



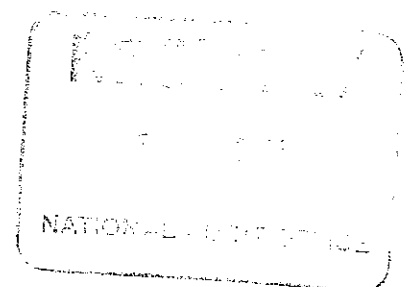
SAN GILJAN

San Giljan Local Council

**Annual Report
and
Financial Statements**

1 January – 31 December 2014

Prepared by JCA Limited



ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2014

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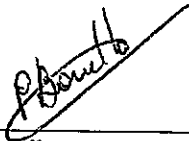
Financial Statements for the year ended 31 December 2014

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

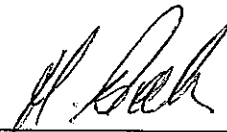
The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's Statement of Comprehensive Income for the year and of the Council's retained funds at the end of year. By virtue of the same regulations it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

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Councils (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the 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 9th April 2015 by:



Peter Bonello
Mayor



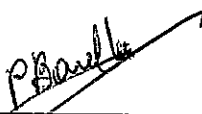
Helen Walker
Executive Secretary

STATEMENT OF FINANCIAL POSITION
As at 31 December 2014


	Notes	2014 €	2013 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	<u>382,215</u>	<u>329,770</u>
		<u>382,215</u>	<u>329,770</u>
Current Assets			
Receivables	4	87,986	68,663
Cash and Cash Equivalents	5	<u>631,934</u>	<u>444,885</u>
		<u>719,920</u>	<u>513,548</u>
Total Assets		<u><u>1,102,135</u></u>	<u><u>843,318</u></u>
RESERVES AND LIABILITIES			
Capital and reserves			
Retained Fund		554,809	506,941
Non-current Liabilities			
Long term borrowings	6	69,477	72,317
Deferred Income	7	71,922	103,274
Long term creditors	8	41,476	11,294
Liabilities			
Payables	8	360,130	144,067
Current portion of long term borrowings	6	4,321	5,425
TOTAL RESERVES AND LIABILITIES		<u><u>1,102,135</u></u>	<u><u>843,318</u></u>

The notes on pages 8 to 21 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on 9th April 2015 and signed on its behalf by:



Peter Bonello
Mayor



Helen Walker
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2014

		2014 €	2013 €
REVENUE			
Funds received from central government	Notes 9	660,119	725,847
Income raised under Local Council Bye-Laws	10	29,079	23,885
Income raised under Law Enforcement System	11	83,852	21,118
General Income	13	5,841	16,951
		<u>778,891</u>	<u>787,801</u>
EXPENDITURE			
Personal emoluments	14	(133,487)	(137,672)
Operations and maintenance	15	(456,947)	(568,577)
Administration and other expenditure	16	(137,877)	(157,371)
		<u>(728,311)</u>	<u>(863,620)</u>
Operating Income/(Loss) for the year		50,580	(75,819)
Investment income	12	900	1,431
Finance costs	17	(3,612)	(3,742)
Total Comprehensive Income/(Loss) for the year		<u>47,868</u>	<u>(78,130)</u>

The notes on pages 8 to 21 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2014

	Retained Funds 2014 €	Retained Funds 2013 €
At 1 January	506,941	585,071
Total Comprehensive Income/ (Loss) for the year	47,868	(78,130)
At 31 December	<u>554,809</u>	<u>506,941</u>

The notes on pages 8 to 21 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	2014 €	2013 €
	Note	
Cash Flows from Operating Activities		
Total Comprehensive Income/ (Loss) for the year	47,868	(78,130)
Adjustments for:		
Depreciation	23,160	20,097
Provision for bad debts	1,624	-
Grants utilised during the period	(115,554)	(28,439)
Interest receivable	(900)	(1,431)
Interest payable	3,612	3,742
Operating Profit before Working Capital Changes	(40,190)	(84,161)
(Increase) in receivables	(30,091)	(1,603)
Increase in payables	98,909	1,653
Net Cash inflows/(outflow) from operating Activities	88,810	(84,111)
	<u>88,810</u>	<u>(84,111)</u>
Cash flows from Investing Activities		
Purchase of Property, Plant and Equipment	(75,605)	(98,519)
Interest receivable	900	1,431
Cash Flow used in Investing Activities	<u>(74,705)</u>	<u>(97,088)</u>
Cash flows from financing activities		
Repayment of bank loans	(3,944)	(3,814)
Grants received	180,500	30,911
Interest paid	(3,612)	(3,742)
Movement in Cash flows	<u>172,944</u>	<u>23,355</u>
Cash and cash equivalents	187,049	(157,844)
Cash and Cash Equivalents at the Beginning of year	444,885	602,729
Cash and Cash Equivalents at the End of year	5 <u>631,934</u>	<u>444,885</u>

The notes on pages 8 to 21 are an integral part of the financial statements.

Notes to the Financial Statements for the year ended 31 December 2014

1. General Information

San Giljan Local Council is the local authority of San Giljan setup in accordance with the Local Councils Act.

The office of the Local Council is situated at Triq Forrest, San Giljan.

2. Accounting Policies and Reporting Procedures

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Accounting convention

These financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap 363).

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.

b. Standards, amendments and interpretations to existing standards

Annual Improvements: 2014 made several minor amendments to a number of IFRSs. None of the changes to IFRSs and interpretations has had, or is expected to have, a material impact on the council's financial statements.

The Council has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2014:

- IAS 32 Amendments – Financial Instruments: Presentation Offsetting Financial Assets and Financial Liabilities.
- IAS 36 Amendments– Recoverable Amount Disclosures for Non-Financial Assets (applicable for financial period beginning in or after 1 January 2014)
- IAS 39 Amendments – Novation of Derivatives and Continuation of Hedge Accounting (applicable for financial period beginning in or after 1 January 2014)
- IFRS 10, IFRS 12 and IAS 27 Amendments – Investment entities (applicable for financial period beginning in or after 1 January 2014)
- IFRS 10, IFRS 11 and IFRS 12 – Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities – Transition Guidance (applicable for financial period beginning in or after 1 January 2014)
- IFRS 10 – Consolidated Financial Statements (applicable at the latest, for financial period beginning in or after 1 January 2014)
- IFRS 11 – Joint Arrangements (applicable at the latest, for financial period beginning in or after 1 January 2014)
- IFRS 12 – Disclosure of Interests in Other Entities (applicable at the latest, for financial period beginning in or after 1 January 2014)
- IAS 27 – Separate Financial Statements (applicable at the latest, for financial period beginning in or after 1 January 2014)
- IAS 28 – Investments in Associates and Joint Ventures (applicable at the latest, for financial period beginning in or after 1 January 2014)
- IFRIC Interpretation 21 – Levies (applicable for financial period beginning in or after 1 January 2014)

Notes to the Financial Statements for the year ended 31 December 2014

The adoption of the above new and amended standards and IFRIC interpretations did not have an impact on the financial position or performance of the Council.

Standards, interpretations and amendments to published standards as adopted by the EU that are not yet effective up to 31 December 2014

Up to the financial position date, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective for the current reporting period and which the Company has not yet adopted. The Directors anticipate that the adoption of International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective, will have no impact on the financial statements of the Company in the period of initial application. These are as follows:

- IFRIC 19: (Amendments arising from IFRS9) – Extinguishing Financial Liabilities with Equity Instruments (effective on adoption of IFRS 9)
- Annual improvements to IFRSs 2010-2012 Cycle (applicable for financial period beginning in or after 1 July 2014)
- Annual improvements to IFRSs 2011 – 2013 Cycle (applicable for financial period beginning in or after 1 July 2014)
- IAS 19 Amendments – Defined Benefit Plans: Employee Contributions (applicable for financial period beginning in or after 1 July 2014)

Standards, interpretations and amendments issued by the International Accounting Standards Board (IASB) but not yet adopted by the European Union:

- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 10, IFRS 12 and IAS 28 Amendments – Investment Entities: Applying the Consolidation Exemption
- IAS 1 Amendments – Disclosure Initiative
- Annual Improvements to IFRSs 2012 – 2014 Cycle
- IFRS 10 and IAS 28 Amendments – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- IAS 27 Amendments – Equity Method in Separate Financial Statements
- IAS 16 and IAS 41 Amendments – Bearer Plants
- IAS 16 and IAS 38 Amendments – Clarification of Acceptable Methods of Depreciation and Amortisation
- IFRS 11 Amendments – Accounting for Acquisition of interest in Joint Operations

Council members anticipate that all of the relevant pronouncements will be adopted in the council's accounting policies for the first period beginning after the effective date of the pronouncement and that they will have no material impact on the financial statements in the period of initial application.

c. 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 income statement as it accrues.

d. Local Enforcement System

During 2014 the amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the administrative fee of 10% that is chargeable to the respective Regional Committees for contraventions paid at the Council. It also shows a distribution of funds from the Regjun Centru that were received by the Council for specific revenue projects in the locality.

Notes to the Financial Statements for the year ended 31 December 2014

e. 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 (Street Furniture)	10
Special Projects	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	Replacement basis
Playground furniture	100
Traffic and Road 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 benefits 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.

f. 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.

g. 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.

h. 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 amounts 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.

Notes to the Financial Statements for the year ended 31 December 2014 – continued

i. 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 present currency.

j. Surplus and deficits

Only surpluses that were realised at the date of the Statement of Financial Position are recognised in these Financial Statements. All foreseeable liabilities and potential deficits 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.

k. Cash and 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.

l. Related parties

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

During the year under review, the Local Council's related party that exercises a significant control was the Department for Local Government. The parties that exercised no control were Malta Environment and Planning Authority and the Regional Committees.

m. Payables

Accounts 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.

Amounts payable 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 local council.

n. 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 transactions 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.

Notes to the Financial Statements for the year ended 31 December 2014 – continued

Financial Instruments – continued

Financial Assets - continued

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

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

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

o. 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. Revisions 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 members, 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).

p. 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. Liabilities which are held for trading are subsequently measured at fair value.

Borrowing costs are recognised as an expense in the period in which they are incurred.

San Giljan Local Council

Notes to the Financial Statements for the year ended 31 December 2014 – continued

3a Property, Plant and Equipment

Tangible Assets	Property	Office Furniture / fittings	Computer Equipment	Urban Improvements	Assets Not yet Capitalised	New Street Signs	Construction	Special Programmes	Total
Cost	€	€	€	€	€	€	€		€
At 1 January 2014	185,798	67,643	40,098	23,214	-	9,707	216,686	1,553,685	2,096,831
Additions	-	-	890	-	-	-	-	74,715	75,605
At 31 December 2014	185,798	67,643	40,988	23,214	-	9,707	216,686	1,628,400	2,172,436
Grants									
At 1 January 2014	-	-	-	-	-	-	-	(1,134,777)	(1,134,777)
Adjustment	-	-	-	-	-	-	-	-	-
At 31 December 2014	-	-	-	-	-	-	-	(1,134,777)	(1,134,777)
Depreciation									
At 1 January 2014	(17,184)	(56,137)	(31,305)	(23,214)	-	(9,707)	(216,686)	(278,051)	(632,284)
Charge for the year	(1,678)	(834)	(1,650)	-	-	-	-	(18,998)	(23,160)
At 31 December 2014	(18,862)	(56,971)	(32,955)	(23,214)	-	(9,707)	(216,686)	(297,049)	(655,444)
Net Book Value									
At 31 December 2014	166,936	10,672	8,033	-	-	-	-	196,574	382,215

San Giljan Local Council

Notes to the Financial Statements for the year ended 31 December 2014 – continued

3b Property, Plant and Equipment

Tangible Assets	Property	Office Furniture / fittings	Computer Equipment	Urban Improvements	Assets Not yet Capitalised	New Street Signs	Construction	Special Programmes	Total
Cost	€	€	€	€	€	€	€		€
At 1 January 2013	185,798	67,643	37,984	23,214	-	9,707	216,686	1,457,280	1,998,312
Additions	-	-	2,114	-	-	-	-	96,405	98,519
At 31 December 2013	185,798	67,643	40,098	23,214	-	9,707	216,686	1,553,685	2,096,831
Grants									
At 1 January 2013	-	-	-	-	-	-	-	(1,134,777)	(1,134,777)
Additions	-	-	-	-	-	-	-	-	-
At 31 December 2013	-	-	-	-	-	-	-	(1,134,777)	(1,134,777)
Depreciation									
At 1 January 2013	(15,489)	(55,238)	(29,603)	(19,220)	-	(9,498)	(216,686)	(266,453)	(612,187)
Charge for the year	(1,695)	(899)	(1,702)	(3,994)	-	(209)	-	(11,598)	(20,097)
At 31 December 2013	(17,184)	(56,137)	(31,305)	(23,214)	-	(9,707)	(216,686)	(278,051)	(632,284)
Net Book Value									
At 31 December 2013	168,614	11,506	8,793	-	-	-	-	140,857	329,770

Notes to the Financial Statements for the year ended 31 December 2014 – continued

4 Receivables	2014	2013
	€	€
Receivables	34,407	43,932
Prepayments and accrued income	53,579	24,731
	<u>87,986</u>	<u>68,663</u>

Receivables

Within the credit period	87,986	68,663
Exceeded credit period but not yet impaired	-	-
	<u>87,986</u>	<u>68,663</u>

Receivables are stated net of provision for impairment of €1,624.

5 Cash and Cash Equivalents

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

	2014	2013
Bank Balances:	€	€
Operating bank Accounts	631,701	444,652
Cash in hand	<u>233</u>	<u>233</u>
Cash at bank and in hand	<u>631,934</u>	<u>444,885</u>

6 Long term and short term borrowings	2014	2013
	€	€
Long term portion of bank loan	69,477	72,317
Short term portion of bank loan	4,321	5,425
	<u>73,798</u>	<u>77,742</u>

These borrowings relate to the loan taken to acquire the Council's premises

Interest rate exposure	2014	2013
	€	€
At fixed rates	73,798	77,742
	<u>73,798</u>	<u>77,742</u>

Effective interest rates at the date of the statement of financial position

	2014	2013
	%	%
At fixed rates	<u>4.60</u>	<u>4.75</u>

Notes to the Financial Statements for the year ended 31 December 2014 – continued

6 Long term and short term borrowings - continued

Long term and short term borrowings	2014	2013
	€	€
Between 1 and 2 years	15,112	15,112
Between 2 and 5 years	22,668	22,668
Over 5 years	36,018	39,962
	<u>73,798</u>	<u>77,742</u>

7 Deferred Income

	2014	2013
	€	€
Between 1 and 2 years	6,872	7,412
Between 2 and 5 years	16,920	5,763
Over 5 years	48,130	90,099
	<u>71,922</u>	<u>103,274</u>

8 Payables

	2014	2013
	€	€
Accounts payable	118,113	52,771
Deferred Income	162,000	3,370
Accruals	80,017	87,926
	<u>360,130</u>	<u>144,067</u>

Non-current payable	<u>41,476</u>	<u>11,294</u>
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9 Funds received from Central Government

	2014	2013
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	616,363	617,185
Other Government Income	43,756	108,662
	<u>660,119</u>	<u>725,847</u>

10 Income raised under Local Council Bye-Laws

	2014	2013
	€	€
Income from contravention of Bye-Laws	<u>29,079</u>	<u>23,885</u>

11 Local Enforcement Income

	2014	2013
	€	€
Regional committees	77,134	-
Pre-regional Committees	-	14,641
Regional Committees - Administrative Fees	6,718	6,477
	<u>83,852</u>	<u>21,118</u>

12 Investment income

	2014	2013
	€	€
Bank Interest Receivable	900	1,431
	<u>900</u>	<u>1,431</u>

Notes to the Financial Statements for the year ended 31 December 2014 – continued

13 General Income	2014	2013
	€	€
Income from tender documents	279	3,785
Other	4,712	11,666
Contributions and donations	850	1,500
	<u>5,841</u>	<u>16,951</u>
14 Personal Emoluments	2014	2013
	€	€
Personal emoluments include, inter alia:		
Mayor's Allowance	10,302	10,055
Councillors' Allowance	11,000	11,029
Executive Secretary salary and allowances	32,083	27,994
Employees' Salaries	71,969	80,134
Social Security Contributions	8,133	8,460
	<u>133,487</u>	<u>137,672</u>
15 Operations and Maintenance	2014	2013
Operations and maintenance includes, inter alia:	€	€
<i>Repairs and Upkeep:</i>		
Road and Street Pavements (patching works)	65,177	103,041
Public property	11,848	61,478
Street signs	2,367	6,942
Road markings	20,426	16,489
Other	8,489	11,086
Total	<u>108,307</u>	<u>199,036</u>
<i>Contractual Services:</i>		
	2014	2013
	€	€
Refuse Collection	149,582	124,835
Bulky Refuse Collection	10,534	8,199
Road and Street Cleaning	134,617	165,285
Cleaning and Maintenance - Public Conveniences	13,205	15,877
Cleaning and Maintenance - Parks and gardens	18,049	18,049
Support Services	6,629	3,709
Street Lighting	16,024	22,405
Other	186	11,182
	<u>348,640</u>	<u>369,541</u>
Total Operations and Maintenance Expenses	<u>456,947</u>	<u>568,577</u>

Notes to the Financial Statements for the year ended 31 December 2014 – continued

16 Administration and other expenditure	2014	2013
	€	€
Utilities	9,108	14,798
Other repairs and upkeep	5,165	10,876
Rent	1,500	1,500
National and International Memberships	1,044	665
Office Services	8,387	11,808
Travel	5,310	6,839
Transport	933	773
Bank charges	795	103
Other contractual services	4,820	5,070
Professional Services	20,875	22,539
Community services and events	55,126	62,243
Training	30	60
Provision for bad debts	1,624	-
Depreciation	23,160	20,097
	<u>137,877</u>	<u>157,371</u>
	2014	2013
17 Finance Cost	€	€
Interest on bank loan	3,612	3,742
	<u>3,612</u>	<u>3,742</u>

18 Capital Commitments

Details of capital commitments at the accounting date are as follows:

	2014	2013
	€	€
Approved and contracted for		
Bank loan repayment on Council Premises	<u>7,556</u>	<u>7,560</u>
Approved but not yet contracted for:	<u>96,323</u>	<u>255,744</u>
Approved but not yet contracted for:		
Construction	94,423	254,844
Office furniture and fittings	1,500	500
Office equipment	400	400
	<u>96,323</u>	<u>255,744</u>

Notes to the Financial Statements for the year ended 31 December 2014 – continued

19 Financial Instruments and Related Parties Disclosures

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

Name of entity	Nature of relationship
Department of Local Councils	Significant control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control
Regional Committee	No control

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

	2014	2013
Significant control:	€	€
Annual financial allocation	<u>616,363</u>	<u>617,185</u>

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

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.

20. Risk management objectives and policies

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.

20.1 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:

	2014	2013
Class of financial assets -- carrying amounts	€	€
Trade and other receivables	86,706	67,450
Cash and Cash Equivalents	<u>631,934</u>	<u>444,885</u>
	<u>718,640</u>	<u>512,335</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 4 for further information on impairment or financial assets that are past due.

Notes to the Financial Statements for the year ended 31 December 2014 – continued

20.1 Credit risk - continued

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.

20.2 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. The council's liquidity is deemed to be sufficient in view of an excess of financial assets.

	2014	2013
	€	€
Payables	198,130	146,862
Current portion of long term borrowings	4,321	5,425
	<u>202,451</u>	<u>152,287</u>

	2014	2013
	€	€
Long term and short term borrowings		
Current within 1 year	4,321	5,425
Due in 1 to 5 years	19,365	18,117
Due after 5 years	50,112	54,200
	<u>73,798</u>	<u>77,742</u>

Long term and short term PPP Payable

	2014	2013
	€	€
Between 1 and 2 years	16,258	7,114
Between 2 and 5 years	25,308	4,602
Over 5 years	16,168	6,692
	<u>57,734</u>	<u>18,408</u>

20.3 Interest rate risk

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 5), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

Notes to the Financial Statements for the year ended 31 December 2014 – continued

20.4 Summary of the financial assets and liabilities by category

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

	2014 €	2013 €
Current Assets		
Loans and receivables:		
Trade and other receivables	86,706	67,450
Cash and Cash Equivalents	631,934	444,885
	<u>718,640</u>	<u>512,335</u>
Non-current Liabilities		
Financial liabilities measured at amortised costs:		
Borrowings	69,477	72,317
Long term PPP Creditors	41,476	11,294
	<u>110,953</u>	<u>83,611</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	198,250	140,697
Borrowings	4,321	5,425
	<u>202,571</u>	<u>146,122</u>

20.5 Capital risk management

The Council's objectives when managing capital are to safeguard the Council's ability to continue as a going concern so that it can continue to provide a service to the residents of the Local Council by maintaining an optimal capital structure to reduce cost of capital.

The Council's equity, as disclosed in the statement of financial position, constitutes its capital. The Council's capital structure is monitored by the Executive Secretary and the Council with appropriate reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Council's activities and the extent of borrowings, the capital level as at the end of the reporting period is deemed adequate by the Council.

21 Fair value estimation

At 31 December 2014 and 31 December 2013, the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

Financial statements for the year ended 31 December 2014

Report of the Local Government auditor to the Auditor General

We have audited the accompanying financial statements of San Giljan Local Council which comprise the statement of financial position as at 31 December 2014, 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 notes.

Respective responsibilities of the Local Council and Local Government auditors

As described in page 3, these financial statements are the responsibility of the Executive Secretary and the Local Council members.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for qualified opinion

1. As from 30 September 2002, all income and expenditure from the Local Enforcement System (LES) were centralised through the Group H Joint Committee and LES debtors at that date were transferred to the Joint Committee as well. The Group H Joint Committee ceased operations on 31 August 2011 and LES was centralised through the Central Regional Committee as from 1 September 2011. The Council has not reported any income from LES in the current year. We were unable to determine the amount of any income the Council is entitled to receive from Group H Joint Committee since its audited financial statements were not made available to us.
2. The amounts disclosed in note 4 do not satisfy the requirements of the quantitative disclosures relating to credit risk.
3. The cash flow statement does not reflect the correct cash outflows on the purchase of Property, Plant and Equipment as required by IAS 7 *Statement of Cash Flow*.

Financial statements for the year ended 31 December 2014

Report of the Local Government auditor to the Auditor General (continued)

4. The financial statements do not include disclose the fact that certain fixed assets of the council are hypothecated in favour of a bank as a security for loans as required by IAS 16 *Property, Plant and Equipment*.
5. The financial statements do not disclose the relevant lease commitments arising on leased areas as required by IAS 17 *Leases*.
6. The company's interest free non-current payable arising on the PPP project is accounted for at historical cost rather amortised cost as required by IAS 39, *Financial Instruments*.
7. Excluded from these financial statements are the budgeted figures for the year. This is not in accordance with the Local Council (Financial) Procedures, 1996.

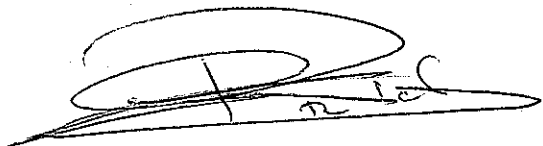
Qualified opinion

In our opinion, except for the effects of the matters described in paragraphs 1,2,3, 4, 5 and 6 above, the financial statements give a true and fair view of the financial position of San Giljan Local Council as of 31 December 2014 and of the results of its operations, changes in net assets/equity and its cash flows for the period then ended in accordance with the accounting policies set out on pages 8 to 12.

Because of the matter set out in paragraph 7 above, these financial statements do not comply fully with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 and because of the matters set out in paragraphs 2, 3, 4, 5 and 6 above these financial statements have not been prepared in accordance with International Financial Reporting Standards.

Other matter

The financial statements of San Giljan Local Council for the year end 31 December 2013 were audited by another auditor who expressed a qualified opinion on those statements on 10 April 2014.



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

Mazars Malta
Certified Public Accountants
Attard

9 April 2015



National Audit Office
Notre Dame Ravelin
Floriana FRN 1600
Malta

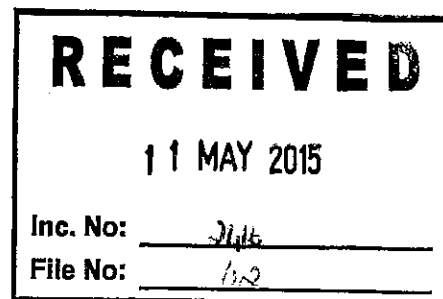
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Website: www.nao.gov.mt

Our Ref: NAO 107/2015/52

Your Ref:

8th May 2015

The Mayor and Executive Secretary
St Julians Local Council
St Julian's



Dear Sir/Madam,

**AUDIT REPORT and FINANCIAL STATEMENTS
YEAR ENDING 31 DECEMBER 2014**

In terms of Section P2.06 (c.02) of the Local Councils (Audit) Procedures 2006, I am forwarding a copy of the Audit Report and Financial Statements, together with the Management Letter for the financial year ending 31 December 2014.

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

Yours faithfully,

Tanya Mercieca
Asst. Auditor General

Encls.

The Mayor,
San Giljan Local Council,
Triq Forrest,
San Giljan

9 April 2015

NATIONAL AUDIT OFFICE

Financial Statement for the year ended 31 December 2014

During the course of our audit for the year ended 31 December 2014, we have reviewed the accounting system and procedures operated by the council. We have also reviewed the operations of the council and how they conform to the Local Council Act 1993, the Financial Regulations issued in terms of this Act, and the supplementary Financial Procedures. We set out in this report the more important points that arose as a result of our review.

1 Previous management letter (issued by Grant Thornton)

1.1 Income

We again noted that in one instance, the council did not issue the invoice to the regional committees on time (refer to note 2.1)

The situation with Joint Committee share of profits remains unchanged from previous periods

We also noted that the council's income was not always deposited within the prescribed time (refer to note 2.6)

We did not come across instances of invoiced issued on word

1.2 Fixed assets

We did not come across similar issues in current year

1.3 Grants

In the current year, we came across a minor error in grants arising from a difference in opening balances. This had an impact on the grant released to income in current year and on the allocation between current and long term (refer to note 4.2).

We also identified an error in the reversal of opening accrued income and deferred income relating to the Housing Authority Project (refer to note 4.1).

1.4 Bank accounts

The council have now opened separate accounts for large projects.

1.5 Expenditure

We did not come across any similar issued throughout our review of the tendering procedures

Cash register were once again evident throughout our review of petty cash transactions (refer to note 5.1).

We did not come across the payment of donations.

The council has not amended its insurance policy in line with previous recommendations (refer to note 5.3).

The council has indicated that the Lapsi Feast activity is approved by the Department for Local Government and the council has applied for it under the scheme covered by Memo 38/2012.

The council is still providing allowances to the Executive Secretary for making use of her car and mobile phone (refer to note 5.6).

In the current year, we again noted a significant discrepancy in the current and comparative cost for refuse collection (refer to note 5.8).

1.6 Receivables

Similar to last year, we identified long overdue balances in the debtors list (refer to note 6.1).

The situation with Green MT is similar to that reported for 2013 (refer to note 6.4).

1.7 Bank reconciliations

In the current year we noted differences between the reconciled amount and the balance in the ledger (refer to note 7.1).

The stale cheque identified in 2013 is still present at 31 December 2014 (refer to note 7.5).

1.8 Bank loan

Similar to last year, we did not agree with the allocation between current and long term portion of the loan since such allocation was again calculated on the wrong rate (refer to note 8.1).

The terms and security of the bank loan were not disclosed (refer to note 8.3).

1.9 Trade and other payables

Monthly statements were once again not obtained by the council (refer to note 9.1)

The long outstanding balance with Velljo Services, Polidano Brothers and WasteServe were again evident in the current year (refer to notes 9.3 – 9.7).

We did not identify any unrecorded invoices in the current year.

1.10 Long term creditors

The long term payables was not recorded in the financial statements (refer to note 10.1).

We did not identify any issues with the repayment of PPP creditor.

1.11 Financial statements

The financial statements did not comply fully with IFRS requirements (refer to note 11.2).

in the current year, the grant received as per cash flow reflected that actual cash receipts for the year.

The capital commitment note in the current year agrees to the financial estimates, however, it still includes the loan repayment as a capital commitment (refer to note 11.4).

1.12 Council's meetings

The council is still not maintain a record of instances when iPads are used out of office however, we were informed that the councillors have approved that such assets may be taken out of the building on a daily basis.

The Executive Secretary had 92 hours of vacation leave postponed to 2015 however, such postponement was approved by the Departments for Local Government and by the council.

Minutes are still not being bound (refer to note 12.1).

Once again, we noted excess absence of councillors from meetings however, these were brought to the attention of the Ministry and the council approved to declare that such absence was justified.

2 Income

Income from Regional Committees

- 2.1 When testing income from regional committees, we noted that invoices relating to the month of January were not issued on time to the regional committees (issued on 12 February).
- 2.2 In light of the above, we recommend that the council complies with memo 91/2011 and issues an invoice within one week from the end of the month in which the collections were made and remitted to the committees.
- 2.3 In January 2015, the council received additional funds amounting to EUR51,038 from the Regional Committee. This was identified as relating to the period July – November 2014 however, the council did not recognise this as income in 2014 and no provision was made for December 2014 surplus. We proposed an adjustment to recognise this as accrued income and deferred to future projects. The council approved this adjustment which has been properly reflected in the financial statements.

Income from pre-regional committees

- 2.4 The Sliema Joint Committee, of which St. Julians Council formed part, has not yet provided the council with audited accounts for 2014.
- 2.5 We understand that the council has consistently requested the audited financial statement from the Joint Committee. However we necessarily had to qualify our audit opinion since, in the absence of the Committee's financial statements, we were unable to determine the council's share of profit from the pooling system and LES debtors outstanding as at 31 December 2014.

General income

- 2.6 During our audit, we noted that the council did not deposit its income twice weekly in the month of September. Deposits in this month were effected on the 3rd, 10th, 12th, 17th and 24th. The council usually deposits on Wednesdays and Fridays and hence, no deposit was effected on 5th, 19th and 26th. We were informed that this period was a transition period since the responsible clerk resigned.
- 2.7 We are aware that the council has the cash transit service and thus we recommend that this service is used more frequently so as to comply with the Procedures as well as to avoid any security issues.

3 Fixed assets

Fixed asset additions

- 3.1 Whilst testing repairs and upkeep, we noted that the council acquired office chairs costing EUR1,247. These items were recognised as expenses for the year and not

capitalised. Also, as noted from the minutes, on acquisition, the council disposed of old office chairs. Such disposal was not identified in the fixed asset schedule.

- 3.2 The council should ensure that all acquisitions of capital nature are capitalised appropriately and depreciated over their useful life. The council should also ensure that any disposal of assets are properly reflected in the fixed asset register and fixed asset schedule.
- 3.3 Capital expenditure for the year amounted to EUR75,605. However the budgeted capital expenditure as per financial estimates for 2014 amounted to just EUR900. The financial regulations require that capital expenditure correspond to projects approved in annual budget estimates and business plan (unless otherwise authorised by council). The council should ensure that the financial estimates and business plan reflect the estimated capital expenditure fairly.

4 Grants

Maintenance and upgrading of Housing Estates

- 4.1 The council opened the current year with accrued income amounting to EUR16,725 and deferred income of EUR18,725 on this project. On 1 January, the council reversed the accrued income and deferred income against each other. On doing so, the council set-off EUR18,725 from accrued income rather than EUR16,725. Hence, EUR2k was misallocated and a proposed adjustment was made. The council approved this adjustment which has been properly reflected in the financial statements.

PPP scheme

- 4.2 On reviewing the councils opening balance, we noted a difference of EUR488 between the opening PPP deferred grant per ledger and the amount reported at 31 December 2013. This amount was wrongly included as a prior year adjustment in the current year statement of changes in equity. We proposed an adjustment to reclassify this element to deferred income. The council approved this adjustment which has been properly reflected in the financial statements.
- 4.3 As a result of the above adjustment, the element allocated to income in the current year was understated by EUR47 and the current allocation of the deferred income balance at year end was understated by EUR42. We recommended that such allocation are adjusted. The council approved these adjustments which have been properly reflected in the financial statements.
- 4.4 We also understand that the PPP project is still underway and additional grants are expected to be earned in due course over the additional works. From our work, it was not clear whether:
- The grant received to date covers all the projects carried out to date or whether this is in excess of such investments,
 - Whether additional grant is to be recognised (as accrued income) in relation to the additional works carried out this year

Such considerations would have an impact on the amount of grant allocated to income in the current year and possible recognition of accrued income.

5 Expenditure

Petty cash payments

- 5.1 From our review of petty cash transactions, it was evident that the majority of transactions are supported by cash register chits and not valid tax invoices issued to the council.
- 5.2 The Financial Procedures state that a valid tax invoice addressed to the council should be obtained for all purchases made by the council even if these are petty cash transactions. Therefore, we recommend that the council ensures that all supplies and services are supported by valid tax invoices addressed to the council.

Asset insurance

- 5.3 We reviewed the council insurance policies and noted the following discrepancies between the insurance cover and cost as per nominal ledger.

Asset	Sum insured EUR	Costs as per accounts EUR
Buildings and furniture & Fittings	204,448	253,441
Office furniture, fittings and others	17,705	40,988
	<u>222,153</u>	<u>294,429</u>

- 5.4 The above illustrates that some of the council's assets are not adequately insured. In this regards, the council should update its insurance policy to ensure that assets held are not under/over insured, as well as to include new assets bought by council during the year. The council must comply with section LCP 1.15b.05 of the Local Councils (Financial) Procedures, 1996 by carrying out a periodic review to assess the adequacy of the councils' insurance coverage.
- 5.5 We also noted that the council did not defer the insurance cost related to 2015 (as a prepayment). This was estimated at EUR747 and a proposed audit adjustment was made to the council. The council approved these adjustments which have been properly reflected in the financial statements.

Reimbursements of expenses

- 5.6 The council is still paying a fixed quarterly reimbursement of EUR187 to the executive secretary for making use of her own car and mobile phone for council's purposes.

- 5.7 Whereas we acknowledge the council's reply to last year's management letter which referred to a agreement reached in the past, we reiterate the recommendation that the council seeks proper guidance and approval from the Department.

Refuse collection

- 5.8 When reviewing expenditure as disclosed in the financial statements, we noted that refuse collection increased from EUR124,835 in 2013 to EUR149,582 in 2014, an increase of EUR24,747. On enquiry, we noted that EUR16,381 arises on the provision of an extra 2 days of collection service (financed from Regjun Surplus funds) and EUR3,478k arises on the increase in waste disposal fees. The remaining difference of EUR4.8k was identified as a result of miss-statement in 2013 and over accrual in 2012. This clearly indicates the comparative figure presented in the financial statement for refuse collection is under stated.

Street lightning

- 5.9 The cost of street lightning in the current year exceeded that of the previous year by EUR27,684. From our investigation, it transpired that the cost of Christmas Lightning for 2014 (EUR34,065) was included in this line item whereas in 2013, this was included under community service and events. We recommended that such allocation is adjusted. The council approved these adjustments which have been properly reflected in the financial statements.

6 Receivables

Overdue receivables

- 6.1 Whilst reviewing trade debtors we noted a balance of EUR32,608 which has been due for over 120 days. The balance mainly pertains to the following trade debtors: Regjun Centru EUR2,428, Green MT EUR17,674, San Giljan Police Station EUR5,422, Schranz EUR1,623 and Water Service Corporation EUR4,227.
- 6.2 From the information provided throughout our audit, we noted that Scharnz has contested the balance due and hence we recommended that the Council provides for this balance in 2014. The council approved this adjustment which has been properly reflected in the financial statements.
- 6.3 We recommend that the council follows up the recoverability of these balances and provides for and unrecoverable amounts.
- 6.4 The total balance due from Green MT is EUR18,354. During 2014, the invoices issued to Green MT amounted to EUR5,746 and council received one payment of EUR2,000 in November. We understand that the council has requested settlement of this balance however payments received were very limited in relation to the amount recoverable. We recommend that the council assess the recoverability of this balance and makes adequate provisions against it.

- 6.5 We circularised a sample of debtors including Water Services Corporation. The debtor per ledger, at 31 December 2014 amounted to EUR4,579 however, the amount confirmed by WSC was only EUR981. We strongly recommend that the council considers the recoverability of the amount due and provide for any doubtful balances.

7 Bank reconciliation

- 7.1 Whilst reviewing the bank reconciliations, we noted that in a number of instances, the reconciled balance per reconciliation did not tie in to the ledger balance as at the date of the reconciliation. The HSBC current account reconciliation indicated a ledger balance of EUR16,936 however the ledger balance was EUR9,805. A difference of EUR7,131. Other similar differences were noted in the HSBC Savings reconciliations at end of January and June 2014 with differences of EUR30 and EUR302 respectively.
- 7.2 We also noted that the reconciliation report date printed for the following bank reconciliations exceeded the 10th working day of the following month as required by the Local Council (Financial) Regulations:

Bank account	Month	Reconciliation report date
HSBC current	December 2014	20 th January 2015
HSBC current	May 2014	4 th July 2014
HSBC current	August 2014	17 th September 2014
HSBC Savings	December 2014	20 th January 2015
HSBC Savings	January 2014	21 st March 2014
BOV Regjun	December 2014	23 rd January 2014
BOV Regjun	September 2014	23 rd October 2014
BOV Savings	December 2014	23 rd January 2015
BOV Savings	September 2014	23 rd October 2014
BOV current	December 2014	23 rd January 2015
BOV current	September 2014	23 rd October 2014
BOV Projects	December 2014	23 rd January 2015
BOV Projects	May 2014	6 th August 2014
BOV Projects	June 2014	6 th August 2014
BOV Projects	August 2014	23 rd September 2014

7.3 Furthermore, noted that bank reconciliations for certain months for the following accounts were not traceable in the bank filed:

Bank account	Missing months
BOV Regjun	October and November 2014
BOV current	January – August, October and November 2014
BOV project	January – April & September - November 2014
BOV Savings	January – August, October and November 2014

7.4 We recommend that bank reconciliations are prepared monthly for all bank accounts and within 10 working days as required by the Local Council (Financial) Regulations.

7.5 Included in the council's bank reconciliation, we identified the following stale cheque:

Date	Cheque no.	EUR
04/01/2013	HSBC 12353	380.96

It is important that the council investigates any stale cheques to determine the reason for its non-clearance. The amount should be reversed if the cheque was replaced or it is unlikely that it will be cashed.

7.6 From our review on bank payments, we noted that the BOV cheques do not include the coat of arms of the council as required by the Local Council (Financial) Regulations.

8 Bank loan

8.1 When re-performing loan calculations to measure the loan into its short and long term portions, we did not agree to the amount shown in the financial statements by EUR267. Upon further investigation, we noted that the difference is due to the fact that the council using a different interest rate from that stipulated in the bank confirmation letter and bank statement. The letter and the bank statement indicate that interest rate should read 4.6% whilst the financial statements disclose a rate of 4.75%.

8.2 We recommend that the council monitors the loan statements prior to performing related calculations to ensure that the proper rate is used and disclosed. We recommended an audit adjustment to reflect the proper interest rate and allocation between current and long term payables. The council approved this adjustment which has been properly reflected in the financial statements.

8.3 We further reiterate the previous year comment that the council should give details of the terms and security of the bank loan in order to comply with IFRSs requirements.

9 Trade and other payables**Creditors' statements**

- 9.1 As part of our audit procedures, we requested creditor statements as at 31 December 2014 for the council's main creditors. The council requested 3 of these by e-mail from the supplier indicating that such statements were not readily available. Memos issued from time to time by the DLG specifically state that the council should obtain monthly statements.
- 9.2 We remind the council that these statements are necessary to ensure completeness of records.

Long outstanding creditors

- 9.3 As noted in 2013, at the end of 2014, the council has a long outstanding balance of EUR5,731 due to Velljo Services. The same amount emerges as a difference on reconciling the creditor balance per ledger with the supplier statement.
- 9.4 Similarly, a difference of EUR2,933 emerged on reconciling the statement provided by Polidano Brothers to the ledger. Such differences have been carried forward from previous periods.
- 9.5 We recommend that the council investigates what brought about such differences between the supplier statement and the ledger and determine whether these amounts are actually due. If not due, the council should consider adjusting the ledger and minute such decisions.

WasteServe Malta Limited

- 9.6 We also reconciled the ledger to the statement provided by WasteServe Malta Limited. The ledger indicates a balance due of EUR9,355. however, the supplier statement indicates a balance of EUR13,039. The difference of EUR3,684 was also brought forward from previous periods.
- 9.7 We recommend that the council investigates what brought about the difference between the supplier statement and the ledger and determine whether this amount is actually due. If its due, the council should consider adjusting the ledger and minute such decision.

Contractor deposits

- 9.8 We noted that contractor deposits increased by EUR2,681 from the amount reported in 2013. However, from our audit work, we noted that deposits received in the current year amounted to EUR934.76. It is evident that the figure reported in 2013 was understated and this was compensated for in the current year.
- 9.9 The council should ensure that such deposits are immediately allocated appropriately to the contractor deposit account rather than posted as income and hence reclassified.

The council should also ensure that the amounts are fairly reported by periodically reconciling the balance in the ledger to separate control sheets prepared by the administration personnel.

10 Long term creditors

PPP scheme

10.1 The balance of long term payables was not disclosed in the unaudited financial statements. We recommended an audit adjustment to reflect the proper allocation between current and long term payables. The council approved this adjustment which has been properly reflected in the financial statements.

11 Financial statements

Presentation of financial statements

11.1 In line with the Department's requirements, the council is obliged to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs).

11.2 The council's financial statements are not compliant with IFRSs in the following instances:

- IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors* regarding disclosures of new and amended IFRSs that have been adopted by the council did not cover all the changes in the unaudited financial statements. The council has amended these disclosures after our notification.
- The current year figure for long term creditors was not disclosed in the unaudited financial statements. This contravenes IAS 1 *Presentation of financial statements*. The council has amended these disclosures after our notification.
- IAS 16 *Property, Plant and Equipment* regarding disclosures on any general and special hypothecs held against the bank loan.
- IAS 7 *statement of cash flow* relating to disclosure on capital creditors is not presented correctly.
- The council reported a rental cost of EUR1,500, however, the financial statements do not disclose the necessary disclosures required by IAS 17 *Leases*.
- The council has a non-current, interest free creditor arising on the PPP project. Such financial liabilities should be accounted for using the amortised cost approach. This approach required by IAS 39 *Financial Instruments: recognition and measurement* is not being applied by the council.

- 11.3 Our audit opinion has been qualified in respect of the unadjusted shortcomings mentioned above.

Capital commitments

- 11.4 The capital commitment note as disclosed in note 18 includes the loan repayments. Loan repayments should be disclosed with contractual maturities in the liquidity risk note.
- 11.5 We recommend that the council properly discloses its future capital expenditure commitment in line with IAS 16, *Property, Plant and Equipment*. The council should also add a note explaining how this future capital expenditure is to be funded.

12 Council's meetings

Binding of minutes

- 12.1 The minutes of the council are still not being bound at the end of the financial year. However, these were properly filed and kept locked within the office.
- 12.2 The council is aware that this shortcoming has been in existence for a number of years and this the council must ensure proper measures are taken to adhere to the provisions in the Local Council (Office) Procedures, 1996 and arrange for the previous year's minutes to be bound. The binding of minutes are an important permanent source of documentation for the council and thus proper binding of the minutes will ensure that they remain intact and unchanged.


Frequency of meetings

- 12.3 The Local Council Act requires that the council meets at least once a month and such meetings should not be in excess of 5 week intervals. Although the council met every month, the 5 week interval was exceeded in the following instances:

Meeting date	Meeting date	Weeks
10 th April	29 th May	7
23 rd June	31 st July	5.5
7 th August	25 th September	7

Conclusion

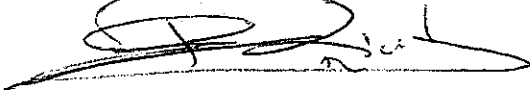
We would like to point out that the matters dealt with in this report came to our notice during the conduct of our normal audit procedures which are primarily designed for the purpose of expressing an opinion on the financial statements of the council. In consequence, our work did not encompass a detailed review of all aspects of the system and cannot be possible

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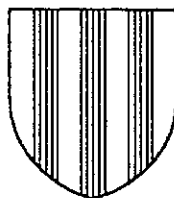
relied upon necessarily to disclose defalcation or other irregularities or to include all possible improvements in internal control that a more extensive special examination might develop.

We would like to take this opportunity to thank Ms. Helen Walker and her staff for their co-operation and assistance during the course of the audit.

Yours faithfully,



Ernestino Riolo
Partner
for and on behalf of
Mazars Malta



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9th June 2015

Our Ref: K0592/62/15-JC
Inc. 2416/15
Min. 03/K7/15

Your Ref: NAO 107/2015/52

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Reply to Management Letter Re: Audit Report and Financial Statements Year Ending 31 December 2014

With reference to the above mentioned subject, please find hereunder the Council's comments:

2. Income

Income from Regional Committees

2.1 – 2.3 Point noted and necessary action taken.

Income from pre-regional committees

2.4 - 2.5 The Council requested the Audited Financial Statements but these were not provided.

General income

2.6 – 2.7 Point noted.

3. Fixed assets

Fixed asset additions

- 3.1 – 3.3 The fixed assets acquired were as a replacement to the already existing assets so they were expensed. The recommendation made by the auditors have been noted and the necessary adjustments made in the audited financial statements.

The budget for Capital Expenditure was less since the capital expenses made were dependant on the receipt of additional funds for the particular projects. Therefore neither the income nor the expenditure of these capital items was included in the budget. The recommendations made by the auditors have been noted.

4. Grants

Maintenance and upgrading of Housing Estates

- 4.1 Point noted and necessary action taken.

PPP scheme

- 4.2 – 4.3 Point noted and necessary action taken.

- 4.4 The Government grants i.c.w. PPP were given part at the beginning of the project the rest to be given to the Council when the project is completed. Therefore the remaining PPP funds cannot be accounted for as accrued income until the project is completed.

5. Expenditure

Petty cash payments

- 5.1 – 5.2 Point noted and the necessary action will be taken.

Asset insurance

- 5.3 – 5.5 The insurance value of the assets mentioned by the auditor was taken at net book value. The proposed adjustment for the prepaid insurance has been made and reflected in the audited financial statements.

Reimbursement of expenses

- 5.6 – 5.7 Point noted.

Refuse collection

- 5.8 The point made by the auditor was discussed during the audit visit and the necessary action was taken to rectify the situation.

Street lightning

5.9 Point noted and necessary action taken.

6. Receivables

Overdue receivables

6.1 – 6.3 Point noted and necessary action taken.

6.4 – 6.5 Point noted and the necessary action will be taken.

7. Bank reconciliation

7.1 – 7.5 The bank statements are not always available from the bank by the 10th working day of the following month. The reconciliations were carried out on a monthly basis and were always reconciled. The points made by the auditors were noted and the necessary action will be taken.

7.6 Point noted and the necessary action will be taken.

8. Bank loan

8.1 – 8.2 Point noted and necessary action taken.

8.3 Point notes and necessary action will be taken.

9. Trade and other payables

Creditors' statements

9.1 – 9.2 The Council abides by the Memos issued from time to time by the DLG specifically that the Council should obtain monthly statements. Such that with every payment done by the Council the suppliers are requested to provide a statement within a month from the date of payment, otherwise it is taken that there are no outstanding balances. The Council does not have control over the suppliers who do not revert to the Council's request.

Long outstanding creditors

9.3 - 9.5 The recommendations made by the auditors have been noted and the necessary action will be taken.

WasteServe Malta Limited

9.6 - 9.7 The recommendations made by the auditors have been noted and the necessary action will be taken.

Contractor deposits

9.8 – 9.9 The recommendations made by the auditors have been noted and the necessary action taken.

10. Long term creditors

PPP scheme

10.1 Point noted and necessary action taken.

11. Financial statements

Presentation of financial statements

11.1 – 11.3 The recommendations made by the auditors have been noted and the necessary action taken.

Capital commitments

11.4 – 11.5 The recommendations made by the auditors have been noted and the necessary action will be taken.

12. Council's meetings

Binding of minutes

12.1 – 12.2 The Council has already issued an advert for the binding of minutes but had no response. The Council will re-issue another advert.


Frequency of meetings

12.3 With regards to frequency of meetings, during the month of May the Mayor lost a member of the family whilst between August and September the Council members have their holidays. In both instances the five week interval was exceeded.

Yours sincerely,



Karl Gouder
Mayor



Helen Walker
Executive Secretary