

XEWKIJA LOCAL COUNCIL

**Annual Report and
Financial Statements**

For the year ended 31 December 2015

Prepared by: Laurence Manicaró
Certified Public Accountant
On behalf of Parker Randall Turner
Chartered Certified Accountants & Auditors
13, Curate Fenech Street
Birzebbugia BBG 2032

ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2015

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Financial Statements for the year ended 31 December 2015

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 Councils (Financial) Regulations, and the Local Councils (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 Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Council and signed on its behalf on the 26 April 2016 by:



Paul Azzopardi
Mayor



Odette Camilleri
Agent Executive Secretary

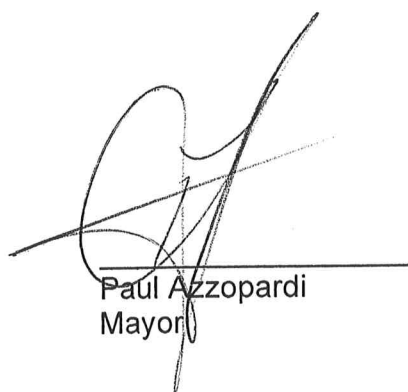
STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015	2014 €
ASSETS			
Non-current assets			
Property, plant and equipment	3	819,573	819,226
Current Assets			
Receivables	4	161,676	158,928
Cash and Cash Equivalents	5	186,323	182,556
		<u>347,999</u>	<u>341,484</u>
Total Assets		<u>€ 1,167,572</u>	<u>€ 1,160,710</u>
RESERVES AND LIABILITIES			
Reserves			
Retained Fund		608,279	550,824
Non-current Liabilities			
Deferred income	6	247,435	248,415
Non-current payables		60,424	76,295
		<u>307,859</u>	<u>324,710</u>
Current Liabilities			
Payables	7	251,434	285,176
Total reserves and liabilities		<u>€ 1,167,572</u>	<u>€ 1,160,710</u>

The notes on pages 8 to 25 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on 9 April 2016 and signed on its behalf by:


Paul Azzopardi
Mayor


Odette Camilleri
Agent Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 €	2014 €
REVENUE			
Funds received from central government	8	382,827	365,613
Funds raised under Local Enforcement System	9	2,066	2,013
General Income	11	9,535	6,611
		<u>394,428</u>	<u>374,237</u>
EXPENDITURE			
Personal emoluments	12	(69,781)	(68,942)
Operations and maintenance	13	(98,911)	(112,599)
Administration and other expenditure	14	(168,456)	(154,023)
		<u>(337,148)</u>	<u>(335,564)</u>
Operating surplus for the year		<u>57,280</u>	<u>38,673</u>
Investment income	10	175	297
Total Comprehensive Income for the year		<u>€ 57,455</u>	<u>€ 38,970</u>

The notes on pages 8 to 25 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Retained Funds 2015 €	Retained Funds 2014 €
At 1 January	550,824	511,854
Total Comprehensive Income for the year	57,455	38,970
At 31 December	<u>€ 608,279</u>	<u>€ 550,824</u>

The notes on pages 8 to 20 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	2015 €	2014 €
Cash Flows from Operating Activities			
Total Comprehensive Income for the year		57,455	38,970
Adjustments for:			
Depreciation		76,237	74,216
Increase in provision for bad debts		1,256	-
Investment Income		(175)	(297)
Deferred income released		(26,918)	(24,370)
Operating Profit before working capital changes		<u>107,855</u>	<u>88,519</u>
Increase in Receivables		(4,004)	(19,582)
Decrease in Payables		(56,943)	(73,107)
Net Cash generated from/ (used in) operating activities		<u>46,908</u>	<u>(4,170)</u>
Cash flows from Investing Activities			
Purchase of property, plant and equipment		(76,584)	(61,920)
Investment Income		175	297
New grants received		25,000	39,758
Net Cash used in Investing Activities		<u>(51,409)</u>	<u>(21,865)</u>
Net movement in Cash and Cash Equivalents		<u>(4,501)</u>	<u>(26,035)</u>
Cash and Cash Equivalents at the beginning of Year		173,537	199,572
Cash and Cash Equivalents at the end of year	5	<u>€ 169,036</u>	<u>€ 173,537</u>

The notes on pages 8 to 25 are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. General Information

Xewkija Local Council is the local authority of Xewkija setup in accordance with the Local Councils Act. The office of the Local Council is situated at 2, Triq Torri Tingi, Xewkija XWK 2231.

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

New and amended standards adopted by the council

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

On 21 November 2013 the IASB published narrow scope amendments to IAS 19 Employee Benefits entitled Defined Benefit Plans: Employee Contributions (Amendments to IAS 19). These amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendments are effective from 1 July 2014 with earlier application permitted.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

(b) Standards, amendments and interpretations to existing standards - continued

In December 2013, the IASB issued Annual Improvements to IFRSs 2010-2012 Cycle, a collection of amendments to IFRSs, in response to eight issues addressed during the 2010-2012 cycle. The amendments reflect issues discussed by the IASB during the project cycle that began in 2010, and that were subsequently included in the exposure draft of proposed amendments to IFRSs Annual Improvements to IFRSs 2010-2012 Cycle (published in May 2012). The issues included in this cycle are: Definition of 'vesting condition' (IFRS 2); Accounting for contingent consideration in a business combination (IFRS 3); Aggregation of operating segments (IFRS 8); Reconciliation of the total of the reportable segments' assets to the entity's assets (IFRS 8); Short term receivables and payables (IFRS 13); Interest paid that is capitalised (IAS 7); Revaluation method – proportionate restatement of accumulated depreciation (IAS 16 and IAS 38); a Key management personnel services (IAS 24). The amendments are effective for annual periods beginning on or after 1 July 2014.

In December 2013, the IASB issued Annual Improvements to IFRSs 2011-2013 Cycle, a collection of amendments to IFRSs, in response to four issues addressed during the 2011-2013 cycle. The amendments reflect issues discussed by the IASB during the project cycle that began in 2011, and that were subsequently included in the exposure draft of proposed amendments to IFRSs Annual Improvements to IFRSs 2011-2013 Cycle (published in November 2012). The issues include in this cycle are Meaning of effective IFRSs (IFRS 1); Scope exceptions for joint ventures (IFRS 3); Scope of paragraph 52 (portfolio exception) (IFRS 13); and Clarifying the Interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property (IAS 40). The amendments are effective for annual periods beginning on or after 1 July 2014.

New standards and amendments not yet effective and not yet adopted by the Local Council

The following standards and amendments to existing standards have been published and are mandatory (as applicable) for the Council accounting periods beginning on or after 1 January 2016 or later periods, but the Council has not early adopted them:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

(b) Standards, amendments and interpretations to existing standards - continued

For financial liabilities, the standard retains most of the IAS 39 requirements. The Council is yet to address the full impact of IFRS 9 and intends to adopt IFRS 9 subject to endorsement by the EU, no later than the accounting period beginning on or after 1 January 2018.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and established principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS18 "Revenue" and IAS11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted, subject to endorsement by the EU. The Council is assessing the impact of IFRS 15.

The amendments to IFRS 11, 'Joint Arrangements', provide guidance on the accounting for acquisitions of interests in joint operations constituting a business. The amendments require all such transactions to be accounted for using the principles on business combinations accounting in IFRS 3 'Business Combinations' and other IFRSs except where those principles conflict with IFRS 11. Acquisitions of interests in joint ventures are not impacted by this new guidance. The amendments are effective for reporting periods beginning on or after 1 January 2016.

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.

(c) Revenue recognition

Revenue is recognised when the amount of revenue and the associated costs can be measured reliably. Interest income is recognised in the statement of comprehensive income as it accrues.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

(d) Local Enforcement System

During 2015 the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is chargeable to the various Regional Committees for contraventions paid at the Council.

(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:

(e) Property, Plant and Equipment - continued

	%
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	100
Playground furniture	replacement basis
Road and traffic Signs	100
Street Mirrors	replacement basis
Street Lights	replacement basis
	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 year in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

(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 years 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.

(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 presentation 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

(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.

(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 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 2015 – continued

(n) Financial Instruments – 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 adopted by the EU 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).

XEWKIJIA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

3. PROPERTY, PLANT AND EQUIPMENT

	Property €	Office Furniture & Fittings €	Computer Equipment €	Office & Other Equipment €	Urban Improvements €	New Street Signs €	Construction €	Assets Under Construction €	Total/ €
Cost									
At 1 Jan 2015	85,539	21,606	6,291	25,616	411,257	32,527	976,768	-	1,559,604
Additions	-	900	675	-	-	-	49,018	25,991	76,584
At 31 Dec 2015	€ 85,539	€ 22,506	€ 6,966	€ 25,616	€ 411,257	€ 32,527	€ 1,025,786	€ 25,991	€ 1,636,188
Grants and other reimbursements									
At 1 Jan 2015	-	-	-	-	(3,115)	-	(209,795)	-	(212,910)
Additions	-	-	-	-	-	-	-	-	-
At 31 Dec 2015	€ -	€ -	€ -	€ -	€ (3,115)	€ -	€ (209,795)	€ -	€ (212,910)
Depreciation									
At 1 Jan 2015	(10,384)	(13,381)	(5,155)	(12,393)	(288,913)	(32,527)	(164,715)	-	(527,468)
Charge for the year	(748)	(611)	(186)	(2,616)	(11,391)	-	(60,685)	-	(76,237)
At 31 Dec 2015	€ 11,132	€ (13,992)	€ (5,341)	€ (15,009)	€ (300,304)	€ (32,527)	€ (225,400)	€ -	€ (603,705)
Net Book Value									
At 31 Dec 2015	€ 74,407	€ 8,514	€ 1,625	€ 10,607	€ 107,838	€ -	€ 590,591	€ 25,991	€ 819,573

XEWIKIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

3. PROPERTY, PLANT AND EQUIPMENT – Continued

	Property €	Office Furniture & Fittings €	Computer Equipment €	Office & Other Equipment €	Urban Improvements €	New Street Signs €	Construction €	Assets Under Construction €	Total/ €
Cost									
At 1 Jan 2014	85,539	21,606	4,884	24,288	411,257	32,527	859,695	57,888	1,497,684
Additions	-	-	1,407	1,328	-	-	59,185	-	61,920
Reclassifications	-	-	-	-	-	-	57,888	(57,888)	-
At 31 Dec 2014	€ 85,539	€ 21,606	€ 6,291	€ 25,616	€ 411,257	€ 32,527	€ 976,768	€ -	€ 1,559,604
Grants and other reimbursements									
At 1 Jan 2014	-	-	-	-	(3,115)	-	(209,795)	-	(212,910)
Additions	-	-	-	-	-	-	-	-	-
At 31 Dec 2014	€ -	€ -	€ -	€ -	€ (3,115)	€ -	€ (209,795)	€ -	€ (212,910)
Depreciation									
At 1 Jan 2014	(9,628)	(12,738)	(4,884)	(9,505)	(276,318)	-	(107,652)	-	(453,252)
Charge for the year	(756)	(643)	(271)	(2,888)	(12,595)	-	(57,063)	-	(74,216)
At 31 Dec 2014	€ (10,384)	€ (13,381)	€ (5,155)	€ (12,393)	€ (288,913)	€ (32,527)	€ (164,715)	€ -	€ (527,468)
Net Book Value									
At 31 Dec 2014	€ 75,155	€ 8,225	€ 1,136	€ 13,223	€ 119,229	€ -	€ 602,258	€ -	€ 819,226

XEWKIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

4 Receivables

	2015 €	2014 €
Accounts receivable	4,798	4,195
Prepayments and accrued income	156,878	154,733
	<u>€ 161,676</u>	<u>€ 158,928</u>

Receivables

	2015 €	2014 €
Within the current period	38,084	34,511
Exceeded credit period and impaired	1,256	-
Provision for doubtful debts	(1,256)	-
Exceeded credit period but not yet impaired	3,686	3,255
Government grants under the PPP scheme	121,162	121,162
	<u>€ 161,676</u>	<u>€ 158,928</u>

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 flow comprise the following amounts in the Local Council statement of financial position:

	2015 €	2014 €
Bank Balances:		
Ordinary funds	186,252	182,505
Cash in hand	71	51
Overdrawn balances	(17,287)	(9,019)
	<u>169,036</u>	<u>173,537</u>
Transfer to payables	17,287	9,019
Cash at bank and in hand	<u>€ 186,323</u>	<u>€ 182,556</u>

XEWKIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

6 Deferred Income	2015	2014
	€	€
Between one and two years	24,629	24,831
Between two and five years	59,754	60,305
Over five years	163,052	163,279
	<u>€ 247,435</u>	<u>€ 248,415</u>
	2015	2014
	€	€
Opening balance	275,190	259,802
Increase in grants	25,000	39,758
Release of grants	(26,918)	(24,370)
Closing balance	<u>273,272</u>	<u>275,190</u>
Less Current portion	(25,837)	(26,775)
Non-current portion	<u>€ 247,435</u>	<u>€ 248,415</u>
7 Payables	2015	2014
	€	€
Accounts payable	194,438	217,046
Accruals	74,296	108,631
Deferred income within one year	25,837	26,775
Overdrawn bank balances	17,287	9,019
	<u>311,858</u>	<u>361,471</u>
Less Non-current payables	(60,424)	(76,295)
	<u>€ 251,434</u>	<u>€ 285,176</u>
	2015	2014
Non-current payables	€	€
Between one and two years	13,420	15,870
Between two and five years	40,260	40,260
Over five years	6,744	20,165
Closing balance	<u>€ 60,424</u>	<u>€ 76,295</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

8 Funds received from Central Government	2015	2014
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	324,412	313,644
Other Government Income	58,415	51,969
	<u>€ 382,827</u>	<u>€ 365,613</u>
 9 Income raised from Local Enforcement System	 2015	 2014
	€	€
Income from Regional administration fee	1,945	1,874
Income from Local Enforcement System	121	139
	<u>€ 2,066</u>	<u>€ 2,013</u>
 10 Investment income	 2015	 2014
	€	€
Bank Interest Receivable	€ 175	€ 297
 11 General Income	 2015	 2014
	€	€
Income from permits	3,602	2,039
Income from tender documents	255	224
Contributions and donations	5,678	4,348
	<u>€ 9,535</u>	<u>€ 6,611</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

14 Administration and other expenditure	2015	2014
	€	€
Utilities	5,026	7,306
Other repairs and upkeep	2,917	6,096
National and International Memberships	612	1,755
Rent	613	465
Office Services	4,575	3,535
Travel	3,777	201
Transport	6,244	2,442
Information services	3,959	6,784
Other contractual services	263	3,430
Professional Services	14,839	17,214
Community and Hospitality	48,138	30,579
Depreciation	76,237	74,216
Increase in provision for bad debts	1,256	-
	<u>€ 168,456</u>	<u>€ 154,023</u>

15. 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
Regional Committees	No control
Ministry for Gozo	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control

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

	2015	2014
Significant control		
Revenue:		
Annual financial allocation	<u>€ 324,412</u>	<u>€ 313,644</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

12 Personal Emoluments

	2015 €	2014 €
Personal emoluments include, inter alia:		
Mayor's Allowance	7,048	6,868
Mayor and Councillors' Allowance	6,400	6,400
Executive Secretary salary and allowances	26,702	28,445
Employees' Salaries	24,750	22,389
Social Security Contributions	4,881	4,840
Total	€ 69,781	€ 68,942

13 Operations and Maintenance

Operations and maintenance includes, inter alia:	2015	2014
Repairs and Upkeep:	€	€
Road and Street Pavements (patching works)	8,109	5,378
Public property	48	4,601
Street signs and markings	2,009	2,238
Council property	1,638	1,515
Total	€ 11,804	€ 13,732

Contractual Services:

	2015 €	2014 €
Refuse Collection (including bins on wheels)	30,314	30,831
Bulky Refuse Collection (incl open skips)	20	2,015
Road and street cleaning (mechanical and manual)	12,230	11,145
Cleaning and maintenance of Public Conveniences	5,291	9,152
Maintenance parks and gardens and verges	4,905	3,299
Tipping fees	26,644	26,197
Street Lighting	7,703	16,228
	€ 87,107	€ 98,867
Total Operations and Maintenance Expenses	€ 98,911	€ 112,599

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

15. Related Parties Disclosures – Continued

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.

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.

16. Contingent liabilities and gains

The credit regarding the debt due from Mr. Charles Cordina is still in force. The Local Council has obtained an executive title to retrieve this debt from Mr. Charles Cordina. A judicial sale by auction was made on request of the Local Council from which the Council received €238 from the amount due. This amount has been accounted for in the accounts of 2010. The remaining balance of €5,777 is still due. This amount excludes interest and other fees being claimed which amount to approximately €1,500.

The Local Council has opened a court case against a contractor whereby it is suing him for Euro 11,000 worth of damages that the Local Council has sustained.

The same contractor has a case against the Local Council in which he is claiming Euro 160,692 for works carried out on the pavements of two blocks and for bulky refuse services provided. The Local Council has accounted for Euro 93,524 with respect to such works but is contesting the remaining balance as the amount invoiced is considered to be exaggerated and the works were not carried out as desired. The Local Council is also claiming that the bulky refuse services have already been paid for.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

18. Risk management objectives and policies - continued

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 notes 4 and 5 for further information on impairment or financial assets that are past due.

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

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

18.2 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 manage 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.

	2015	2014
Payables	€ 251,434	€ 285,176
	<hr/>	<hr/>

18.3 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 2015 – continued

17. Capital Commitments

Details of capital commitments are as follows	2015 €	2014 €
Contracted for but not provided for	66,000	37,600
Approved but not contracted for	75,970	25,000
	<u>€ 141,970</u>	<u>€ 62,600</u>
Contracted for but not provided for: Public Convenience	€ 66,000	€ 37,600
Approved but not contracted for: M&E Services at Triq Santa Katerina	75,970	-
Triq San Bert – culvert	-	25,000
	<u>€ 75,970</u>	<u>€ 25,000</u>

18. 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.

18.1 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:

	2015 €	2014 €
Class of financial assets – carrying amounts		
Trade and other receivables	161,676	158,928
Cash and Cash Equivalents	186,323	182,556
	<u>€ 347,999</u>	<u>€ 341,484</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

18. Risk management objectives and policies - continued

18.4 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:

Current Assets	2015	2014
	€	€
Loans and receivables:		
Trade and other receivables	161,676	158,928
Cash and Cash Equivalents	186,323	182,556
	<u>€ 347,999</u>	<u>€ 341,484</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	€ 251,434	€ 285,176
	<u></u>	<u></u>

18.5 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, the capital level as at the end of the reporting period is deemed adequate by the Council.

19 Fair value estimation

At 31 December 2015 and 31 December 2014, 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.

LOCAL COUNCIL XEWKIJA**Report of the Local Government Auditor to the Auditor General**

We have audited the accompanying financial statements of Local Council Xewkija set out on pages 4 to 25, which comprise the statement of financial position as at 31st December 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows of the Local Council for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Council Responsibilities for the Financial Statements

As described on page 3, the Executive Secretary and the Council are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU and for such internal control as the Council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Local Government Auditor's 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 from 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 the auditor's 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, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements 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 internal control of the Local Council. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of the accounting estimates made by the Executive Secretary and 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.

RSM Malta

Cobalt House, Level 2
Notabile Road,
Mriehel BKR 3000, Malta.

T +356 2278 7000

F +356 2149 3318

www.rsm.com.mt

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Council as of 31 December 2015 and of the Council's financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been properly prepared in accordance with the Local Councils Act, (CAP 363); the Financial Regulations issued in terms of the said Act; and the Local Councils (Financial) Procedures.

Other Matter

The financial statements of the Local Council Xewkija for the year ended 31 December 2014 were audited by Spiteri Bailey & Co. who expressed an unqualified opinion on those financial statements on 28 April 2015. As from 1 January 2016, Spiteri Bailey & Co. merged its practice with the incoming auditors, RSM Malta.



This copy of the audit report has been signed by
Conrad Borg (Partner)
for and on behalf of

RSM Malta
Certified Public Accountants

26/04/16