

Ghasri Local Council

**Annual Report
and
Financial Statements**

1 January – 31 December 2014

Prepared by JCA Limited



**ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2014**

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Financial Statements for the year ended 31 December 2014

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

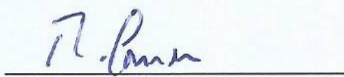
The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's Statement of Comprehensive Income for the year and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local 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 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 22nd April 2015 by:



Dr. Daniel Attard
Mayor



Ruben Cassar
Executive Secretary

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

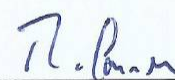
	Notes	31 December 2014 €	31 December 2013 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	356,119	344,191
		<u>356,119</u>	<u>344,191</u>
Current Assets			
Inventories	4	1,891	1,099
Receivables	5	15,611	3,135
Cash and Cash Equivalents	6	22,692	4,963
		<u>40,194</u>	<u>9,197</u>
Total Assets		<u><u>396,313</u></u>	<u><u>353,388</u></u>
RESERVES AND LIABILITIES			
Capital and reserves			
Retained Fund		331,355	318,361
Non-current Liabilities			
Deferred income - grants	7	28,322	-
Liabilities			
Payables	8	36,636	35,027
TOTAL RESERVES AND LIABILITIES		<u><u>396,313</u></u>	<u><u>353,388</u></u>

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

These Financial Statements were approved by the Local Council on *22nd* April 2015 and signed on its behalf by:



Dr. Daniel Attard
Mayor



Ruben Cassar
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

		2014	2013
INCOME	Notes	€	€
Funds received from central government	9	173,517	159,299
General Income	10	<u>2,010</u>	<u>1,224</u>
		<u>175,527</u>	<u>160,523</u>
EXPENDITURE			
Personal emoluments	11	(51,555)	(50,193)
Operations and maintenance	12	(58,292)	(102,555)
Administration and other expenditure	13	<u>(52,770)</u>	<u>(52,111)</u>
		<u>(162,617)</u>	<u>(204,859)</u>
Operating Income/(Loss) for the year		12,910	(44,336)
Investment income	14	84	109
		<u>12,994</u>	<u>(44,227)</u>
Total Comprehensive Income/(Loss) for the year		<u>12,994</u>	<u>(44,227)</u>

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

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Retained Funds 2014 €	Retained Funds 2013 €
At 1 January	318,361	362,588
Total Comprehensive Income/(Loss) for the year	<u>12,994</u>	<u>(44,227)</u>
At 31 December	<u><u>331,355</u></u>	<u><u>318,361</u></u>

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

STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Note	2014 €	2013 €
Cash Flows from Operating Activities			
Total Comprehensive Income/(Loss) for the year		12,994	(44,227)
Adjustments for:			
Depreciation		24,405	24,810
Grants released		(731)	-
Interest received		(84)	(109)
Operating profit/(loss) before Working Capital Changes		36,584	(19,526)
(Increase) in Inventory		(792)	(514)
(Increase)/Decrease in receivables		(12,476)	336
(Decrease)/Increase in payables		(1,580)	22,771
Net Cash generated from Operating Activities		21,736	3,067
Cash flows from Investing Activities			
Purchase of Property, Plant and Equipment		(36,333)	(11,427)
Grants received		32,242	-
Interest received		84	109
Cash Flow used in Investing Activities		(4,007)	(11,318)
Net increase/(decrease) in Cash and Cash Equivalents		17,729	(8,251)
Cash and Cash Equivalents at the Beginning of year		4,963	13,214
Cash and Cash Equivalents at the End of year	6	22,692	4,963

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

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

1. General Information

Ghasri Local Council is the local authority of Ghasri setup in accordance with the Local Councils Act. The office of the Local Council is situated at Triq Dun Karm Caruana, Ghasri.

2. Accounting Policies and Reporting Procedures

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

a. Accounting convention

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

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

b. Standards, amendments and interpretations to existing standards

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

New and amended standards adopted by the council

Information on new standards, amendments and interpretations that are relevant to the Council's financial statements is provided below. Certain other new standards and interpretations have been issued but are not relevant and therefore are not expected to have any impact on the council's financial statements.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities specifically clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. The amendments require retrospective application. The amendments are effective for annual periods beginning on or after 1 January 2014.

IFRS 11 Joint Arrangements

IFRS 11 classifies joint arrangements on the basis of their substance by focusing on the rights and obligations of the arrangement, rather than its legal form. Under IFRS 11, joint arrangements are classified as joint ventures or as joint operations. Joint ventures are accounted for using the equity method of consolidation since the use of proportionate consolidation for such arrangements has been eliminated. Joint operations are accounted for in a manner that is similar to the current accounting treatment applicable for jointly controlled assets and jointly controlled operations. The standard is effective for annual periods beginning on or after 1 January 2014.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

These amendments to IAS 36 address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014.

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

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the council.

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the council. These include the following:

The IASB issued 'Annual Improvements 2010-2012 cycle', a collection of amendments to IFRSs, in response to issues addressed during the 2010–2012 cycle. Five standards are primarily affected by the amendments, with consequential amendments to numerous others. The amendments are effective for annual periods beginning on or after 1 July 2014.

IFRS 9 Financial Instruments – This standard represents the completion of the classification and measurement part of the IASB's project to replace IAS 39. This Standard addresses the classification and measurement of certain financial assets and financial liabilities. IFRS 9 requires financial assets that fall due within its scope to be classified on the basis of the entity's business model for managing the financial assets and contractual cash flow characteristics of the financial assets. The standard requires financial assets to be subsequently measured at amortised cost or at fair value. The new requirements in relation to financial liabilities address the problem of volatility in profit or loss arising from an issuer to measure its own debt at fair value. With the new requirements, any entity choosing to measure the liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within the profit or loss. This standard is applicable for annual periods beginning on or after 1 January 2018.

The IASB issued 'Annual Improvements 2011-2013 cycle', a collection of amendments to IFRSs, in response to issues addressed during the 2011–2013 cycle. The issues included in this cycle are Meaning of effective IFRSs (IFRS 1); Scope exceptions for joint ventures (IFRS 3); Scope of paragraph 52 (IFRS 13); and Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner occupied property. The amendments are effective for annual periods beginning on or after 1 July 2014.

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

c. Revenue recognition

Revenue is recognised when 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.

d. Local Enforcement System

Ghasri Local Council forms part of the Gozo Regional committee. During 2014 the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is chargeable to the 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:

	%
Land	0
Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10

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

e. Property, Plant and Equipment – continued

	%
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	replacement basis
Playground furniture	100
Road and traffic Signs	replacement basis
Street Mirrors	replacement basis
Street Lights	100

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

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the 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.

f. Government Grants

Government grants are accounted for on the Income Approach according to IAS 20. They are accounted for on a systematic basis in the Statement of Comprehensive Income over the periods necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related cost, then the grant is accounted for when it becomes receivable.

g. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the statement of comprehensive income.

h. Amounts Receivable

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

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.

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

j. Surplus and deficits

Only surpluses that were realised at the date of the Statement of Financial Position are recognised in these Financial Statements. All foreseeable liabilities and potential deficits arising up to the said date are accounted for even if they become apparent between the said date and the date on which the Financial Statements are approved.

k. Cash and Equivalents

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

l. Related parties

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

During the year under review, the Local Council's related party that exercises a significant control was the Department for Local Government. The parties that exercise no control were Water Services Corporation and Malta Environment and Planning Authority whereas there was joint control with the Gozo Joint Committee.

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.

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.

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'.

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

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 as 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).

p. Inventories

Inventories are shown in the financial statements at the lower of cost and net realisable value. The inventories consist of stamps and vouchers with a face value which is the cost and selling price of these items. The stock valuation at the end of the period is equivalent to the actual cost of the inventory items.

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

3a Property, Plant and Equipment

	Property	Office Furniture /fittings	Plant & machinery	Computer Equipment	Office Equipment	Urban Improvements	New Street Signs	Construction	Total
Cost	€	€	€	€	€	€	€	€	€
At 1 January 2014	129,040	18,624	487	7,000	11,906	23,368	2,115	511,641	704,181
Additions	-	-	-	918	2,276	1,062	-	32,077	36,333
At 31 December 2014	129,040	18,624	487	7,918	14,182	24,430	2,115	543,718	740,514
Grants									
At 1 January 2014	-	-	-	-	-	-	-	(58,911)	(58,911)
Additions	-	-	-	-	-	-	-	-	-
At 31 December 2014	-	-	-	-	-	-	-	(58,911)	(58,911)
Depreciation									
At 1 January 2014	(17,664)	(11,272)	(457)	(6,808)	(9,943)	(15,985)	(2,115)	(236,835)	(301,079)
Charge for the year	(1,119)	(550)	(6)	(132)	(594)	(844)	-	(21,160)	(24,405)
At 31 December 2014	(18,783)	(11,822)	(463)	(6,940)	(10,537)	(16,829)	(2,115)	(257,995)	(325,484)
Net Book Value									
At 31 December 2014	110,257	6,802	24	978	3,645	7,601	-	226,812	356,119

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

3b Property, Plant and Equipment

	Property	Office Furniture /fittings	Plant & machinery	Computer Equipment	Office Equipment	Urban Improvements	New Street Signs	Construction	Total
Cost	€	€	€	€	€	€	€	€	€
At 1 January 2013	129,040	18,504	487	7,000	11,804	23,368	2,115	500,436	692,754
Additions	-	120	-	-	102	-	-	11,205	11,427
At 31 December 2013	129,040	18,624	487	7,000	11,906	23,368	2,115	511,641	704,181
Grants									
At 1 January 2013	-	-	-	-	-	-	-	(58,911)	(58,911)
Additions	-	-	-	-	-	-	-	-	-
At 31 December 2013	-	-	-	-	-	-	-	(58,911)	(58,911)
Depreciation									
At 1 January 2013	(16,533)	(10,684)	(449)	(6,745)	(9,469)	(15,165)	(2,115)	(215,109)	(276,269)
Charge for the year	(1,131)	(588)	(8)	(63)	(474)	(820)	-	(21,726)	(24,810)
At 31 December 2013	(17,664)	(11,272)	(457)	(6,808)	(9,943)	(15,985)	(2,115)	(236,835)	(301,079)
Net Book Value									
At 31 December 2013	111,376	7,352	30	192	1,963	7,383	-	215,895	344,191

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

	2014	2013
	€	€
4 Inventories		
Ghasri Sub-post office:		
Inventory of stamps and cards	1,891	1,099
	<u>1,891</u>	<u>1,099</u>

	2014	2013
	€	€
5 Receivables		
Accounts receivable	3,339	3,069
Prepayments and accrued income	12,272	66
	<u>15,611</u>	<u>3,135</u>

Receivables

Within the credit period	12,579	166
Exceeded credit period but not yet impaired	3,032	2,969
	<u>15,611</u>	<u>3,135</u>

6 Cash and Cash Equivalents

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

	2014	2013
	€	€
Bank Balances:		
Current Accounts	1,822	616
Savings Accounts	19,815	2,936
Current Account - Ghasri sub-post office	855	1,211
Cash in hand	200	200
Cash at bank and in hand	<u>22,692</u>	<u>4,963</u>

7 Deferred income grants

	2014	2013
	€	€
Between 1 and 2 years	2,851	-
Between 2 and 5 years	6,890	-
Over 5 years	18,581	-
	<u>28,322</u>	<u>-</u>

	2014	2013
	€	€
Opening balance	-	-
Increase in grants	32,242	-
Release of grants	731	-
Closing balance	31,511	-
Less Current portion	3,189	-
Non-current portion	<u>28,322</u>	<u>-</u>

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

8 Payables	2014	2013
	€	€
Accounts payable	28,775	27,371
Accruals	4,672	7,656
Deferred Income	3,189	-
	<u>36,636</u>	<u>35,027</u>

9 Funds received from Central Government	2014	2013
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	157,804	158,093
Other Government Income	15,713	1,206
	<u>173,517</u>	<u>159,299</u>

10 General Income	2014	2013
	€	€
Local enforcement income	319	157
Income from tender documents	620	377
Income from permits	381	293
Income from SPO services	462	313
Contributions and donations	228	84
	<u>2,010</u>	<u>1,224</u>

11 Personal Emoluments	2014	2013
	€	€
Personal emoluments include, inter alia:		
Mayor's Allowance	6,868	6,703
Councillors' Allowance	6,400	6,400
Executive Secretary salary and allowances	26,909	26,276
Employees' salary	8,373	7,939
Social Security Contributions	3,005	2,875
	<u>51,555</u>	<u>50,193</u>

12 Operations and Maintenance	2014	2013
Operations and maintenance includes, inter alia:	€	€

Repairs and Upkeep:

Road and Street Pavements (patching works)	10,865	58,369
Council Property	-	333
Public Property	4,935	3,113
Restoration works	7,412	-
Signs and markings	1,266	1,491
Other	130	126
Total	<u>24,608</u>	<u>63,432</u>

Notes to the Financial Statements for the year ended 31 December 2014 – continued**12 Operations and Maintenance (cont.)**

<i>Contractual Services:</i>	2014	2013
	€	€
Refuse Collection	12,028	11,205
Bulky Refuse Collection	2,556	1,067
Road and Street Cleaning	11,358	11,351
Cleaning and Maintenance - Public Conveniences	2,571	2,585
Cleaning and Maintenance - verges	90	180
Cleaning services	570	520
Open skips	-	6,999
Street Lighting	2,138	3,384
Other	2,373	1,832
	<u>33,684</u>	<u>39,123</u>
Total Operations and Maintenance Expenses	<u><u>58,292</u></u>	<u><u>102,555</u></u>

13 Administration and other expenditure

	2014	2013
	€	€
Utilities	2,594	4,375
Materials and supplies	90	89
National and International Memberships	500	600
Office Services	910	1,079
Transport	1,170	997
Rent	396	396
Information services	1,556	1,155
Professional Services	4,570	7,025
Community services and events	16,549	11,585
Training costs	30	-
Depreciation	24,405	24,810
	<u>52,770</u>	<u>52,111</u>

14 Investment Income

	2014	2013
	€	€
Bank Interest Receivable	84	109
	<u>84</u>	<u>109</u>

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

15 Capital Commitments

The Council's Capital commitments are as follows:

	2014	2013
	€	€
Approved but not yet contracted for:		
Construction	10,000	42,375
Improvements	5,000	1,000
Equipment	1,500	500
Special Programmes	8,000	10,000
	<u>24,500</u>	<u>53,875</u>

16 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
Malta Environment and Planning Authority	No control

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

	2014	2013
	€	€
Significant control:		
Revenue:		
Annual financial allocation	<u>157,804</u>	<u>158,093</u>

The ultimate controlling party of the Local Council is the 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.

17 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.

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

17.1 Credit risk

The council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period, as summarised below:

	2014	2013
Class of financial assets – carrying amounts	€	€
Trade and other receivables	15,611	3,135
Cash and Cash Equivalents	22,692	4,963
	<u>38,303</u>	<u>8,098</u>

The council continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The council's policy is to deal with only creditworthy counterparties.

The council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See note 5 for further information on 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.

17.2 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.

	2014	2013
	€	€
Payables	<u>36,636</u>	<u>35,027</u>
	<u>36,636</u>	<u>35,027</u>

17.3 Interest rate risk

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 6), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

Notes to the Financial Statements for the year ended 31 December 2014 (cont)

17.4 Summary of the financial assets and liabilities by category

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

	2014	2013
	€	€
Current Assets		
Loans and receivables:		
Trade and other receivables	15,611	3,135
Cash and Cash Equivalents	<u>22,692</u>	<u>4,963</u>
	<u>38,303</u>	<u>8,098</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	<u>36,636</u>	<u>35,027</u>
	<u>36,636</u>	<u>35,027</u>

17.5 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.

18 Fair value estimation

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

Financial Statements for the year ended 31 December 2014
Independent Auditor's report



Spiteri Bailey & Co.

Accountancy Audit Advisory

LOCAL COUNCIL GHASRI

Report of the Local Government Auditor to the Auditor General

We have audited the accompanying financial statements of Local Council Ghasri set out on pages 4 to 20, which comprise the statement of financial position as at 31st December 2014, 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.

Spiteri Bailey & Co.
Triq Dun Karm, Birkirkara Bypass
Birkirkara BKR 9038, Malta

Tel: +356 21499250
Mob: +356 79499248
Fax: +356 21444815

advice@spiteribailey.com
www.spiteribailey.com

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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Council as of 31 December 2014 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.

Partners: **William Spiteri Bailey** F.I.A., M.I.M., C.S.A., C.P.A. Registered Auditor
Karen Spiteri Bailey B.A. Hons. (Accty.), F.I.A., A.M.I.T., C.P.A. Registered Auditor
Conrad Borg F.C.C.A., M.I.A., DipIFR, C.P.A. Registered Auditor

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.



**This copy of the audit report has been signed by
Conrad Borg FIA FCCA DipIFR CPA (Partner) for and on behalf of
Spiteri Bailey & Co.**
Certified Public Accountants
Members of PrimeGlobal
Level 2, SB Business Centre,
Dun Karm Street,
Birkirkara By-pass,
Birkirkara BKR 9038,
Malta.

22/04/2015