



Ir-Rabat Local Council

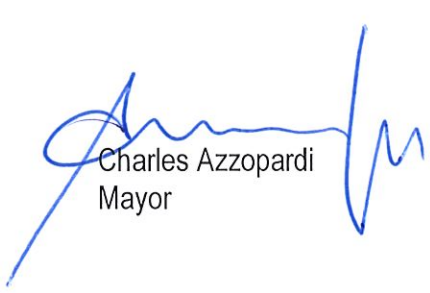
Annual Report and Financial Statements  
31 December 2016

Table of Contents	Pages
Statement of Local Council Members' and Executive Secretary's Responsibilities	1
Report of the Local Government Auditor to the Auditor General	2 - 3
Statement of Profit or Loss and other Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 30

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

The Local Councils (Financial) Regulations 1993 require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's comprehensive income for the period and of the Council's retained funds at the end of the period. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Council (Financial) Regulations, 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.



Charles Azzopardi  
Mayor



Orietta Cardona  
Executive Secretary

## **LOCAL COUNCIL RABAT**

### **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 the LOCAL COUNCIL RABAT, set out on pages 4 to 30, 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 the LOCAL COUNCIL RABAT as at 31 December 2016, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards 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. In view 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 due to the Council, if any, as well as on any possible accrued income or liabilities present as at end of the current financial year.

The Council does not maintain an appropriate fixed asset register to record its acquisitions of property, plant and equipment. Furthermore, 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. To this effect, we could not perform practical satisfactory audit procedures to obtain reasonable assurance on the existence and completeness of the opening balances of property, plant and equipment as recorded in the financial statements and having a net book value of €2,294,452 as well as on the completeness of the depreciation charged thereupon.

International Financial Reporting Standards require that all applicable standards and their disclosure requirements are complied with in the preparation of financial statements. These financial statements lack proper disclosures emanating from IAS 16-Property, Plant & Equipment in relation to the disclosure of certain capital commitments and from IAS 1 – Presentation of Financial Statements in relation to full disclosure of accounting policies, new and revised standards applicable as from 2016 and those issued but not yet applicable. In addition, these financial statements lack disclosure of certain contingent liabilities in line with the requirements of IAS 37– Provisions, Contingent Liabilities and Contingent Assets, as well as incomplete related parties and related party transactions disclosure emanating from IAS 24-Related Party Transactions.

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 of 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 EU IFRSs, and for such internal control as the Council Members and the Executive Secretary 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 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  
Neville Cutajar (Partner) for and on behalf of

**3a**

**Certified Public Accountants**

Level 2

Palazzo Ca' Brugnera

Valley Road Birkirkara.

Date: 25<sup>th</sup> April 2017

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

	Notes	2016 €	2015 €
<b>Income</b>			
Funds received from central government	3	1,104,602	1,047,484
Income raised under Local Enforcement System	5	9,011	10,221
General Income	6	29,408	21,567
Income from Bye Law	7	4,484	3,930
		<b>1,147,505</b>	<b>1,083,202</b>
<b>Expenditure</b>			
Personal emoluments	8	147,124	145,645
Operations and Maintenance	9	345,146	334,040
Administrative and other Expenditure	10	271,791	297,735
		<b>764,061</b>	<b>777,420</b>
<b>Operating profit for the year</b>		<b>383,444</b>	<b>305,782</b>
Investment Income	4	16	213
Finance costs	11	(2,363)	(2,697)
<b>Profit for the year</b>		<b>381,097</b>	<b>303,298</b>
<b>Total comprehensive income for the year</b>		<b>381,097</b>	<b>303,298</b>

The notes on pages 8 to 30 form an integral part of these financial statements

**Statement of Financial Position**

	Notes	2016 €	2015 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible asset	12	646	281
Tangible assets			
Property, plant and equipment	13	2,089,865	2,294,171
<b>Current assets</b>			
Receivables	14	20,299	20,692
Cash and cash equivalents	15	1,021,219	580,219
		1,041,518	600,911
<b>Total Assets</b>		3,132,029	2,895,363
<b>Reserves</b>			
Retained Fund		2,202,751	1,821,654
<b>Non-current Liabilities</b>			
Long term borrowings	16	52,831	63,633
Deferred Income	17	641,569	703,528
		694,400	767,161
<b>Current Liabilities</b>			
Payables	18	224,036	296,062
Current portion of long-term borrowings	16	10,842	10,486
		234,878	306,548
<b>Total Liabilities</b>		929,278	1,073,709
<b>Total Reserves and Liabilities</b>		3,132,029	2,895,363

These financial statements were approved by the Local Council on the 25<sup>th</sup> April 2017 and are signed on its behalf by:



Charles Azzopardi  
Mayor



Orietta Cardona  
Executive Secretary

The notes on pages 8 to 30 form an integral part of these financial statements

**Statement of Changes in Equity**

	<b>Retained Earnings €</b>	<b>Total €</b>
Balance at 1 January 2015	1,518,356	1,518,356
Total comprehensive income for the year	303,298	303,298
<b>Balance at 31 December 2015</b>	<b>1,821,654</b>	<b>1,821,654</b>
Balance at 1 January 2016	1,821,654	1,821,654
Total comprehensive income for the year	381,097	381,097
<b>Balance at 31 December 2016</b>	<b>2,202,751</b>	<b>2,202,751</b>

**Statement of Cash Flows**

	Note	2016 €	2015 €
<b>Cash flows from operating activities</b>			
Profit for the year		381,097	303,298
Adjustments for:			
Depreciation		211,758	231,916
Amortisation charge		215	93
Provision for bad debts		(2,111)	-
Investment income receivable		(16)	(213)
Interest payable		2,363	2,697
<b>Surplus for the period before working capital movements</b>		<b>593,306</b>	<b>537,791</b>
Decrease/(increase) in receivables		2,504	2,324
Decrease in payables		(64,504)	(3,998)
		<b>531,306</b>	<b>536,117</b>
Interest paid		(2,363)	(2,697)
<b>Net cash generated from operating activities</b>		<b>528,943</b>	<b>533,420</b>
<b>Cash flows used in investing activities</b>			
Investment income receivable		16	213
Payment to acquire property, plant and equipment		(7,452)	(708,510)
Payment to acquire intangible asset		(580)	-
<b>Net cash used in investing activities</b>		<b>(8,016)</b>	<b>(708,297)</b>
<b>Cash flows (used in)/from financing activities</b>			
Grants		(69,481)	378,762
Payments of short – term borrowings		(10,446)	(10,113)
<b>Net cash (used in)/from financing activities</b>		<b>(79,927)</b>	<b>368,649</b>
<b>Movement in cash and cash equivalents</b>		<b>441,000</b>	<b>193,772</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>580,219</b>	<b>386,447</b>
<b>Cash and cash equivalents at the end of the year</b>	15	<b>1,021,219</b>	<b>580,219</b>

## Notes to the Financial Statements For the year ended 31 December 2016

### 1. Statutory Information

Ir-Rabat Local Council is the local authority of Ir-Rabat setup in accordance with the Local Councils Act. The Office of the Local Council is situated at 8, Triq I-Isptar, Ir-Rabat, Malta.

### 2. Accounting policies

The principal accounting policies adopted 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.

#### a. Basis of preparation

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 Local Government in terms of section 67 of the Local Councils Act (Cap 363). The financial statements are prepared under the historical cost convention, in accordance to the requirements of International Financial Reporting Standards (IFRSs) as adopted by the European Union (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.

#### b. Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

However, in the opinion of the Council members, there are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

**2. Accounting policies - continued****c. New standards, interpretations and amendments to published standards effective from 1 January 2016**

The following are the amendments and improvements which are effective from 1 January 2016:

- Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests*
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*
- IFRS 10, IFRS 12 and IAS 28 Amendments – Investment Entities: Applying the Consolidation Exemption
- Annual Improvements 2012-2014 Cycle
  - IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
  - IFRS 7 *Financial Instruments: Disclosures*
  - IAS 19 *Employee Benefits*
  - IAS 34 *Interim Financial Reporting*

These amendments and improvements in IFRSs as adopted by the EU are not relevant to the Council.

The Council adopted new standards, amendments and interpretations to existing standards that are mandatory for the Council's accounting period beginning on or after 1 January 2016. These are:

- Amendments to IAS 1 *Disclosure Initiative*  
The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:
  - The materiality requirements in IAS 1
  - That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to financial statements
  - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.
 Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments did not have any impact on the Council.

**2. Accounting policies - continued****c. New standards, interpretations and amendments to published standards effective from 1 January 2016 - continued****- Amendments to IAS 27 *Equity Method in Separate Financial Statements***

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they are required to apply this method from the date of transition to IFRS. These amendments did not have any impact on the Council's financial statements.

**- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation***

The amendments clarify that for intangible assets there is a rebuttable presumption that amortization based on revenue is not appropriate. This can only be rebutted in limited circumstances where either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The Council is considering the implications of the standard and its impact on the Council's financial results and position.

The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Council's accounting policies.

**d. New standards, interpretations and amendments to published standards that are not yet effective**

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements that are mandatory for accounting periods beginning on or after 1 January 2018. These include the following:

- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers

These amendments and improvements in IFRSs as adopted by the EU are not relevant to the company.

The following are the new standards, amendments and interpretations to existing standards that have been published by the date of authorisation for issue of these financial statements that are mandatory for accounting periods beginning on or after 1 January 2018 which are relevant to the Council:

**2. Accounting policies - continued****e. Standards, interpretations and amendments issued by the International Accounting Standards Board (IASB) but not yet adopted by the European Union:**

- IFRS 16 – Leases
- IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses
- IAS 7 – Disclosure Initiative
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 2 – Classification and Measurement of Share-based Payment Transactions
- IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Improvements to IFRS Standards 2014-2016 Cycle
- IAS 40 – Transfers of Investment Property

The Council is assessing the impact that the adoption of these Financial Reporting Standards will have in the financial statements of the Council in the period of initial application.

**f. Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Ir-Rabat Local Council and the revenue can be reliably measured, regardless of when the payment is received.

Revenue is recognised upon transfer of funds from the Central Government when there are no significant uncertainties concerning the derivation of consideration or associated costs.

Interest income is recognised in the income statement as it accrued under finance income.

**g. Functional and presentation currency**

Items included in the Local Council's financial statements are measured using the currency of the primary economic environment in which the entity operates. The Local Council's financial statements are presented in Euro, which is the Local Council's functional currency.

**2. Accounting policies - continued****h. Local Enforcement System**

The amount disclosed in the financial statements under Local Enforcement Income represents the administrative charges to Regional Committees.

**i. Government Grants**

Government grants are accounted for on a systematic basis in the Statement of Profit or Loss 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.

**j. Intangible assets**

Intangible assets comprise computer software. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful live of 25% using the reducing balance method. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Where an indication of impairment exists, in that the carrying amount of an intangible asset is greater than its estimated recoverable amount, a charge is made to write down the value of the asset to its estimated recoverable amount (Accounting policy (l)).

**k. Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated on a monthly basis using the reducing balance method to allocate the cost of the assets to their residual values over their estimated useful lives as follows:

• Land	0%
• Trees	0%
• Buildings	1%
• Office furniture and fittings	7.5%
• Construction works	10%
• Urban Improvements (Street Furniture)	10%
• Special Projects	10%
• Office Equipment	20%
• Motor Vehicles	20%
• Plant and Machinery	20%
• Computer Equipment	25%
• Litter Bins	Replacement Basis
• Traffic and Road Signs	Replacement Basis
• Street Lights	100%

**2. Accounting policies - continued****k. Property, plant and equipment – continued**

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount, and are taken into account in determining operating profit.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (Accounting policy (l)).

**l. Impairment of assets**

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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

**m. Amounts receivable**

Amounts receivable are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Amounts receivable are carried at original invoice amount less provisions made for impairment of these receivables. A provision for impairment of amount receivables is established when there is objective evidence that the Local Council will not be able to collect all amounts due according to the set original terms. The amount of provision is recognised in the Statement of Comprehensive Income. Bad debts are written off during the year in which they are identified.

**n. Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at face value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

**o. Profits and losses**

Only profits that were realized at the date of the Statement of Financial Position are recognized 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.

**2. Accounting policies - continued****p. Payables**

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

**q. Provisions**

Provisions are recognised when the Local Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

**r. Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

**s. Borrowings**

Borrowings are classified as current liabilities unless the Local Council has an unconditional right to defer settlement of the liability for at least 12 months from the end of the reporting period.

**t. Capital Management**

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objectives are to ensure:

- that the Council's ability to continue as a going concern is still valid and
- that the Council maintains a positive working capital ratio.

To achieve the above, the Council carries out a quarterly review of the working capital ratio ('Financial Situation Indicator'). 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.

**u. 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.

**2. Accounting policies – continued****u. Financial instruments - continued**

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

**v. 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 as described below.

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest rate 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 considerable to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

**w. Financial liabilities**

The Council's financial liabilities include other payables. These are stated at their nominal amount which is reasonable approximation of fair value.

All interest-related charges are included within finance costs.

**3. Funds Received from Central Government**

	2016 €	2015 €
In terms of Section 55 of the Local Councils Act (Cap 363)	1,023,044	991,267
Other Government Income	75,957	52,038
Other supplementary income	5,601	4,179
	<u>1,104,602</u>	<u>1,047,484</u>

**4. Investment income**

	2016 €	2015 €
Bank interest receivable	<u>16</u>	<u>213</u>

**5. Local Enforcement System**

	2016 €	2015 €
Income raised under LES	-	478
Administrative charges to Regional Committees	9,011	9,743
	<u>9,011</u>	<u>10,221</u>

**6. General Income**

	2016 €	2015 €
Income from tender documents	40	5,230
Income from permits	26,786	14,618
Contributions and donations	2,582	1,719
	<u>29,408</u>	<u>21,567</u>

**7. Income from bye law**

	2016 €	2015 €
Income from bye law	<u>4,484</u>	<u>3,930</u>

**8. Personal Emoluments**

	2016 €	2015 €
Mayor's allowance	10,843	10,572
Executive Secretary and allowances	34,597	33,726
Employees' salaries	82,172	80,678
Social Security Contributions	9,512	9,469
Councillors' remuneration	10,000	11,200
	<u>147,124</u>	<u>145,645</u>

**Average number of people employed**

Employees	6	6
Mayor and Councillors	<u>9</u>	<u>9</u>

**9. Operations and Maintenance**

	2016 €	2015 €
<b>Repairs and Upkeep:</b>		
Road and street pavements (Patching works)	41,814	20,474
Repair plant and equipment	16,495	21,597
Sundry repairs	2,518	403
	<u>60,827</u>	<u>42,474</u>
	2016 €	2015 €
<b>Contractual Services:</b>		
Refuse collection (including bins on wheels)	84,342	94,892
Waste disposal	60,373	66,718
Bulky refuse collection (including open skips)	5,092	8,443
Road and street cleaning (mechanical and manual)	53,522	50,830
Other contractual services	26,804	28,523
Cleaning and Maintenance of Non-Urban Roads	14,049	4,687
Cleaning and Maintenance of Public Conveniences	10,669	8,700
Cleaning and Maintenance of Parks and Gardens	29,468	28,773
	<u>284,319</u>	<u>291,566</u>
	<u>345,146</u>	<u>334,040</u>

**10. Administrative and other expenditure**

	2016 €	2015 €
Utilities	7,337	8,706
Other repairs and upkeeps	3,657	572
Rent	2,245	2,250
Library	484	601
National & International membership	275	260
Office services	10,023	9,674
Travel	-	3,359
Transport	1,964	5,343
Information services	437	646
Other contractual services	12,956	15,632
Professional services	15,203	11,221
Community and hospitality	4,501	4,345
Social events	3,045	208
Cultural events	2,100	1,249
Uniforms	62	717
Bank interest and charges	166	158
Depreciation	209,232	231,916
Amortisation charge	215	93
Provision for bad debts	(2,111)	785
Bad debt written off	-	-
	<u>271,791</u>	<u>297,735</u>

**11. Finance costs**

	2016 €	2015 €
Interest on bank loan	<u>2,363</u>	<u>2,697</u>

**12. Intangible asset**

	Computer Software €
<b>At 1 January 2015</b>	
Cost	1,026
Accumulated amortisation	(652)
Net book amount	374
<b>Movements for the year ended 31 December 2015</b>	
Opening net book amount	374
Amortisation charge	(93)
Closing net book amount	281
<b>At 31 December 2015</b>	
Cost	1,026
Accumulated amortisation	(745)
Net book amount	281
<b>Movements for the year ended 31 December 2016</b>	
Opening net book amount	281
Additions	580
Amortisation charge	(215)
Closing net book amount	646
<b>At 31 December 2016</b>	
Cost	1,606
Accumulated amortisation	(960)
Net book amount	646

Amortisation of €215 (2015: €93) is included in administrative expenses.

### 13a. Property, plant and equipment

Asset	Property €	Office furniture and fittings €	Office Equipment €	Plant and Machinery €	Urban improvements €	New street signs/light s €	Computer Equipment €	Special Programmes €	Motor Vehicles €	Assets not yet capitalized €	Total €
<b>Cost</b>											
As at 1 January 2016	272,535	39,503	40,440	6,831	3,191,666	64,685	34,765	1,246,733	11,644	-	4,908,802
Additions	-	1,768	208	80	2,689	677	1,559	-	-	-	6,981
Reclassifications	-	2	9	-	(67)	623	(1,148)	1,052	-	-	471
As at 31 December 2016	272,535	41,273	40,657	6,911	3,194,288	65,985	35,176	1,247,785	11,644	-	4,916,254
<b>Grants and other disbursements</b>											
As at 1 January 2016	-	-	-	-	73,020	-	-	256,980	-	-	330,000
Additions	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2016	-	-	-	-	73,020	-	-	256,980	-	-	330,000
<b>Accumulated Depreciation</b>											
As at 1 January 2016	34,409	27,014	37,394	3,479	1,457,804	64,685	32,650	617,750	9,446	-	2,284,631
Charge for the year	2,381	1,069	653	686	165,490	677	633	37,203	440	-	209,232
Reclassifications	-	2	-	-	878	623	(2)	1,025	-	-	2,526
As at 31 December 2016	36,790	28,085	38,047	4,165	1,624,172	65,985	33,281	655,978	9,886	-	2,496,389
<b>Net Book Value</b>											
As at 31 December 2016	235,745	13,188	2,610	2,746	1,497,096	-	1,895	334,827	1,758	-	2,089,865
As at 31 December 2015	238,126	12,489	3,046	3,352	1,660,842	-	2,115	372,003	2,198	-	2,294,171

**13b. Property, plant and equipment**

Asset	Property	Office furniture and fittings	Office Equipment	Plant and Machinery	Urban improvements	New street signs	Computer Equipment	Special Programmes	Motor Vehicles	Assets not yet capitalized	Total
	€	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>											
As at 1 January 2015	272,535	39,503	40,440	6,415	2,416,190	64,685	34,765	1,246,733	11,644	67,382	4,200,292
Additions	-	-	-	416	16,699	-	-	-	-	691,395	708,510
Transferred to PPE	-	-	-	-	758,777	-	-	-	-	(758,777)	-
As at 31 December 2015	272,535	39,503	40,440	6,831	3,191,666	64,685	34,765	1,246,733	11,644	-	4,908,802
<b>Grants and other reimbursements</b>											
As at 1 January 2015	-	-	-	-	73,020	-	-	256,980	-	-	330,000
Additions	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2015	-	-	-	-	73,020	-	-	256,980	-	-	330,000
<b>Accumulated Depreciation</b>											
As at 1 January 2015	32,004	26,001	36,631	2,681	1,273,417	64,685	31,985	576,414	8,897	-	2,052,715
Charge for the year	2,405	1,013	763	798	184,387	-	665	41,336	549	-	231,916
As at 31 December 2015	34,409	27,014	37,394	3,479	1,457,804	64,685	32,650	617,750	9,446	-	2,284,631
<b>Net Book Value</b>											
As at 31 December 2015	238,126	12,489	3,046	3,352	1,650,842	-	2,115	372,003	2,198	-	2,294,171
As at 31 December 2014	240,531	13,503	3,809	3,734	1,069,753	-	2,779	413,339	2,747	67,382	1,817,577

**14. Receivables**

	2016 €	2015 €
Receivables	6,956	9,257
Accrued income	3,257	1,761
	<u>10,213</u>	<u>11,018</u>
<b>Financial assets</b>		
Prepayments	8,965	8,674
Other receivables	1,121	1,000
	<u>20,299</u>	<u>20,692</u>

The total financial assets for the year amounted to €20,299 (2015:€20,692).

The average credit period on sales of services is 60 days. Receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the company has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

	2016 €	2015 €
<b>Age of receivables that are past due but not impaired</b>		
60-90 days	59	2,511
91-120 days	796	2,028
More than 120 days	5,319	2,487
Total	<u>6,174</u>	<u>7,026</u>

	2016 €	2015 €
<b>Movement in the allowance for doubtful debts</b>		
Balance at beginning of the year	225,920	-
Increase in provision for LES debtors	-	225,135
Increase in provision for general receivables	-	785
Amounts collected during the year	(2,112)	-
Balance at end of the year	<u>223,808</u>	<u>225,920</u>

#### 14. Receivables - continued

In determining the recoverability of a receivable, the Local Council considers any change in the credit quality of the receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

The impairment loss on receivables is included in administrative expenses in the statement of comprehensive income.

Receivables are stated net of a provision for doubtful debts of €223,808 (2015: €225,920).

#### 15. Cash and cash equivalents

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

	2016 €	2015 €
Bank balances:		
Ordinary funds	1,020,814	579,777
Cash in hand	405	442
	<u>1,021,219</u>	<u>580,219</u>

#### 16. Borrowings

	2016 €	2015 €
<b>Non-current</b>		
Bank loans	<u>52,831</u>	<u>63,633</u>
<b>Current</b>		
Bank loans	<u>10,842</u>	<u>10,486</u>
<b>Total borrowings</b>	<u>63,673</u>	<u>74,119</u>

The bank loan is secured by a general hypothec for €63,673 on the Council's assets and by a special hypothec and special privilege for €63,673 on a house and a garage in Rabat. The loan is also secured by a pledge on accidental damage (property) insurance policy issued by Middlesea Insurance plc covering property in Rabat for a value of €231,200. The Loan bears an interest of 3.35% and is repayable by monthly instalments of €1,067.46

**16. Borrowings - continued**

Interest rate exposure:

	2016 €	2015 €
At fixed rates	63,673	74,119

Effective interest rates at end of reporting period:

	2016 %	2015 %
Bank loan	3.35	3.35

Maturity of borrowings falling due after more than one year:

	2016 €	2015 €
Between 1 and 2 years	11,211	10,843
Between 2 and 5 years	35,973	34,795
Over 5 years	5,647	17,995
	52,831	63,633

**17. Long term deferred income**

	2016 €	2015 €
<b>Government Grants</b>		
At 1 January	778,825	400,063
Increase in year	4,863	431,061
	783,688	831,124
Released in year	(74,344)	(52,299)
At 31 December	709,344	778,825
<b>Current Deferred Income</b>	67,775	75,297
<b>Grants</b>	641,569	703,528

**17. Long term deferred income - continued**

	2016 €	2015 €
Between 1 and 2 years	61,292	67,240
Between 2 and 5 years	150,934	165,568
Over 5 years	429,343	470,720
	<u>641,569</u>	<u>703,528</u>

**18. Payables**

	2016 €	2015 €
Payables	107,965	163,351
Accruals	37,331	46,099
Contractors' deposits	8,843	8,843
	<u>154,139</u>	<u>218,293</u>
Financial liabilities		
Other taxes – PAYE – NI	-	2,472
Deferred income Government Grants	67,775	75,297
Other deferred income	1,190	-
Amounts due by the Council	932	-
	<u>224,036</u>	<u>296,062</u>

The total financial liabilities for the year amounted to €224,036 (2015: €296,062)

**19. Contingent liabilities**

At 31 December 2016, guarantees amounting to €1,000 (2015: €1,000) were given by the Local Council to MEPA with regard to capital projects.

At 31 December 2016, the Local Council has an appeal against MEPA for which a fine of €3,059 may be imposed.

**20. Related party transactions**

During the year, the Local Council had effected transactions with related parties resulting mainly in connection with income and administrative transactions, are disclosed in notes 8 and 10 to these financial statements. The following were the related parties:

<b>Name of Entity</b>	<b>Nature of relationship</b>
Department of Local Councils	Significant Control
Gozo Regional Committee	No Control
Central Regional Committee	No Control
North Regional Committee	Joint Control
South Regional Committee	No Control
South Eastern Regional Committee	No Control
Local Enforcement Systems Agency	No Control
ARMS Ltd	No Control
Commissioner of Data Protection	No Control
Department of Information	No Control
Ministry of Finance	No Control
Police General Head Quarters	No Control
Malta Environment and Planning Authority	No Control
Water Services Corporation	No Control
Enemalta Corporation	No Control
Cleaninsing Directorate	No Control
Department of Lands	No Control
Wasteserv Malta Limited	No Control
Bank of Valletta plc	No Control
Department of Lands	No Control
Local Councils' Association	No Control
Central Bank of Malta	No Control
Department of Inland Revenue	No Control
Ministry for Justice, Culture and Local Government	No Control

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

	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>
<b>(a) Funds received from Local Government</b>	<b>1,023,044</b>	<b>991,267</b>

**Key management compensation**

Transactions with key management personnel are disclosed in note 8.

**Ultimate controlling party**

The ultimate controlling party of the local council is Central Government since the Council's main revenue is from the Government allocation received every quarter. Apart from the normal funds received from Government, the Council also receives funds relating to specific projects as well as other funds for the improvement of the locality.

**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 programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance.

***Credit risk***

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

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 summarised as follows:

	2016 €	2015 €
Classes of financial assets – carrying amounts		
Trade and other receivables	10,213	11,018
Cash and cash equivalents	1,021,219	580,219
	<u>1,031,432</u>	<u>591,237</u>

***Liquidity risk***

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact, at year end, the Council has as cash in bank and in hand the amount of €1,029,980. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net asset position of €3,131,485 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

## 21. Financial risk management - continued

### *Liquidity risk* - continued

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

#### At 31 December 2016

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	107,965	-	-
Other creditors	-	-	-
Accruals	37,331	-	-

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

#### At 31 December 2015

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	163,351	-	-
Other creditors	-	-	-
Accruals	46,099	-	-

### Foreign currency risk

Foreign currency transaction 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 currencies.

### Interest rate risk

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

**22. Summary of financial assets and liabilities**

The carrying amounts of the Council's financial assets and liabilities as recognised at the reporting dates under review are categorised as follows:

	2016 €	2015 €
<b>Current assets</b>		
Loans and receivables:		
Trade and other receivables	8,761	11,018
Cash and cash equivalents	1,021,219	580,219
	<u>1,029,980</u>	<u>591,237</u>
<b>Non-current liabilities</b>		
Financial liabilities measured at amortised costs:		
Bank loan	<u>52,831</u>	<u>63,633</u>
<b>Current liabilities</b>		
Financial liabilities measured at amortised costs:		
Bank loan	10,842	10,486
Payables	107,962	163,351
Other creditors	-	-
Accruals	<u>37,331</u>	<u>46,099</u>

**23. 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.

**24. Capital commitments****Capital expenditure**

Commitments for capital expenditure not provided for in these financial statements are as follows:

	2016 €	2015 €
Contracted but not provided for	-	-
Authorised but not contracted	<u>300,618</u>	<u>-</u>