071</b>	<b>135,456</b>
Movement in receivables	<b>87,534</b>	<b>(3,061)</b>
Movement in payables	<b>(100,888)</b>	<b>(63,893)</b>
<b>Net cash inflow generated from operating activities</b>	<b>117,717</b>	<b>68,502</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	<b>-</b>	<b>(15,556)</b>
Interest received	<b>177</b>	<b>375</b>
<b>Net cash outflows used in investing activities</b>	<b>177</b>	<b>(15,181)</b>
<b>Cash flows from financing activities</b>		
Grants received	<b>-</b>	<b>7,724</b>
<b>Net cash inflow generated from financing activities</b>	<b>-</b>	<b>7,724</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>117,894</b>	<b>61,045</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>266,327</b>	<b>205,282</b>
<b>Cash and cash equivalents at the end of year</b>	<b>12 384,221</b>	<b>266,327</b>




**Notes to the Financial Statements**  
For the year ended 31<sup>st</sup> December 2016

**2016 GENERAL INFORMATION**

Qrendi Local Council is the local authority of Qrendi set up with the Local Councils Act. The Office of the Local Council is situated at 7, Triq il-Knisja, Qrendi QRD 1103 Malta.

**2 ACCOUNTING POLICIES AND REPORTING PROCEDURES**

These financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap 363). The financial statements are prepared under the historical 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 (IFRSs) and comply with the Local Councils Act Cap 363, the Financial Reporting Standards (IFRSs) in terms of the Act and the local Councils (Financial) Procedures 1996.

The principle accounting policies and reporting procedures used by Local Councils are as follows:

**a) Standards, amendment and interpretations to existing standards**

*Standards, amendment and interpretations which are not yet effective*

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

IFRS 16, 'Leases', introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lease measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of

## Notes to the Financial Statements (Continued)

For the year ended 31<sup>st</sup> December 2016

## 2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

### a) Standards, amendment and interpretations to existing standards (Continued)

#### *Standards, amendment and interpretations which are not yet effective (Continued)*

cash flows applying IAS 7 Statement of Cash Flows. IFRS 16 contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee. Subject to adoption by the EU, IFRS 16, will be effected for financial periods begging on, or after, 1<sup>st</sup> January 2019.

IFRS 9, 'Financial Instruments' addressed the classification and measurement of financial assets and replaces the multiple classification and measurement tools in IAS 39 with single model that only has two classification categories: amortised cost and fair value. Classification under IFRS 9 will be driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. Subject to adoption by the EU, IFRS 9 will be effective for financial periods beginning on, or after 1<sup>st</sup> January 2018.

The local council is considering the implications of the standards and their impact on the company's financial results and position.

### 2016 Revenue recognition

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. All revenue – funds received from Central Government, Local enforcement system income, investment income and general income is accounted for in the Statement of Profit and Loss and Other Comprehensive Income as it accrues.



**Notes to the Financial Statements (Continued)**For the year ended 31<sup>st</sup> December 2016**2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)****2016 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 the residual value of each asset over its expected useful life as follows:

Land	%
Trees	0
Buildings	0
Office furniture and fittings	1
Construction works	7.5
Urban Improvements (Street Furniture)	10
Office Equipment	10
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	20
Plants	25
Playground Furniture	100
Street Lights	100
New Street Lights	100
Litter Bins	Replacement Basis
Street Mirrors	Replacement Basis

**d) Government Grants**

Government grants are accounted for on a systematic basis in the Statement of Profit or Loss and other Comprehensive Income over the periods necessary to match them with the related costs that they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related costs, 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 assets exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs to sell value in use. Impairment losses are immediately as an expense in the statement of comprehensive income.




**Notes to the Financial Statements (Continued)**

For the year ended 31<sup>st</sup> December 2016

**2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)**

**f) Amount 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 provision is the difference between the carrying amounts of the asset in the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of provision is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

**g) 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 Local Council's functional and present currency. Transactions denominated in foreign currencies are translated into Euro at rates of exchange in operation on the dates of transactions. Monetary assets and liabilities expressed in foreign currencies are translated at the rates of exchange at the date of Statement of Financial Position.

**h) Profits and losses**

Only profits that were realised at the date of the Financial Position are recognized in the 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 Financial Statement are approved.

**2016 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.

QRENDI LOCAL COUNCIL

**Notes to the Financial Statements (Continued)**  
For the year ended 31<sup>st</sup> December 2016

**3 FUNDS RECEIVED FROM CENTRAL GOVERNMENT**

	2016	2015
	€	€
In terms of Section 55 of the Local Councils Act	334,396	324,887
Other Government Income	45,293	94,800
	379,689	419,687

**4 LOCAL ENFORCEMENT SYSTEM**

	2016	2015
	€	€
Contraventions	1,014	1,232
	1,014	1,232

**5 INVESTMENT INCOME**

	2016	2015
	€	€
Bank interest receivable	177	375
	177	375



**Notes to the Financial Statements (Continued)**For the year ended 31<sup>st</sup> December 2016**6 GENERAL INCOME**

	2016	2015
	€	€
Other income net of contraventions and library services	8,935	4,549
	8,935	4,549

**7 PROFIT/(LOSS) FOR THE YEAR**

	2016	2015
	€	€
Profit/(Loss) for the year stating after charging: Staff Salaries (note)	78,145	74,246
Depreciation on tangible assets	84,513	88,122
	162,658	162,368
	2016	2015
	€	€

**Staff Salaries**

Personal emoluments include, inter alia:

Mayor's Allowance	8,829	8,648
Councillors' allowances	4,800	4,800
Executive Secretary's salary and allowances	28,806	27,992
Employees' salaries	33,023	28,750
Social Security Contributions	-	4,056
Library Wage	2,687	

78,145	74,246
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# Notes to the Financial Statements (Continued)

For the year ended 31<sup>st</sup> December 2016

## 8 OPERATIONS AND MAINTENANCE

	2016	2015
	€	€
<b>Repairs and upkeep:</b>		
Road and street pavements (patching works)	10,225	36,684
Road Markings	4,603	2,398
Street Signs	343	98
Other repairs and upkeep	21	4,241
	<b>15,192</b>	<b>43,421</b>
<b>Contractual Services:</b>		
Refuse Collection	18,163	17,314
Bulky Refuse Collection	2,618	2,471
Bring-in sites	-	-
Road and street cleaning	16,058	10,274
Waste disposal	16,914	13,259
Cleaning and maintenance of public conveniences	17,003	18,847
Cleaning and maintenance of parks and gardens	13,110	15,681
Cleaning and maintenance – non-urban	8,400	7,900
Cleaning and maintenance – council premises	1,355	1,378
Local warden service expenses	-	990
Street Lighting	8,535	4,498
	<b>102,156</b>	<b>92,612</b>
<b>Total</b>	<b>117,348</b>	<b>136,033</b>



**Notes to the Financial Statements (Continued)**  
For the year ended 31<sup>st</sup> December 2016

**9 ADMINISTRATION AND OTHER EXPENSES**

	2016	2015
	€	€
Utilities	3,952	5,921
Material and supplies	3,682	3,715
Office services	3,800	5,473
Rent	4,840	4,750
National and International memberships	3,066	270
Transport	1,794	431
Information services	2,533	18,824
Other contractual services	2,474	1,749
Professional services	16,027	7,461
Lease of equipment	92	-
Community services & events	20,814	12,284
Depreciation on tangible assets	84,513	88,122
Penalties and fines	-	18,855
	<b>147,587</b>	<b>167,855</b>

**Notes to the Financial Statements (Continued)**For the year ended 31<sup>st</sup> December 2016**10 A) PROPERTY, PLANT AND EQUIPMENT**

	Office furniture & fittings €	Office equipment €	Urban improvements €	New street signs €	Construction works €	Special programmes €	Total €
<b>COST</b>							
As at 1 <sup>st</sup> January 2015	20,539	41,552	212,556	5,280	1,425,257	127,998	1,833,182
Additions	1,046	65	-	-	14,427	-	15,556
As at 31 <sup>st</sup> December 2015	21,603	41,617	212,556	5,280	1,439,685	127,998	1,848,738
<b>GRANTS &amp; OTHER REIMBURSEMENTS</b>							
As at 1 <sup>st</sup> January 2015	-	2,637	-	-	29,577	127,998	160,212
Additions	-	-	7,724	-	-	-	7,724
As at 31 <sup>st</sup> December 2015	-	2,637	7,724	-	29,577	127,998	167,936
<b>ACCUMULATED DEPRECIATION</b>							
As at 1 <sup>st</sup> January 2015	14,088	32,388	84,094	5,280	662,502	-	798,352
Charge for the Year	532	1,306	12,846	-	73,438	-	88,122
As at 31 <sup>st</sup> December 2015	14,620	33,694	96,940	5,280	735,940	-	886,474
<b>NET BOOK VALUE</b>							
As at 31 <sup>st</sup> December 2015	6,983	5,286	107,892	-	674,168	-	794,328

**Notes to the Financial Statements (Continued)**For the year ended 31<sup>st</sup> December 2016**2016 B) PROPERTY, PLANT AND EQUIPMENT**

	Office furniture & fittings €	Office equipment €	Urban improvements €	New street signs €	Construction works €	Special programmes €	Total €
<b>COST</b>							
As at 1 <sup>st</sup> January 2016	21,945	41,647	251,775	5,280	1,165,898	127,998	1,614,543
Additions	-	-	-	-	-	-	-
As at 31 <sup>st</sup> December 2016	21,945	41,647	251,775	5,280	1,165,898	127,998	1,614,543
<b>GRANTS &amp; OTHER REIMBURSEMENTS</b>							
As at 1 <sup>st</sup> January 2016	-	2,637	-	-	29,577	127,998	160,212
Additions	-	-	-	-	-	-	-
As at 31 <sup>st</sup> December 2016	-	2,637	-	-	29,577	127,998	160,212
<b>ACCUMULATED DEPRECIATION</b>							
As at 1 <sup>st</sup> January 2016	14,621	33,694	96,941	5,278	733,458	2,512	886,505
Charge for the Year	549	1,063	15,484	-	67,417	-	84,513
As at 31 <sup>st</sup> December 2016	15,170	34,757	112,425	5,278	800,875	2,512	971,018
<b>NET BOOK VALUE</b>							
As at 31 <sup>st</sup> December 2016	<b>6,775</b>	<b>4,253</b>	<b>139,351</b>	<b>2</b>	<b>335,446</b>	<b>(2,512)</b>	<b>483,313</b>

**Notes to the Financial Statements (Continued)**For the year ended 31<sup>st</sup> December 2016**11 RECEIVABLES**

	2016	2015
	€	€
Local Enforcement system & trade debtors	80,602	98,291
Provision for doubtful debts	(81,265)	(81,265)
Debtors	2,272	
	<b>1,609</b>	<b>17,096</b>
Prepayments and accrued income	2,981	75,096
	<b>4,590</b>	<b>92,122</b>

**12 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 balance sheet amounts:

	2016	2015
	€	€
Cash in hand	150	208
Bank Balances:		
Current accounts	344,869	210,320
Savings accounts	23,378	39,998
Fixed accounts	15,824	15,801
	<b>384,221</b>	<b>266,327</b>

**Notes to the Financial Statements (Continued)**For the year ended 31<sup>st</sup> December 2016**13 AMOUNTS FALLING DUE AFTER ONE YEAR**

	2016	2015
	€	€
Deferred Income	<b>49,879</b>	290,556
	<b>49,879</b>	290,556

**14 PAYABLES**

	2016	2015
	€	€
Creditors	<b>98,570</b>	160,015
Accruals	<b>3,974</b>	6,505
Special need funds yet unspent	-	22,781
Deferred income	<b>26,121</b>	26,121
	<b>128,665</b>	215,422

**15 RELATED PARTY TRANSACTIONS**

During the year the Local Council effected transactions with related parties mainly in connection with income and expenditure transactions as disclosed in notes 3, 4, 6, 8 and 9 to these financial statements. The following material transactions were carried out with related parties:

	2016	2015
	€	€
Funds received from central government	<b>379,689</b>	419,687
	<b>379,689</b>	419,687

**Notes to the Financial Statements (Continued)**

For the year ended 31<sup>st</sup> December 2016

**16 FINANCIAL INSTRUMENTS**

The Local Council has an exposure to the following risks from the use of financial instruments within its activities:

Credit risk

Liquidity risk

This note presents information about the Local Council's exposure to each of the above risks, policies and processes for measuring and managing risk, and the Local Council's management of capital. Further quantitative disclosures are included in these financial statements.

The responsibility for the management of risk is vested in the Executive Secretary. Accordingly, it is the Executive Secretary, who has the overall responsibility for establishing an appropriate risk management framework.

**Credit Risk**

Credit risk is the risk if financial loss to the Local Council if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Local Council's receivables and bank balances. The Local Council's cash is placed with prime financial institutions.

Receivables are presented net of impairment charges for bad and doubtful debts. However, in the opinion of the Executive Secretary, credit risk with respect to receivables is limited in view of the reputable nature of the Local Council's debtor base for which there is no history of default.

**Liquidity risk**

Liquidity risk is the risk that the Local Council will not be able to meet its financial obligations as they fall due.

The Local Council's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Generally, the Local Council ensures that it has sufficient cash on demand to meet expected operational expenditure, including the servicing of financial obligations.

At 31<sup>st</sup> December 2016 and 31<sup>st</sup> December 2015, the contractual maturities on the financial liabilities of the company were as summarized below. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the Statement of Profit and Loss and Other Comprehensive Income.

**Notes to the Financial Statements (Continued)**For the year ended 31<sup>st</sup> December 2016**16 FINANCIAL INSTRUMENTS (Continued)****Liquidity risk (continued)**

	2016	2015
	€	€
Less than 6 months	34,840	34,840
6 to 12 months	34,840	34,840
1 to 5 years	348,395	348,395
	<u>418,074</u>	<u>418,074</u>

**Capital Management**

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

**Fair Values Estimation**

At 31<sup>st</sup> December 2016 and 2015 the carrying amounts of cash at bank, receivables, payables and amounts falling due after one year reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments and the relatively short period of time between the origination of the instruments and their expected realisation.

**17 EVENTS AFTER THE PERFORMING PERIOD**

There were no particular important events or transactions affecting the company that have occurred since the end of the accounting period, which, through properly excluded from the financial statements, are of such importance that they should have been disclosed in the notes to the financial statements.