

**Local Council Zurrieq**  
**Annual Audit Report**  
**for the year ended 31 December 2016**

Prepared by:  
P & D Consultancy Services



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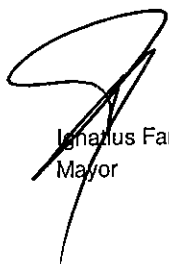
**Statement of Local Council Members' and Executive Secretary's Responsibilities  
for the year ended 31 December 2016**

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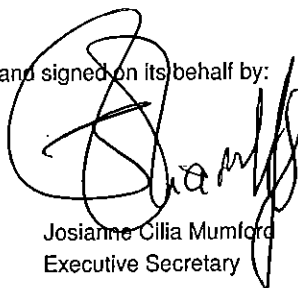
The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of comprehensive income for the year, and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the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

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Council (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on 26 April 2017 and signed on its behalf by:



Ignatius Farrugia  
Mayor



Josianne Cilia Mumford  
Executive Secretary

# **REPORT OF THE LOCAL GOVERNMENT AUDITORS' ON THE ZURRIEQ LOCAL COUNCIL TO THE AUDITOR GENERAL**

## **Report on the Audit of the Financial Statements**

### **Opinion**

We have audited the financial statements of Zurrieq Local Council, set out on pages 4 to 29, which comprise the Statement of Financial Position as at 31 December 2016, and the statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the statement of financial position of Zurrieq Local Council as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

### **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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity 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 opinion.

### **Responsibilities of the Executive Secretary**

The Executive Secretary is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the EU, and for such internal control as the Executive Secretary determines are 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 Executive Secretary is responsible for assessing the entity'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 entity is intended to be liquidated or to cease operations, or has no realistic alternative but to do so.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

# **REPORT OF THE LOCAL GOVERNMENT AUDITORS' ON THE ZURRIEQ LOCAL COUNCIL TO THE AUDITOR GENERAL**

## **Report on the Audit of the Financial Statements**

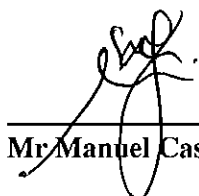
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Secretary.
- Conclude on the appropriateness of the Executive Secretary's 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 entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the entity 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 Executive Secretary regarding, among other matters, the planned scope and timing of the audit and significant audit figures, including any significant deficiencies in internal control that we identify during our audit.

## **Report on Other Legal and Regulatory Requirements**

In our opinion, the financial statements comply fully with the Local Councils Act, the Financial Regulations issued in terms of this Act and the Local Council (Financial) Procedures.

  
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Mr. Manuel Castagna

For and on behalf of  
Nexia BT  
Certified Public Accountants

The Penthouse, Suite 2  
Capital Business Centre, Entrance C  
Triq taz-Zwejt  
San Gwann SGN 3000  
Malta

Date: 26th April 2017

Statement of Profit or Loss and Other Comprehensive Income  
for the year ended 31 December 2016

		2016	2015 (Restated)	2015 (As previously stated)
	Notes	€	€	€
<b>Revenue</b>				
Funds received from Central Government	3	813,979	817,884	817,884
Income raised under Local Enforcement System	4	7,955	8,933	8,933
General income	6	65,131	42,712	42,712
		<u>887,065</u>	<u>869,529</u>	<u>869,529</u>
<b>Expenditure</b>				
Personal Emoluments	7	(119,820)	(125,027)	(125,027)
Operations and maintenance	8	(283,291)	(330,144)	(330,144)
Administration and other expenditure	9	(304,574)	(328,494)	(366,388)
		<u>(707,685)</u>	<u>(783,665)</u>	<u>(821,559)</u>
<b>Operating profit for the year</b>		179,380	85,864	47,970
Finance income	5	<u>270</u>	<u>1,215</u>	<u>1,215</u>
<b>Profit for the year</b>		<u>179,650</u>	<u>87,079</u>	<u>49,185</u>
<b>Total comprehensive income</b>		<u>179,650</u>	<u>87,079</u>	<u>49,185</u>

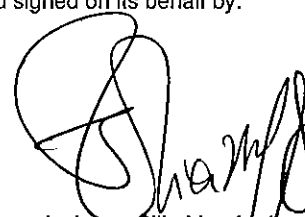
The notes on pages 8 to 29 form an integral part of these financial statements.

Statement of Financial Position  
as at 31 December 2016

		2016	2015 (Restated)	2015 (As previously stated)
	Notes	€	€	€
<b>Non-Current Assets</b>				
Property, plant and equipment	10	1,781,898	1,814,693	1,901,414
		<u>1,781,898</u>	<u>1,814,693</u>	<u>1,901,414</u>
<b>Current Assets</b>				
Receivables	11	22,245	26,026	26,026
Cash and cash equivalents	12	532,898	452,423	452,423
Total Current Assets		<u>555,143</u>	<u>478,449</u>	<u>478,449</u>
<b>Total Assets</b>		<u>2,337,041</u>	<u>2,293,142</u>	<u>2,379,863</u>
<b>RESERVES</b>				
Retained earnings		1,628,225	1,448,575	1,535,296
Total reserves		<u>1,628,225</u>	<u>1,448,575</u>	<u>1,535,296</u>
<b>Non-Current Liabilities</b>				
Long-term borrowings	14	-	33,348	33,348
Non-current Deferred Income	15	559,992	637,998	637,998
		<u>559,992</u>	<u>671,346</u>	<u>671,346</u>
<b>Current Liabilities</b>				
Trade and other payables	13	115,476	134,205	134,205
Short-term borrowings	14	33,348	39,016	39,016
		<u>148,824</u>	<u>173,221</u>	<u>173,221</u>
<b>Total Liabilities</b>		<u>708,816</u>	<u>844,567</u>	<u>844,567</u>
<b>Total reserves and liabilities</b>		<u>2,337,041</u>	<u>2,293,142</u>	<u>2,379,863</u>

These financial statements were approved by the Local Council on 26th April 2017 and signed on its behalf by:

  
 Ignatius Farrugia  
 Mayor

  
 Josianne Cilia Mumford  
 Executive Secretary

The notes on pages 8 to 29 form an integral part of these financial statements.

**Statement of Changes in Equity**  
**for the year ended 31 December 2016**

		Retained Funds	Total
	Note	€	€
<b>At 1 January 2015</b>			
as previously stated		1,486,111	1,486,111
Prior Year Adjustment	16	(124,615)	(124,615)
<b>At 1 January 2015 as restated</b>		1,361,496	1,361,496
Profit for the year as previously stated		49,185	49,185
Prior Year Adjustment	16	37,894	37,894
Profit for the year as restated		87,079	87,079
Total comprehensive income		87,079	87,079
<b>At 31 December 2015</b>		1,448,575	1,448,575
<b>At 1 January 2016</b>		1,448,575	1,448,575
Profit for the year		179,650	179,650
Total comprehensive income		179,650	179,650
<b>At 31 December 2016</b>		1,628,225	1,628,225



Statement of Cash Flows  
for the year ended 31 December 2016

	2016	2015	2015
		(Restated)	(As previously stated)
	€	€	€
<b>Net profit for the year</b>	179,650	87,079	49,185
Reconciliation to cash generated from operations:			
Amortisation and Depreciation	186,900	196,645	234,539
Loss on write off of property, plant and equipment	2,582	-	-
Movement in Provision for Doubtful Debts	(1,478)	402	402
Government grants released	68,461	87,095	87,095
Interest receivable	(270)	(1,215)	(1,215)
Operating surplus before working capital changes	298,923	195,816	195,816
Decrease / (increase) in receivables	3,569	(114)	(114)
Decrease (increase) in other receivables	1,690	(3,584)	(3,584)
(Decrease) / increase in payables	(8,770)	13,860	13,860
(Decrease)/ increase in other payables	(1,259)	1,781	1,781
Cash generated from operating activities	294,153	207,759	207,759
<b>Cash flow from Investing activities</b>			
Interest received	270	1,215	1,215
Purchase of property, plant & equipment	(156,687)	(120,430)	(120,430)
Grants (returned) / received	(18,245)	80,581	80,581
Cash (used in) investing activities	(174,662)	(38,634)	(38,634)
<b>Cash from financing activities</b>			
Repayment of short term related party borrowings	(5,669)	(1,725)	(1,725)
Repayment of short term third party borrowings	(33,347)	(66,695)	(66,695)
Cash (used in) financing activities	(39,016)	(68,420)	(68,420)
<b>Net Increase in cash in the year</b>	80,475	100,705	100,705
Cash and equivalents at beginning of year	452,423	351,718	351,718
<b>Cash and equivalents at end of year</b> <b>Note 12</b>	532,898	452,423	452,423

**1. General Information**

The Zurrieq Local Council is the local authority of Malta set up in accordance with the Local Councils Act(1993). The office of the Local Council is situated at Centru tal-Komunita' Joe Cassar, Triq Pietru Pawl Saydon, Zurrieq ZRQ 1030. These financial statements were approved for issue by the Council Members on 26 April 2017. The Local Council's company's presentation as well as functional currency is €.

**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.

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*

In the current year the Council has applied the below new and revised IFRS issued by IASB that is mandatory effective for financial year beginning 1st January 2016.

IAS 1 - 'Presentation of financial statements' The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports. Subject to adoption by the EU, amendments will be effective for annual periods beginning on or after 1 January 2016. The council does not expect to have a significant effect on the financial statements of the Local Council.

On 12 May 2014 the IASB published amendments to IAS 16 and IAS 38. These amendments clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. Furthermore, it clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. These amendments are effective for annual periods beginning on or after 1 January 2016.

In September 2014, the IASB issued Annual Improvements to IFRSs 2012-2014 Cycle. The issues included in this cycle are: Changes in methods of disposal (IFRS 5), Servicing Contracts and the Applicability of the amendments to IFRS 7. The amendments are effective from 1 January 2016.

*New standards and interpretations not yet adopted*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Local Council.

IAS 7 - 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. Subject to adoption by the EU, the amendments are effective for annual periods beginning on or after 1 January 2017.

IFRS 9, 'Financial instruments' addresses the classification and measurement of financial assets and replaces the multiple classification and measurement tools in IAS 39 with a single model that only has two classification categories: amortised cost and fair value. Classification under IFRS 9 will be driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. Subject to adoption by the EU, IFRS 9 will be effective for financial periods beginning on, or after, 1 January 2018. The Council is considering the implications of the standard and its impact on the Council's financial results and position.

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

IFRS 16, 'Leases', introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows. IFRS 16 contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee. Subject to adoption by the EU, IFRS 16, will be effective for financial periods beginning on, or after, 1 January 2019.

The Councillors 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 Councillors anticipate 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

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 end of the reporting period. 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 company 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.

#### *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.

#### *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 income statement on a straight-line basis over the period of the lease.

#### *Related parties*

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

#### *Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred.

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

#### *Revenue*

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the profit or loss as it accrues.

#### *Local Enforcement System*

Up till August 2011, the Council used to manage the the Local Enforcement System in its locality and used to receive all the income generated from the fines. As from 1 September 2011, the Council started to form part of the Southern Region, which took over the management of Local Enforcement System and the Council is receiving a 10 % administration fee on every fine paid at the Council.

***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 profit or loss over the expected lives of the related assets.

***Profits and losses***

Only losses 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 equivalents***

Cash and Cash Equivalents are carried in the statement of financial position. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and balances held with banks.

**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.

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 risks 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.'

**Critical Accounting Estimates and Judgements**

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.

*Capital management policies*

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 services and benefits to its local community

The Council sets the amount of capital in proportion to risk. The Council manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The Council monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt ÷ adjusted capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Adjusted capital comprises of retained earnings.

**3. Funds received from central government**

	2016 €	2015 €
In terms of section 55 of the Local Councils Act	723,439	709,245
Supplementary Government Income	11,624	9,667
Other Government Income	78,916	98,972
	<u>813,979</u>	<u>817,884</u>

**4. Local Enforcement Income**

	2016 €	2015 €
Income from LES administration fees	7,955	8,933
	<u>7,955</u>	<u>8,933</u>

**5. Investment Income**

	2016 €	2015 €
Bank Interest	270	1,215
	<u>270</u>	<u>1,215</u>



**6. General Income**

	2016	2015
	€	€
Community Services	30,244	26,292
General Income	-	466
Tender Documents/Info. Charges	450	2,020
Insurance Claims	18,704	-
Income from Permits	15,733	13,934
	<u>65,131</u>	<u>42,712</u>

**7. Profit for the year**

	2016	2015
	€	€
Profit for the year is stated after charging:		
Staff salaries	Note 119,820	125,027
Depreciation of non-current assets	186,900	196,645
Loss on write off of property plant and equipment	2,582	-
	<u>119,820</u>	<u>125,027</u>

**Personal Emoluments**

	2016	2015
	€	€
Mayor's Allowance	12,442	11,747
Councillors' Allowance	9,600	12,000
Executive Secretary Salary and Allowances	34,099	33,385
Employees' Salaries	56,460	60,862
Social Security Contributions	7,219	7,033
	<u>119,820</u>	<u>125,027</u>

**8. Operations and Maintenance**

	2016	2015
	€	€
<i>Repairs and Upkeep:</i>		
Public Property	5,121	8,330
Road/Street Pavements	43,088	81,024
Signs	2,787	4,657
Road Markings	4,081	8,985
Plant & Equipment	1,270	-
Other repairs and Upkeep	22,966	17,619
Council Property	-	826
	<u>79,313</u>	<u>121,441</u>
 <i>Contractual Services:</i>		
Refuse Collection	130,463	133,699
Bulky Refuse Collection	10,034	8,975
Hiring of Skips - Bins on Wheels	-	60
Road & Street Cleaning	25,267	29,042
Cleaning & Maintenance Non-Urban Roads	1,000	4,496
Cleaning - Public Conveniences	7,274	7,225
Cleaning - Council Premises	1,331	527
Cleaning & Maintenance Parks & Gardens	13,676	11,280
Clean. & Maint. Soft Areas	-	1,826
Street Lighting	14,698	8,735
Studies & Consultations	-	2,805
Local Enforcement Expenses	235	33
	<u>203,978</u>	<u>208,703</u>
	<u>283,291</u>	<u>330,144</u>

**9. Administration and other expenditure**

	2016	2015
	€	€
Utilities	11,508	12,969
Uniforms	77	610
Operating materials & supplies	2,818	1,970
Sundry materials & supplies	4	11
Rent	2,709	2,691
National/International Memberships	1,139	181
Participation fees - Int. Mtg	275	110
Participation fee - Nat. Mtg.	-	214
Membership - Local Organisations	316	142
Printing	266	1,877
Stationery	3,166	3,890
Postages	400	822
Other Office Services	-	20
Transport	752	760
Travel	15,721	558
Information Services	7,705	10,169
Insurance Coverage	4,894	4,622
Bank Charges	276	147
IT Development Services	3,953	3,927
Legal services	400	2,074
Accountancy services	2,940	2,205
Architect fees	4,771	20,974
Consultancy services	-	5,040
Professional services	-	1,150
Other support services	5,247	9,157
Other Hospitality Costs	6,015	1,540
Social Events	34,650	35,449
Community Services	6,568	8,168
Provision for doubtful debtors	-	623
Provision for LES receivables	(1,478)	(221)
Loss on write off of property, plant and equipment	2,582	-
Amortisation and Depreciation	186,900	196,645
	<u>304,574</u>	<u>328,494</u>

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

10. Property, plant and equipment											
	Trees	Property	Construction Works	New Street Signs	Urban Improvements	Plant and Machinery	Office Equipment	Office Furniture & fittings	Special Programmes	Assets under construction	Total
	€ (Restated)	€ (Restated)	€ (Restated)	€ (Restated)	€ (Restated)	€ (Restated)	€ (Restated)	€ (Restated)	€ (Restated)	€ (Restated)	€ (Restated)
<b>Cost</b>											
At 1 January 2015	5,879	115,304	435,589	11,615	436,308	4,788	104,748	58,182	2,351,233	31,860	3,555,506
Additions	-	-	-	-	8,101	-	4,920	1,028	121,436	9,926	145,411
Reclassifications	-	-	-	-	-	-	-	-	1,607	(1,607)	-
Disposals	-	-	-	-	-	-	-	-	-	(25,580)	(25,580)
At 31 December 2015	5,879	115,304	435,589	11,615	444,409	4,788	109,668	59,210	2,474,276	14,599	3,675,337
<b>Grants</b>											
At 1 January 2015	-	-	-	-	-	-	-	-	360,281	-	360,281
At 31 December 2015	-	-	-	-	-	-	-	-	360,281	-	360,281
<b>Depreciation</b>											
At 1 January 2015	-	13,575	306,044	11,615	339,004	3,333	47,503	29,030	553,614	-	1,303,718
Charge for the year	-	1,017	12,859	-	15,680	291	14,186	2,235	150,377	-	196,645
At 31 December 2015	-	14,592	318,903	11,615	354,684	3,624	61,689	31,265	703,991	-	1,500,363
<b>Net book values</b>											
At 31 December 2015	5,879	100,712	116,686	-	89,725	1,164	47,979	27,945	1,410,004	14,599	1,814,693

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

Property, plant and equipment	Trees		Property		Construction Works		New Street Signs		Urban Improvements		Plant and machinery		Office Equipment		Office Furniture & fittings		Special Programmes		Assets under construction		Total	
	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>																						
At 1 January 2016	5,879		115,304		435,589		11,615		444,409		4,788		109,668		59,210		2,474,276		14,599		3,675,337	
Additions	-	-	-	-	-	-	-	-	6,276	-	-	-	1,808	-	1,786	-	145,933	-	884	-	156,687	
Reclassification	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,926	-	(9,926)	-	-	
Written off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,461)	-	-	-	(3,461)	
At 31 December 2016	5,879		115,304		435,589		11,615		450,685		4,788		111,476		60,996		2,626,674		5,557		3,828,563	
<b>Grants</b>																						
At 1 January 2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	360,281	-	-	-	360,281	
At 31 December 2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	360,281	-	-	-	360,281	
<b>Depreciation</b>																						
At 1 January 2016	-	-	14,592	-	318,903	-	11,615	-	354,684	-	3,624	-	61,689	-	31,265	-	703,991	-	-	-	1,500,363	
Written off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(879)	-	-	-	(879)	
Charge for the year	-	-	1,007	-	11,552	-	-	-	14,051	-	233	-	10,034	-	2,175	-	147,848	-	-	-	186,900	
At 31 December 2016	-	-	15,599	-	330,455	-	11,615	-	368,735	-	3,857	-	71,723	-	33,440	-	850,960	-	-	-	1,686,384	
<b>Net book values</b>																						
At 31 December 2016	5,879		99,705		105,134		-		81,950		931		39,753		27,556		1,415,433		5,557		1,781,898	

**11. Receivables**

		2016 €	2015 €
Receivables	<i>Note</i>	1,645	5,215
Related party balances		7,834	6,612
Accrued income		3,380	4,288
Financial assets		<u>12,859</u>	<u>16,115</u>
Prepayments		<u>9,386</u>	<u>9,910</u>
		<u>22,245</u>	<u>26,025</u>

*Receivables*

General receivables are analysed as follows:

	2016 €	2015 €
Within credit period	<u>1,645</u>	<u>5,215</u>

Receivables are stated after a specific provision for doubtful debts amounting to € 623 (2015: € 623).

*LES Debtors*

LES debtors are stated after a specific provision for doubtful debts amounting to € 304,726 (2015: € 306,204).

The movement in the provision for doubtful debts is as follows:

	2016 €	2015 €
Balance at 1 January	306,204	306,425
Decrease in provision for LES Debtors	(1,478)	(221)
Balance at 31 December	<u>304,726</u>	<u>306,204</u>

**12. Cash and equivalents**

	2016	2015
	€	€
Bank Balances	532,451	452,229
Cash in Hand	447	194
Cash and cash equivalent	<u>532,898</u>	<u>452,423</u>

**13. Payables**

	2016	2015
	€	€
Payables	14,318	23,088
Other payables	25,000	25,000
Accruals	14,573	15,832
Financial Liabilities	<u>53,891</u>	<u>63,920</u>
Deferred income	61,585	70,285
	<u>115,476</u>	<u>134,205</u>

**14. Borrowings**

	2016	2015
	€	€
<b>Non-current</b>		
Third party borrowings	-	33,348
<b>Current</b>		
Related party balances	-	5,669
Third party borrowings	33,348	33,347
	<u>33,348</u>	<u>39,016</u>
<b>Third Party Borrowings</b>		
Repayable within one year	33,348	39,016
Repayable between one and two years	-	30,282
Repayable between two and five years	-	3,066
	<u>33,348</u>	<u>72,364</u>

Note

*Third party borrowings*

Third party borrowings represent dues to the public private partnership creditor. The Council entered into this agreement to carry out road resurfacing works. These amounts are unsecured, interest free and are repayable within 1 year.

15. Deferred Income	2016 €	2015 €
<b>Government grants</b>		
Balance at the beginning of the year	708,283	714,797
Increase during year	-	80,581
Released during year	(68,461)	(87,095)
Grants returned to government	(18,245)	-
	<u>621,577</u>	<u>708,283</u>
Current Deferred Income	<u>61,585</u>	<u>70,285</u>
Non-Current Deferred Income	<u>559,992</u>	<u>637,998</u>
<b>Deferred Government Grants</b>		
Deferred between one and two years	55,405	63,227
Deferred between two and five years	135,057	154,108
Deferred in five years or more	369,530	420,663
	<u>559,992</u>	<u>637,998</u>



**16. Prior year adjustment**

During 2016, the Council's Fixed Asset Register was reconciled with the nominal ledger and it was noted that property, plant and equipment as at 31 December 2015, were incorrectly stated, due to errors in depreciation recognition.

In view of this, the financial statements for the year ended 31 December 2015 have been restated to reflect the correction of errors.

	Notes	2015 Originally reported €	Adjustment €	2015 Restated €
Administration and other expenditure	9	366,388	(37,894)	328,494
Property, plant and equipment	10	1,901,414	(86,721)	1,814,693
Retained earnings		(1,535,296)	(86,721)	(1,448,575)

The effect of the restatement on each financial statement line item affected is summarised below:

	Notes	2015 Originally reported €	Adjustment €	2015 Restated €
Depreciation		234,539	(37,894)	196,645
Property, plant and equipment	10	1,901,414	(86,721)	1,814,693
Retained earnings		(1,535,296)	(86,721)	(1,448,575)

Further to this, retained funds as at 1 January 2015 have also been restated to reflect the correction of errors relating to errors in property, plant and equipment.

	2014 Originally reported €	Adjustment €	2014 Restated €
Property, plant and equipment	2,015,523	(124,615)	1,890,908
Retained earnings	(1,486,111)	124,615	(1,361,496)

The effect of the restatement on each financial statement line item affected is summarised below:

	2014 Originally reported €	Adjustment €	2014 Restated €
Property, plant and equipment	2,015,523	(124,615)	1,890,908
Retained earnings	(1,486,111)	124,615	(1,361,496)

**17. Capital commitments**

	2015 €	2014 €
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	169,035	268,993
Contracted for but not provided in the financial statements	-	14,000
These could be analysed as follows:		
<i>(i) Approved but not yet contracted for:</i>		
Construction	122,535	259,993
Urban Improvements	46,500	5,000
Office equipment	-	3,000
Trees	-	1,000
	169,035	268,993
<i>(ii) Contracted for but not provided in the Financial Statements:</i>		
Urban Improvements	-	14,000
	-	14,000

**18. Related party transactions**

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Councils	Significant control
Regional Committee (Local Enforcement)	Joint control
Fgura Joint Committee (Local Enforcement)	Joint control
Local Enforcement System Agency	No control
Gozo Regional Committee	No control
North Regional Committee	No control
South Regional Committee	No control
South Eastern Regional Committee	No control
Central Regional Committee	No control
Public General Head Quarters	No control
Local Councils' Association	No control
Malta Information Technology Agency	No control
Malta Communication Authority	No control
Malta Tourism Authority	No control
Malta Transport Authority	No control
Department of Lands	No control
Department of Inland Revenue	No control
Permanent Secretary - Ministry of Education	No control
Permanent Secretary - Ministry for Family & Social Solidarity	No control
Bank of Valletta plc	No control
Airmalta plc	No control
Jobs plus	No control
Arms Limited	No control
Planning Authority	No control
Environment and Resources Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Cleansing Services Department	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Commissioner for Data Protection	No control

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

	2016 €	2015 €
Annual Financial Allocation	<u>723,439</u>	<u>709,245</u>

#### Key management compensation

Transactions with key management personnel are disclosed in note 7.

**19. Financial Risk Management**

The exposure to risk and the way risks arise, together with the Local Council's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below.

The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development.

Where applicable, any significant changes in the Local Council's exposure to financial risks or manner in which the council manages and measures these risks are disclosed below.

Where possible, the Local Council aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of the risk exposure associated with financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

<i>Categories of financial instruments</i>	<b>2016</b>	<b>2015</b>
<i>Financial assets</i>	€	€
Cash and bank balances	532,898	452,423
Receivables	12,859	16,115
	<u>545,757</u>	<u>468,538</u>
<i>Financial liabilities</i>		
Trade payables and other payables	53,891	63,920
Borrowings - current	33,348	39,016
Borrowings - long term	-	33,348
	<u>87,239</u>	<u>136,284</u>

The Council is exposed 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 flows by minimising the exposure to financial risks.

The most significant financial risks to which the Council is exposed are described below.

***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:

	<b>2016</b>	<b>2015</b>
	€	€
Classes of financial assets - carrying amounts		
Receivables	12,859	16,115
Cash and cash equivalents	532,898	452,423
	<u>545,757</u>	<u>468,538</u>

The council continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The council's policy is to deal only with creditworthy counterparties. Receivables are presented net of provision for doubtful debts. A provision for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

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.

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

Liquid funds are placed with reputable banks with high quality external credit ratings, therefore credit risk is considered negligible.

#### 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 funding to meet the Council's obligations when they become due.

The Council manages its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. At the end of the reporting period, the Local Council's net current asset position amounted to € 406,319 (2015 : € 305,228). However the Council's liquidity risk is not deemed to be significant in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments.

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

	Current		Non- Current	
	Payable within 1 year	Payable within 1 & 2 years	Payable within 2 & 5 years	Payable after more than 5 years
	€	€	€	€
<b>31 December 2016</b>				
Payables	14,318	-	-	-
Other payables	25,000	-	-	-
Accruals	14,573	-	-	-
Third party borrowings	33,348	-	-	-
	<u>87,239</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>31 December 2015</b>				
Payables	23,088	-	-	-
Other payables	25,000	-	-	-
Accruals	15,832	-	-	-
Third party borrowings	39,016	30,282	3,066	-
	<u>102,936</u>	<u>30,282</u>	<u>3,066</u>	<u>-</u>

**20. Fair values estimation**

The nominal values less estimated credit adjustments of receivables and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair values.

**21. Comparative Figures**

Certain amounts have been re-classified to conform with the current year's presentation.