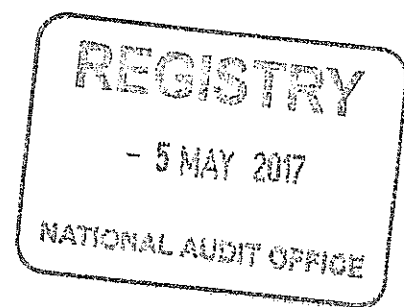


SAN GILJAN LOCAL COUNCIL

**Annual Report
and
Financial Statements**

for the year ended 31 December 2016



Prepared by

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ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2016

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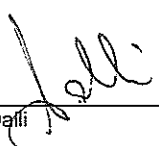
SAN GILJAN LOCAL COUNCIL


Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2016

The Local Councils (Financial) Regulations' require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's comprehensive income for the year and of the 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, the Local Council (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Local Council on the 24th April 2017 and signed on its behalf by



Guido Dalli
Mayor

Paul Spiteri
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

		2016 €	2015 €
	Notes		
INCOME			
Funds received from Central Government	4	682,790	678,660
Income raised under Local Council Bye-Laws	5	81,554	58,766
Income raised under Local Enforcement System	6	29,998	156,856
General Income	7	15,507	4,831
		<u>809,849</u>	<u>899,113</u>
 EXPENDITURE			
Personal emoluments	9	(146,602)	(140,006)
Operations and maintenance	10	(539,370)	(515,394)
Administration and other expenditure	11	(186,560)	(163,772)
		<u>(872,532)</u>	<u>(819,172)</u>
 Operating (deficit) / surplus for the year		(62,683)	79,941
 Interest income	12	210	666
Finance costs	13	(3,146)	(3,512)
 TOTAL COMPREHENSIVE (DEFICIT) / SURPLUS FOR THE YEAR		<u>(65,619)</u>	<u>77,095</u>

The notes on pages 8 to 26 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 €	2015 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	14	424,501	402,620
Intangible asset	15	194	249
		<u>424,695</u>	<u>402,869</u>
Current Assets			
Receivables	16	56,089	59,556
Cash and Cash Equivalents	17	659,034	702,830
		<u>715,123</u>	<u>762,386</u>
Total Assets		<u><u>1,139,818</u></u>	<u><u>1,165,255</u></u>
EQUITY AND LIABILITIES			
Reserves			
Retained Fund		566,285	631,904
		<u>566,285</u>	<u>631,904</u>
Non-Current Liabilities			
Long-term borrowings	19	60,855	65,249
Long-term payables	20	35,561	25,096
Deferred income	21	61,372	65,049
Other deferred income	21	1,000	-
		<u>157,788</u>	<u>155,394</u>
Current Liabilities			
Payables	18	411,409	373,621
Current portion of Long term borrowings	19	4,336	4,336
Total Liabilities		<u><u>415,745</u></u>	<u><u>377,957</u></u>
Total Equity and Liabilities		<u><u>1,139,818</u></u>	<u><u>1,165,255</u></u>

These financial statements were approved by the Local Council on 24th April 2017 and signed on its behalf by:

Guido Dalli
Mayor

Paul Spiteri
Executive Secretary

The notes on pages 8 to 26 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Retained Funds €
At 1 January 2015	554,809
Total Comprehensive Surplus for the year	77,095
	<hr/>
At 31 December 2015	631,904
	<hr/>
At 1 January 2016	631,904
Total Comprehensive Deficit for the year	(65,619)
	<hr/>
At 31 December 2016	566,285
	<hr/>

The notes on pages 8 to 26 form an integral part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 €	2015 €
	Note	
Cash flows from Operating Activities		
(Deficit) / Surplus for the year	(65,619)	77,095
Reconciliation to cash generated from operations:		
Depreciation and amortisation	24,722	22,486
Bad Debts	2,857	-
Provision for bad debts	2,607	-
Loss on disposal	-	2,593
Interest receivable	(210)	(666)
Interest payable	3,146	3,512
Grants released	(24,378)	(146,251)
Operating Profit before Working Capital Changes	(56,875)	(41,231)
Movement in receivables	(1,997)	(22,609)
Movement in payables	16,469	(50,641)
Cash generated from operating activities	(42,403)	(114,481)
Cash flows from Investing Activities		
Interest received	210	666
Proceeds from disposal of property, plant & equipment	-	188
Purchase of property, plant & equipment	(54,071)	(21,215)
Cash used in investing activities	(53,861)	(20,361)
Cash flows from Financing Activities		
Repayment of bank loans	(4,394)	(4,213)
Receipt of grant	60,008	213,463
Interest paid	(3,146)	(3,512)
Cash generated from investing activities	52,468	205,738
Net Increase in Cash and Cash Equivalents	(43,796)	70,896
Cash and Cash Equivalents at the Beginning of the year	702,830	631,934
Cash and Cash Equivalents at the End of the year	17 659,034	702,830

The notes on pages 8 to 26 form an integral part of these financial statements

SAN GILJAN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2016

1. General Information

The San Giljan Local Council is the local Authority of San Ġiljan set up in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at Triq Forrest, San Giljan. These financial statements were approved for issue by the Council Members on 24th April 2017. The Local Council's presentation as well as functional currency is denominated in €.

2. Accounting Policies and Reporting Procedures

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

Accounting convention

These financial statements are prepared under the historical cost convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards as adopted by the EU.

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

New and amended standards adopted by the Local Council

During the year under review, the Local Council has adopted the following International Financial Reporting Standards as adopted by the EU:

IFRS 14 permits an entity which is a first time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Entities which are eligible to apply IFRS 14 are not required to do so, and so can choose to apply only the requirements of IFRS 1 First time Adoption of International Financial Reporting Standards when first applying IFRSs. However, an entity that elects to apply IFRS 14 in its first IFRS financial statements must continue to apply it in subsequent financial statements. IFRS 14 cannot be applied by entities that have already adopted IFRSs. Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset. Applicable to annual periods beginning on or after 1 January 2016.

Improvements in Annual Improvements 2012-2014 Cycle makes amendments to the following standards: IFRS 5 — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued,

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

2. Accounting Policies and Reporting Procedures

IFRS 7 — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements,

IAS 9 — Clarify that the high quality corporate bonds used in estimating the discount rate for postemployment benefits should be denominated in the same currency as the benefits to be paid

IAS 34 — Clarify the meaning of 'elsewhere in the interim report' and require a cross reference. Applicable to annual periods beginning on or after 1 January 2016.

Amendments in IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes; clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply; clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; additional examples of possible ways of ordering the notes to clarify that understand ability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. Effective for annual periods beginning on or after 1 January 2016.

New Standards and amendments not yet adopted:

A number of new International Financial Reporting Standards and amendments and revisions thereto were in issue but not yet adopted by the EU during the financial period under review. These include the following:

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows: Debt instruments meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortised cost (the use of fair value is optional in some limited circumstances). Investments in equity instruments can be designated as 'fair value through other comprehensive income' with only dividends being recognised in profit or loss. All other instruments (including all derivatives) are measured at fair value with changes recognised in the profit or loss. The concept of 'embedded derivatives' does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines. The standard remains available for application if the relevant date of initial application is before 1 February 2015 and is not yet endorsed for use in the EU.

A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement. The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. The standard remains available for application if the relevant date of initial application is before 1 February 2015 and is not yet endorsed for use in the EU.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

Impairment. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

2. Accounting Policies and Reporting Procedures

Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and nonfinancial risk exposures.

Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. These standards remain available for application if the relevant date of initial application is before 1 February 2015. Its effective for annual periods beginning on or after 1 January 2018 and is not yet endorsed for use in the EU.

IFRS 15 provides a single, principles based five step model to be applied to all contracts with customers. The five steps in the model are as follows:

Identify the contract with the customer

Identify the performance obligations in the contract

Determine the transaction price

Allocate the transaction price to the performance obligations in the contracts

Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2018.

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. Applicable to annual reporting periods beginning on or after 1 January 2019.

Amendments to IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. Effective for annual periods beginning on or after 1 January 2017 however not yet endorsed for use in the EU.

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses 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 Signs	Replacement basis
Road Signs	Replacement basis
Street Mirrors	Replacement basis
Street Lights	100

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

2. Accounting Policies and Reporting Procedures

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each statement of financial position date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Leases

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

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 costs to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Comprehensive Income.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes freight, handling and other direct costs. Costs of inventories include the transfer from retained funds of any gains/losses on qualifying cash flow hedges relating to purchases of stock items. However, borrowing costs and foreign exchange differences are excluded. Net realisable value is the price at which stocks can be sold in the course of Council activities less anticipated costs of selling.

Amounts receivable

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

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 and the redemption value is recognised in the income and expenditure account over the period of the borrowings using the effective interest method.

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 after the statement of financial position date.

Other payables

Other payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material in which case other payables are measured at amortised cost using the effective interest method.

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

2. Accounting Policies and Reporting Procedures

Financial instruments

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of a 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.

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

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

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

Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard No. 24.

Revenue

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs and it can be measured reliably. Interest income is recognised in the statement of comprehensive income as it accrues.

Income from central government is not recognised until there is reasonable assurance that the Council will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross and any deductions made for non-compliance are to be disclosed separately with expenses.

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

2. Accounting Policies and Reporting Procedures

Local Enforcement System

As from September 2012, the income recognised in the Income Statement was derived from the five Regional Committees and the Local Enforcement System Agency.

Government grants

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement over the expected lives of the related assets.

Foreign currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the Local Council operates. These financial statements are presented in €, which is the Council's functional and presentation currency.

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

Borrowing costs

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

Profits and losses

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 losses arising up to the said date are accounted for even if they become apparent between the said date and the date on which the financial statements are approved.

Cash and cash equivalents

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

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"). This ratio was negative at the reporting date. The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

3. Judgments in applying accounting policies and key sources of estimation

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Council, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

SAN GILJAN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

4. Funds received from central government

	2016	2015
	€	€
In terms of section 55 of the Local Councils Act	656,377	636,947
Other Government Income	19,121	34,116
Grants Released	7,292	7,597
	<u>682,790</u>	<u>678,660</u>

5. Income raised under Local Council Bye-Laws

	2016	2015
	€	€
Income from contravention of Bye-Laws	<u>81,554</u>	<u>58,766</u>

6. Local Enforcement system

	2016	2015
	€	€
Regional committee	17,087	138,654
Pre-regional Committees	5,217	2,016
Joint Committee Surplus	-	8,052
Regional Committees/LESA - Administrative Fees	7,694	8,134
	<u>29,998</u>	<u>156,856</u>

7. General Income

	2016	2015
	€	€
General Income	12,438	1,462
Tender Documents/Info Charges	100	740
Contributions and donations	363	2,629
Sponsorships	2,606	-
	<u>15,507</u>	<u>4,831</u>

SAN GILJAN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

8. (Deficit) / surplus for the year

	2016	2015
	€	€
(Deficit)/Surplus for the year is stated after charging		
Staff salaries	146,602	140,006
Depreciation and amortisation	24,722	22,486
Bad debts written off	2,857	-
Provision for bad debts	2,607	-

9. Personal Emoluments

	2016	2015
	€	€
Mayor's Remuneration	11,149	10,572
Councillors' Allowances	10,700	11,000
Executive Secretary Salary and Allowances	34,259	42,591
Employees' Salaries	81,582	68,140
Social Security Contributions	8,912	7,703

10. Operations and Maintenance

	2016	2015
	€	€
<i>Repairs and Upkeep:</i>		
Road and Street Pavements (patching works)	131,799	111,318
Public property	8,258	8,415
Street signs	5,027	2,279
Road Markings	13,971	12,781
Other repairs and Upkeep	11,467	7,139
	170,522	141,932
<i>Contractual Services:</i>		
Refuse Collection	160,782	162,503
Bulky Refuse Collection	17,097	11,907
Road and Street Cleaning	141,077	134,553
Cleaning and Maintenance - Public Conveniences	13,296	13,205
Cleaning and Maintenance - Parks and Gardens	19,232	18,403
Support Services	4,578	819
Street Lighting	12,786	32,072
	368,848	373,462
Total Operations and Maintenance Costs	539,370	515,394

SAN GILJAN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

11. Administration and other expenditure

	2016	2015
	€	€
Utilities	10,066	5,481
Other repairs and upkeep	1,115	6,006
Rent	1,750	2,000
National and International Memberships	482	1,050
Office Services	6,958	8,208
Transport	6,769	436
Travel	2,213	-
Information services	3,570	1,248
Other contractual services	13,059	10,055
Insurance	1,890	1,855
Bank Charges	597	66
Professional Services	25,308	28,675
Community Services	76,063	72,576
Sundry minor expenses	4,242	647
LES related expenses	2,292	390
Asset Disposal Account	-	2,593
Bad Debts written off	2,857	-
Provision for bad debts	2,607	-
Depreciation and amortisation	24,722	22,486
	<u>186,560</u>	<u>163,772</u>

12. Interest Income

	2016	2015
	€	€
Bank Interest Receivable	<u>210</u>	<u>666</u>

13. Finance Costs

	2016	2015
	€	€
Loan interest	<u>3,146</u>	<u>3,512</u>

SAN GILJAN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

14. Property, plant and equipment

	Property €	Trees €	Office Furniture & fittings €	Computer Equipment €	Urban Improvements €	Assets not yet Capitalised €	New Street Signs €	Construction €	Special Programmes €	Total €
Cost										
At 1 January 2015	185,798	-	67,643	40,988	23,214	-	9,707	216,686	1,628,400	2,172,436
Additions	-	1,500	-	3,078	-	41,086	-	-	-	45,664
Disposal	-	-	(783)	(13,053)	-	-	-	-	-	(13,836)
Reclassification	-	84	-	-	-	-	-	-	(84)	-
At 31 December 2015	185,798	1,584	66,860	31,013	23,214	41,086	9,707	216,686	1,628,316	2,204,264
Depreciation										
At 1 January 2015	18,862	-	56,971	32,955	23,214	-	9,707	216,686	297,049	655,444
Charge for the year	1,662	-	774	1,257	-	-	-	-	18,782	22,475
Eliminated on Disposal	-	-	(747)	(10,305)	-	-	-	-	-	(11,052)
At 31 December 2015	20,524	-	56,998	23,907	23,214	-	9,707	216,686	315,831	666,867
Grants										
At 1 January 2015	-	-	-	-	-	-	-	-	-	-
At 31 December 2015	-	-	-	-	-	-	-	-	1,134,777	1,134,777
Net Book values										
At 31 December 2015	165,274	1,584	9,862	7,106	-	41,086	-	-	177,708	402,620

SAN GILJAN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

14. Property, plant and equipment (cont.)

	Property €	Trees €	Office Furniture & fittings €	Computer Equipment €	Urban Improvements €	Assets not yet Capitalised €	New Street Signs €	Construction €	Special Programmes €	Total €
Cost										
At 1 January 2016	185,798	1,584	66,860	31,013	23,214	41,086	9,707	216,686	1,628,316	2,204,264
Additions	-	1,500	850	7,985	2,616	23,779	-	-	27,518	64,248
Reclassification	-	-	-	-	-	(38,332)	-	-	20,632	(17,700)
At 31 December 2016	185,798	3,084	67,710	38,998	25,830	26,533	9,707	216,686	1,676,466	2,250,812
Depreciation										
At 1 January 2016	20,524	-	56,998	23,907	23,214	-	9,707	216,686	315,831	666,867
Charge for the year	1,645	-	746	2,110	2,616	-	-	-	17,550	24,667
At 31 December 2016	22,169	-	57,744	26,017	25,830	-	9,707	216,686	333,381	691,534
Grants										
At 1 January 2016	-	-	-	-	-	-	-	-	1,134,777	1,134,777
At 31 December 2016	-	-	-	-	-	-	-	-	-	-
Net Book values										
At 31 December 2016	163,629	3,084	9,966	12,981	-	26,533	-	-	208,308	424,501

SAN GILJAN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

15. Intangible property, plant & equipment

	Computer software €
Cost	
Additions	260
	<hr/>
At 31 December 2015	260
	<hr/>
Depreciation	
Charge for the year	11
	<hr/>
At 31 December 2015	11
	<hr/>
Net Book value	
At 31 December 2015	249
	<hr/> <hr/>

	Computer software €
Cost	
At 1 January & 31 December 2016	260
	<hr/>
Depreciation	
At 1 January 2016	11
Charge for the year	55
	<hr/>
At 31 December 2016	66
	<hr/>
Net Book value	
At 31 December 2016	194
	<hr/> <hr/>

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

16. Receivables

	2016	2015
	€	€
Receivables	34,192	40,880
Accrued income	19,963	17,077
Prepayments	1,934	1,599
	<u>56,089</u>	<u>59,556</u>

Receivables

General receivables are analysed as follows:

	2016	2015
	€	€
Within credit period	8,603	5,336
Exceeded credit period but not impaired	25,589	35,544
Impaired and provided for	4,230	1,624
Provision for doubtful debts	(4,230)	(1,624)
	<u>34,192</u>	<u>40,880</u>

Included in the accounts receivable are amounts due from related parties amounting to €10,576 (2015 : €16,735). These amounts are unsecured, interest free and repayable on demand. Receivables are stated net of impairment provision of €4,230 (2015: €1,623).

17. Cash & cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following statement of financial position amounts.

	2016	2015
	€	€
Cash at Bank	658,801	702,587
Cash in Hand	233	243
	<u>659,034</u>	<u>702,830</u>

SAN GILJAN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

18. Payables

	2016	2015
	€	€
Payables	138,109	108,066
Other payables	15,770	8,720
Deferred income	224,354	185,046
Accruals	33,176	71,789
	<u>411,409</u>	<u>373,621</u>

Included in the accounts payable are amounts due to related parties amounting to €24,216 (2015 : €18,428). These amounts are unsecured, interest free and repayable on demand.

19. Borrowings

	2016	2015
	€	€
Non-current		
Bank borrowings	<u>60,855</u>	<u>65,249</u>
Current		
Bank borrowings	<u>4,336</u>	<u>4,336</u>
Borrowings		
Repayable between one and two years	4,555	4,555
Repayable between two and five years	15,030	15,030
Repayable in five years or more	<u>41,270</u>	<u>45,664</u>
	<u>60,855</u>	<u>65,249</u>
Repayable after five years or more:		
Bank Loan	<u>41,270</u>	<u>45,664</u>

The Bank Loan is guaranteed by the Central Government and secured by a 1st General Hypothec over the San Giljan Local Council assets and a Special Hypothec on the Council Offices and Garage. Loan attracts interest at 4.6% (2015 – 4.6%) and are repayable in monthly instalments of €629.69 (2015 - €629.69) inclusive of accumulated interest.

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

20. Amounts payable under the PPP agreement

	2016	2015
	€	€
Non-current		
Public Private Partnership (PPP) Agreement	<u>35,561</u>	<u>25,096</u>
Borrowings		
Repayable between one and two years	7,767	13,605
Repayable between two and five years	<u>21,664</u>	<u>11,491</u>
	<u>29,431</u>	<u>25,096</u>
Repayable after five years or more:		
Public Private Partnership (PPP) Agreement	<u>6,130</u>	<u>-</u>

Amount payable under the PPP agreement is repayable in annual payments up to 2022. Balance payable under the scheme is €47,850.

21. Deferred income

	2016	2015
	€	€
Government grants		
At 1 January	250,095	233,921
Increase in year including funds from Central Regional Committee	59,009	213,463
Transferred (from)/to Accrued Income	-	(51,038)
	<u>309,104</u>	<u>396,346</u>
Released in year	<u>(24,378)</u>	<u>(146,251)</u>
At 31 December	<u>284,726</u>	<u>250,095</u>
Current Deferred Income	<u>224,354</u>	<u>185,046</u>
Non-Current Deferred Income	<u>60,372</u>	<u>65,049</u>
Deferred Government Grants		
Deferred between one and two years	5,902	6,215
Deferred between two and five years	14,409	15,305
Deferred in five years or more	<u>40,061</u>	<u>43,529</u>
	<u>60,372</u>	<u>65,049</u>
Deferred after five years or more	<u>40,061</u>	<u>43,529</u>

SAN GILJAN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

22. Capital commitments

	2016	2015
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	86,500	101,900
- Contracted for but not provided in the financial statements	-	1,500
(i) Approved but not yet contracted for:		
Office Furniture and fittings	2,500	1,500
Office Equipment	9,000	400
Project at Scicluna Steps	75,000	100,000
	<u>86,500</u>	<u>101,900</u>
(i) Contracted for but not provided in the Financial Statements:		
Live Streaming equipment	-	1,500
	<u>-</u>	<u>1,500</u>

These capital commitments will be financed by funds which the Council received from the Central Regional Committee and from own funds.

23. Contingent liabilities

The Council has received various claims for damages to their vehicles allegedly caused by the state of repair of the Locality's roads which claims do not exceed Eur3,000.

The Council was also involved in a court case before the First Hall Civil Court between Jesmond Grima and Hugo Chetcuti ET and the amount has not yet been quantified.

The Council has been served with judicial letters on two other cases but liability is being refused by the Council.

24. Related party transactions

During the course of the year, the Council entered into transactions with related parties which are related through common ultimate controlling party. The Council entered into transactions with the following related parties:

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Councils	Significant control
Local Enforcement System Agency	No control
Central Regional Committee	No control
Gozo Regional Committee	No control
South Eastern Regional Committee	No control
South Regional Committee	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Arms Limited	No control
Cleansing Services Department	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Police General Headquarters	No control

SAN GILJAN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

24. Related party transactions (cont.)

Department of Lands	No control
Airmalta plc	No control
Bank of Valletta plc	No control
Office of the Prime Minister	No control
Office of the Commissioner for Data Protection	No control
Association of Local Councils' Secretaries	No control
Ministry for Resources and Rural Affairs	No control

The amounts due from / to related parties at year-end are disclosed in notes 16 and 18. The terms and conditions do not specify the nature of the consideration to be provided in settlement. These amounts are unsecured, interest free and repayable on demand.

Key Management compensation

Transactions with key management personnel are disclosed in note 9.

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

	Related party activity €	2016 Total activity €	%	Related party activity €	2015 Total activity €	%
<i>Income</i>						
Transactions with central government	675,498			671,063		
Transactions with regions	29,998			156,856		
	<u>705,456</u>	<u>809,849</u>	<u>87</u>	<u>827,919</u>	<u>899,113</u>	<u>92</u>
<i>Expenditure</i>						
Transactions with government entities	61,540			67,368		
Key personnel remuneration	57,902			64,163		
	<u>119,442</u>	<u>872,532</u>	<u>14</u>	<u>131,531</u>	<u>819,172</u>	<u>16</u>

25. 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, Councils also receive funds relating to specific projects as well as other funds for the improvement and betterment of the locality.

26. 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.

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

26. Financial Risk Management (cont.)

Credit risk

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank 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.

Liquidity Risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact at year end, the Council has as cash and cash equivalents the amount of Euro 659,034. This should ensure an ongoing working capital of the Council for the next 12 months.

Going Concern Risk

The Council registered a loss of €65,619 (2015: profit €77,095) during the year ended 31 December 2016, and as at that date, the Council had a positive net current asset position of €299,378 (2015: 384,429).

Summary of financial assets and liabilities by category:

	2016	2015
	€	€
Current Assets		
Loans and receivables:		
Accounts and other receivables	54,155	57,957
Cash and Cash Equivalents	659,034	702,830
	<u>713,189</u>	<u>760,787</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	<u>187,055</u>	<u>188,575</u>

Foreign Currency Risk

Foreign currency transactions arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Council does not trade in any foreign currency transactions.

Interest Rate Risk

The Council operates a bank account which have financing facilities. This facility has interest rates which did not fluctuate over the past years and as a result, the Council is not exposed to cash flow interest rate risk on bank balances.

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

26. Financial Risk Management (cont.)

Market risks

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

Other risks

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

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.

Financial statements for the year ended 31 December 2016

Report of the Local Government auditor to the Auditor General

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of San Giljan Local Council which comprise the statement of financial position as at 31 December 2016, 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.

Qualified opinion

In our opinion, except for the effects of the matters described in paragraphs 1, 2 and 3 below, the financial statements give a true and fair view of the financial position of San Giljan Local Council as of 31 December 2016 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 13.

These financial statements 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 but because of the matters set out in paragraphs 1, 2 and 3 below these financial statements have not been prepared in accordance with International Financial Reporting Standards as adopted by the E.U.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the 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.

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.

Financial statements for the year ended 31 December 2016

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

Basis for Opinion (continued)

2. The financial statements do not disclose the relevant lease commitments arising on leased areas as required by IAS 17 *Leases*.
3. The Council'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*.

Other Information

The Councillors and the Executive Secretary are responsible for the other information. The other information comprises the Statement of Local Council Members' and Executive Secretary's Responsibility. Our opinion on the financial statements does not cover this information. 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.

Responsibilities of the Local Council Members' and Executive Secretary

The Councillors and the Executive Secretary are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS as adopted by the E.U. and for such internal control as the Councillors and 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 Councillors and the Executive Secretary 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 Councillors and the Executive Secretary has no realistic alternative but to do so.

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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

Financial statements for the year ended 31 December 2016**Report of the Local Government auditor to the Auditor General (continued)****Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Councillors and the Executive Secretary.
- Conclude on the appropriateness of the Councillors and the Executive Secretary use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Councillors and the Executive Secretary regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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

Mazars Malta
Certified Public Accountants
Attard,
Malta

24 April 2017

National Audit Office
Notre Dame Ravelin
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Our Ref: NAO 107/2015/52
Your Ref:

8 May 2017

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

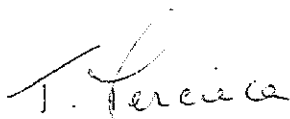
Dear Sir/Madam,

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

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

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

Yours faithfully,



Tanya Mercieca
Asst. Auditor General

Encls.