

# **HAZ-ZABBAR LOCAL COUNCIL**

## **Report and Financial Statements**

**for the year ended 31 December 2014**

*Prepared by:*  
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## **HAZ-ZABBAR LOCAL COUNCIL**

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## **HAZ-ZABBAR LOCAL COUNCIL**

### **Financial Statements for the year ended 31 December 2014**

#### **STATEMENT OF COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S RESPONSIBILITIES**

The Local Councils (Financial) Regulations 1993 require the Secretary to prepare a detailed Annual Administrative Report which includes the Council's Statement of Comprehensive Income for the year and of the Council's retained funds at the end of the year. By virtue of the same regulations it is the duty of the Council and the Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with accounting policies applicable to Local Councils, the income and expenditure of the 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, 1993, and the Local Council (Financial) Procedures, 1996 issued in terms of the said Act.

This entails, inter alia, responsibility for ensuring that an appropriate system of internal control is in operation to provide them with reasonable assurance that the assets of the Council are properly safeguarded, that fraud and other irregularities will be detected and that the operations of the Council are properly conducted in accordance with the Local Councils Act, the Local Council (Financial) Regulations, 1993, and the policies, systems and time scales referred to in the Local Council (Financial) Procedures, 1996.

The financial statements were approved by the Council on 27 April 2015 and signed on its behalf by:



Marc Vella Bonnici  
Mayor



Duncan Paul Busuttil  
Executive Secretary

# HAZ-ZABBAR LOCAL COUNCIL

## Statement of Comprehensive Income

Year ended 31 December

	Notes	2014 €	2013 €
<b>Revenue</b>			
Funds received from Central Government	6	849,451	834,295
Income raised under Council Bye-Laws	7	9,868	13,211
Income from Law Enforcement System	8	7,940	7,596
General Income	9	2,489	7,950
<b>Total Income</b>		<u>869,748</u>	<u>863,052</u>
<b>Expenditure</b>			
Personal emoluments	10	(123,507)	(123,261)
Operations and maintenance	11	(479,304)	(415,702)
Administrative and other expenditure	12	(232,334)	(212,432)
Other expenditure/income	13	(3,907)	(1,665)
<b>Total Expenditure</b>		<u>(839,052)</u>	<u>(753,060)</u>
<b>Operating surplus for the year</b>		30,696	109,992
Finance income	14	<u>1,003</u>	<u>1,604</u>
Finance income - net		<u>1,003</u>	<u>1,604</u>
<b>Surplus for the year</b>		<u><u>31,699</u></u>	<u><u>111,596</u></u>

The notes on pages 7 to 36 form an integral part of these financial statements.

## HAZ-ZABBAR LOCAL COUNCIL

### STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Notes	2014 €	2013 €
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	1,029,393	1,041,364
Government Grants receivable	18	-	30,500
<b>Total non-current assets</b>		<u>1,029,393</u>	<u>1,071,864</u>
<b>Current assets</b>			
Inventories	17	12,479	12,676
Receivables	19	57,808	113,564
Cash and bank balances	20	546,345	502,936
<b>Total current assets</b>		<u>616,632</u>	<u>629,176</u>
<b>Total assets</b>		<u><u>1,646,025</u></u>	<u><u>1,701,040</u></u>
<b>Reserves and liabilities</b>			
<b>Reserves</b>			
Retained Earnings		1,203,564	1,171,865
<b>Total reserves</b>		<u>1,203,564</u>	<u>1,171,865</u>

*The notes on pages 7 to 36 form an integral part of these financial statements.*

# HAZ-ZABBAR LOCAL COUNCIL

		As at 31 December	
		2014	2013
	Notes	€	€
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Other financial payables	21	90,802	115,400
Deferred income	22	175,045	214,658
<b>Total non-current liabilities</b>		<u>265,847</u>	<u>330,058</u>
<b>Current liabilities</b>			
Payables	23	176,614	199,117
<b>Total current liabilities</b>		<u>176,614</u>	<u>199,117</u>
<b>Total liabilities</b>		<u>442,461</u>	<u>529,175</u>
<b>Total reserves and liabilities</b>		<u><b>1,646,025</b></u>	<u><b>1,701,040</b></u>

The financial statements were approved by the Council on 27 April 2015 and signed on its behalf by:



Marc Vella Bonnici  
Mayor



Duncan Paul Busuttil  
Executive Secretary

*The notes on pages 7 to 36 form an integral part of these financial statements.*

## HAZ-ZABBAR LOCAL COUNCIL

### STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2014

	<b>Retained Earnings €</b>	<b>Total €</b>
<b>Balance as at 1 January 2013</b>	1,060,269	1,060,269
Total Surplus for the year	<u>111,596</u>	<u>111,596</u>
<b>Balance as at 31 December 2013</b>	<u>1,171,865</u>	<u>1,171,865</u>
<b>Balance as at 1 January 2014</b>	1,171,865	1,171,865
Total Surplus for the year	<u>31,699</u>	<u>31,699</u>
<b>Balance as at 31 December 2014</b>	<u>1,203,564</u>	<u>1,203,564</u>

*The notes on pages 7 to 36 form an integral part of these financial statements.*

## HAZ-ZABBAR LOCAL COUNCIL

### Statement of Cash Flows for the year ended 31 December 2014

	<i>Notes</i>	<b>2014</b> €	<b>2013</b> €
<b>Cash flows from operating activities</b>			
Net cash generated from operating activities	<b>25</b>	145,790	162,984
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(129,388)	(267,277)
Interest received		963	1,565
Proceeds from insurance		437	-
<b>Net cash used in investing activities</b>		(127,988)	(265,712)
<b>Cash flows from financing activities</b>			
Grants received		60,266	5,185
Public Private Partnership Increase		-	65,311
Public Private Partnership payment		(34,659)	-
<b>Net cash generated by financing activities</b>		25,607	70,496
<b>Net increase in cash and cash equivalents</b>		43,409	(32,232)
Cash and cash equivalents at beginning of year		502,936	535,168
<b>Cash and cash equivalents at end of year</b>	<b>20</b>	546,345	502,936

*The notes on pages 7 to 36 form an integral part of these financial statements.*



# **HAZ-ZABBAR LOCAL COUNCIL**

## **Notes to the Financial Statements**

### **1. General Information**

The Haz-Zabbar Local Council is a local authority of Malta set up in accordance with the Local Councils Act. The office of the Local Council is situated at Civic Centre, Triq ic-Cawsli, Haz-Zabbar. These financial statements were approved for issue by the Council Member on the 27 April 2015. The Local Council's presentation as well as functional currency are denominated in Euro (€). Its ultimate controlling party is the Department for Local Government within the Office of the Prime Minister.

### **2. Summary of the Significant accounting policies**

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.

#### **2.1 Basis of preparation**

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 Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996

The financial statements of the Haz-Zabbar Local Council have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) applicable to entities/companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

## HAZ-ZABBAR LOCAL COUNCIL

### Notes to the Financial Statements

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#### 2.1.1 Changes in accounting policy and disclosures

##### *New and amended standards adopted by the Council*

The following standard have been adopted by the Council for the first time for the financial year beginning on or after 1 January 2014 but does not have a material impact on the Council:

Amendment to IAS 32 - Offsetting Financial Assets and Financial Liabilities.

Amendment to IAS 36 - Recoverable amount Disclosures for Non-Financial Assets.

##### *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 2014, 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 Council, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as 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. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Haz-Zabbar Local Council is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Haz-Zabbar Local Council will also consider the impact of the remaining phases of IFRS 9 when completed by the Council.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Council.

#### 2.2 Functional and presentation currency

Items included in the financial statements of the Haz-Zabbar Local Council are measured using the currency of the primary economic environment in which the Council operates ('the functional currency'). The financial statements are presented in Euro (€), which is the Council's presentation currency which is also the functional currency.

## HAZ-ZABBAR LOCAL COUNCIL

### Notes to the Financial Statements

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#### 2.3 Property, plant and equipment

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and grants received for specific projects. Depreciation is calculated on a monthly basis using the reducing balance method at rates estimated to write down the cost of all tangible fixed assets, other than land and trees over their expected useful lives as follows:

	Rates in %
Office Furniture & Fittings	7.5
Construction Works	10.0
New Street Signs	100.0
Urban Improvements (Street Furniture)	10.0
Special Programmes (Projects)	10.0
Office Equipment	20.0
Motor Vehicles	20.0
Plant and Machinery	20.0
Computer Equipment	25.0
Trees	0
Litter Bins	100.0
Playground Equipment	100.0
Street Lighting	100.0

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2. 5).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the income statement.

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

#### 2.4 Impairment of property, plant and equipment

Property, plant and equipment 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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of property, plant and equipment are reviewed for possible reversal at each reporting date.



## HAZ-ZABBAR LOCAL COUNCIL

### Notes to the Financial Statements

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#### 2.5 Financial Assets

##### 2.5.1 Classification

The Council classifies its financial assets in the following categories: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### 2.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

#### 2.7 Impairment of financial assets

##### *Assets carried at amortised cost*

The Local Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

## **HAZ-ZABBAR LOCAL COUNCIL**

### **Notes to the Financial Statements**

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If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

#### **2.8 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

#### **2.9 General Receivables**

General receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

General receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

General receivables are expected to be settled within the short-term and as such cash flows relating to such receivables are not discounted since the effect of discounting is immaterial.

Known bad debts are written off at the end of the accounting period.

#### **2.10 Cash and cash equivalents**

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and credit bank balance as per books.

#### **2.11 General payables**

General payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. 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.

General payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

General payables are expected to be settled within the short-term and as such cash flows relating to such payables are not discounted since the effect of discounting is immaterial.

## **HAZ-ZABBAR LOCAL COUNCIL**

### **Notes to the Financial Statements**

..... continued

#### **2.12 Financial instruments**

Subsequent to initial recognition, the liability component of a financial instrument is measured at amortised cost using the effective interest method.

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

#### **2.13 Provisions**

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.



## HAZ-ZABBAR LOCAL COUNCIL

### Notes to the Financial Statements

..... continued

#### 2.14 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for Central Government allocation in terms of section 55 of the Local Councils Act, 1993, goods supplied services provided and other Central Governemtn Grants. The Haz-Zabbar Local Council recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Council's activities, as described below. The Haz-Zabbar Local Council bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

##### (a) Central Government allocation in terms of section 55 of the Local Councils Act, 1993

The Council does not have control on the amount of this income stream or the timing of its actual transfer to the Council's bank accounts. The amount receivable under this heading is communicated to the Council through the Department for Local Government after the annual Central Government budget is approved by Parliament and is transferred directly to the Council's designated bank account at the beginning of each quarter. The receipt of such funds is usually net of any deductions deemed by the Department for Local Government and these deductions may include; penalties inflicted, use of the Central Govenment electronic infrastacture or any other cost that the Department for Local Government passes on to the Council.

The income under this heading accounts for major income stream to the Council and is primarily tied up to specific expediture headings on which the Council is bound to allocate.

##### (b) Sales of goods

The Council has a number of items (books) recognised in these financial statements under inventories, that are for sale to the general public.

##### (c) Services provided

The Council derives income from permit fees issued to the general public. The Council also provides services to the South East Regional Committee for; share of cleaning expenses; share of electronic ifrastracture and Council employees attending Tribunal sittings.

The Council also derives income in the form of 10% commission on the payments of contraventions under the Local Law Enforcement system accruing to the five Regional Committees..

##### (c) Central Government Grants

Note 2. 15, refers to the treatment of grants that are aimed to finance the Council for the urban improvement of the locality.

## **HAZ-ZABBAR LOCAL COUNCIL**

### **Notes to the Financial Statements**

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#### **2.15 Government grants**

Government grants are not recognised until there is reasonable assurance that the Council will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Council recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Council should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Council with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

There are no unfulfilled conditions and contingences attached to recognised grants. The Council immediately writes off any variance between the value of any grants that were originally agreed upon and that the amount receivable and/or received is less than that agreed once the Council comes to know of the variance.



## HAZ-ZABBAR LOCAL COUNCIL

### Notes to the Financial Statements

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#### 3. Financial Risk Management

The Council's activities expose it to a variety of financial risks, that include market risks, credit risk, liquidity risk and interest risk. The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance.

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

Where possible, the 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 risk exposure associated with the financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

With respect to credit risk, the receivables are monitored continuously for recoverability. Receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidences of a reduction in the recoverability of the cash flows. Known bad debts are therefore maintained to the lowest possible, thereby lowering as much as possible the concentration of credit risk.

##### *Interest Rate risk*

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

## HAZ-ZABBAR LOCAL COUNCIL

### Notes to the Financial Statements

..... continued

#### *Liquidity risk*

The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and plans projects accordingly. The Council Members and Executive Secretary do not consider that it is significantly exposed to liquidity risk.

	Less than 3 month €	Between 3 month and 1 year €	Within 1 year €	Past due but not impaired Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €
<b>At 31 December 2014</b>						
Payables under Private Public Partnership	1,925	47,031	48,956	16,551	49,654	24,597
Trade and other payables (excluding Grants deferred income)	62,627	47,008	109,635	-	-	-
	<u>64,552</u>	<u>94,039</u>	<u>158,591</u>	<u>16,551</u>	<u>49,654</u>	<u>24,597</u>
<b>At 31 December 2013</b>						
Payables under Private Public Partnership	5,290	43,904	49,194	24,597	49,654	41,148
Trade and other payables (excluding Grants deferred income)	92,894	37,509	130,403	-	-	-
	<u>98,184</u>	<u>81,413</u>	<u>179,597</u>	<u>24,597</u>	<u>49,654</u>	<u>41,148</u>

## HAZ-ZABBAR LOCAL COUNCIL

### Notes to the Financial Statements

..... continued

#### *Credit risk*

Financial assets which potentially subject the Council to concentration of credit risk consist primarily of cash at bank and receivables. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any financial credit history. In this respect, credit with respect to receivables is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

Included in the Council's receivables balance are the following debtors which are past due at the end of the reporting period net of an allowance for doubtful debts and excluding related party receivables. For balances with related parties refer note 27. The remaining amounts are still considered recoverable as these customers have not defaulted in the past. The credit period allowed by the Council to its debtors is 60 days.

	2014	2013
	€	€
30 to 60 days	-	-
61 to 90 days	-	-
91 - 120 days	-	-
over 120 days	1,195	1,920
	<u>1,195</u>	<u>1,920</u>

## HAZ-ZABBAR LOCAL COUNCIL

### Notes to the Financial Statements

..... continued

#### 4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Council's accounting policies, which are described in note 2, the Council Members are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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 the revision and future periods if the revision affects both current and future periods.

##### 4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the Council Members have made in the process of applying the Council's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements

##### 4.1.2 Useful lives of property, plant and equipment

As described at 2.3 above, the Council reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. The depreciation rates are dictated by the Department for Local Government and as such the Council is not in a position to change the useful lives of the property, plant and equipment. The review of the estimated useful lives of the property, plant and equipment is used to decide whether to write off the asset, the said asset or group of assets are no longer useful or to impair the asset as required.

5. Surplus for the year	Note	2014 €	2013 €
Surplus for the year is stated after charging:			
Personal Emoluments	10	123,507	123,261
Depreciation on property, plant and equipment	12	137,013	100,951
Loss on disposal of property, plant and equipment	13	3,907	1,665
Movement in Provision for doubtful debts	12	1,195	27,358
		<hr/>	<hr/>
and after crediting:			
Movement in provision for doubtful debts	12	2,645	-
		<hr/>	<hr/>



## HAZ-ZABBAR LOCAL COUNCIL

### Notes to the Financial Statements

..... continued

#### 6. Funds Received from Central Government

	2014 €	2013 €
In terms of section 55 of the Local Councils Act, (Cap 363)	770,892	764,058
Supplementary Income	63,552	54,692
Urban Improvement Funds released to income	15,007	15,545
	<u>849,451</u>	<u>834,295</u>

#### 7. Income raised under Council Bye-Laws

	2014 €	2013 €
Community services	603	350
Cultural Activities	-	1,000
Placement of tables and chairs	735	532
Machinery permits	3,797	4,119
Kiosks permits	3,268	5,580
Occasional entertainment	524	377
Trenching permits	753	1,083
Material permits	12	23
Scaffolding permits	176	147
	<u>9,868</u>	<u>13,211</u>

## HAZ-ZABBAR LOCAL COUNCIL

### Notes to the Financial Statements

..... continued

<b>8. Income raised under Law Enforcement System</b>	<b>2014</b>	<b>2013</b>
	<b>€</b>	<b>€</b>
a) Contraventions Received	1,957	1,846
b) Contraventions - Sentenced Cases	(2,645)	(2,217)
c) Regjun Centru	2,619	2,331
c) Regjun Tramuntana	521	460
c) Regjun Nofsinhar	2,030	1,404
c) Regjun Xlokk	3,397	3,687
c) Regjun Ghawdex	61	85
	<u>7,940</u>	<u>7,596</u>

In accordance with the Law Enforcement System (LES) issued by the Ministry by virtue of Section 72 of the Local Councils Act, (Cap 363), the income relating to contraventions was delegated to the local councils through Legal Notice 32 of 2000.

The recording of income from contraventions for offences was based on reports generated by the contractor entrusted with the system by the Ministry.

As from 1 September 2011 the contraventions previously accruing to the Council started accruing in favour of the 'Regjun Xlokk'. The Council's income from the Law Enforcement System therefore started reflecting three revenue streams as of that date. The revenue streams are as follows:

- a) Receipts of contraventions that accrued in favour of the Council up to the 31 August 2011;
- b) Movement in Tribunal Pending cases of contraventions that had accrued in favour of the Council up to the 31 August 2011;
- c) 10% on the contraventions accruing to all Regional Committees that are settled at the Council's cash point.

<b>9. General Income</b>	<b>2014</b>	<b>2013</b>
	<b>€</b>	<b>€</b>
Sponsorships & donations	264	2,375
Document/Info. charges/tenders	1,875	3,200
Publications	93	71
Refund of expenses	257	2,304
	<u>2,489</u>	<u>7,950</u>

## HAZ-ZABBAR LOCAL COUNCIL

### Notes to the Financial Statements

..... continued

<b>10. Personal emoluments</b>	<b>2014</b>	<b>2013</b>
	<b>€</b>	<b>€</b>
Personal emoluments include, inter alia:		
Mayor's Honoraria	13,736	11,801
Council Members' Allowance	10,907	13,000
Executive Salary and Allowance	32,370	31,758
Employees' Salaries	59,117	59,301
Social Security Contributions - Employer's Share	7,377	7,401
	<u>123,507</u>	<u>123,261</u>

## HAZ-ZABBAR LOCAL COUNCIL

### Notes to the Financial Statements

..... continued

#### 11. Operations and Maintenance

Operations and maintenance includes, inter alia:

	2014	2013
	€	€
<b>Repairs and Upkeep:</b>		
Public Property	5,248	11,358
Road and Street Pavements	109,588	8,411
Street Signs	3,372	5,887
Road Markings	5,834	7,652
Office Furniture & Equipment	3,543	2,586
Maintenance of Equipment	281	363
Maintenance Council Property	1,572	1,517
	<u>129,438</u>	<u>37,774</u>
<b>Contractual Services:</b>		
Waste Disposal	-	386
Refuse Collection	120,173	128,914
Bulky Refuse Collection	15,525	13,790
Open Skips	705	890
Disposal fees at Landfill BIS	88,089	100,327
Cleaning Services	400	2,875
Road & Street Cleaning	65,673	68,589
Cleaning and Maintenance of Non-Urban Roads	4,061	5,265
Clean. & Maint. - Public Conveniences	13,140	12,321
Cleaning Council Premises	2,636	3,238
Other Contractual Services	2,098	1,665
Clean. & Maint. of Parks & Gardens	4,931	4,260
Cleaning & Maintenance Soft Areas	19,000	19,000
Warden Services	298	-
Street Lighting	11,117	14,426
Law Enforcement System	2,020	1,982
	<u>349,866</u>	<u>377,928</u>
<b>Total Operations and Maintenance expenses</b>	<u>479,304</u>	<u>415,702</u>



## HAZ-ZABBAR LOCAL COUNCIL

### Notes to the Financial Statements

..... continued

<b>12. Administration and Other Expenses</b>	<b>2014</b>	<b>2013</b>
	<b>€</b>	<b>€</b>
Utilities	8,618	12,402
Fuel (other than transport)	29	25
Operating Materials & Supplies	615	504
Cleaning Materials & Supplies	485	568
Uniforms	1,165	-
Rents	1,343	1,344
Participation fee National Meetings	357	97
Membership in Local Organisations	30	-
Printing	1,931	2,762
Stationery	926	1,478
Subscriptions	-	288
Postages	543	685
Documentation	85	2
Maintenance of Vehicles	764	1,498
Hire of Transport	197	1,123
Fuel	1,718	1,486
Payments for Use of Personal Vehicle	77	48
Transportation of Goods	50	338
Public relation expenses	-	660
Overseas Tickets	-	825
Overseas Subsistence & Accomodation	-	588
Advertising	1,526	1,291
Publications and newsletters	890	92
Lease of equipment	-	23
Library	4,019	2,976
Lease of Equipment	55	-
Insurance Coverage	2,763	2,041
Legal Charges	1,003	-
Management & Operating Services	650	1,150
Balance carried forward to next page	<u>29,839</u>	<u>34,294</u>

## HAZ-ZABBAR LOCAL COUNCIL

### Notes to the Financial Statements

..... continued

<b>12. Administration and Other Expenses (cont.)</b>	<b>2014</b>	<b>2013</b>
	<b>€</b>	<b>€</b>
Balance brought forward from previous page	29,839	34,294
Bank Charges	267	83
Legal Services	628	1,210
Accountancy Services	7,892	8,083
Other Support Services	-	725
Course fees - Local Training	40	140
Conference Expenses	1,343	1,130
Visits Foreign Delegations	-	1,042
Other Hospitality Costs	1,252	342
Social Events	-	131
Cultural Events	15,047	22,598
Lejla fil Belt Hompesh	13,893	13,440
Christmas Village	25,000	-
Community Services	1,034	840
Sundry Minor Expenses	536	65
Provision for LES Doubtful debts	(1,450)	27,358
Depreciation Expense	137,013	100,951
	<u>232,334</u>	<u>212,432</u>
<b>13. Other expenses</b>	<b>2014</b>	<b>2013</b>
	<b>€</b>	<b>€</b>
Loss on disposal of assets	<u>3,907</u>	<u>1,665</u>
<b>14. Finance income</b>	<b>2014</b>	<b>2013</b>
	<b>€</b>	<b>€</b>
Bank Interest	<u>1,003</u>	<u>1,604</u>
	<u>1,003</u>	<u>1,604</u>

# HAZ-ZABBAR LOCAL COUNCIL

## Notes to the Financial Statements

..... continued

### 15. Property, plant and equipment

Cost	Trees €	Construc. Works €	Furniture & Fittings €	New Street Signs €	Urban Improve. €	Office Equip. €	Plant and machinery €	Motor vehicles €	Assets Not yet Capitalised €	Total €
At 1 January 2014	11,379	2,627,250	70,772	30,607	303,091	31,560	32,071	18,386	22,460	3,147,576
Reclassifications	-	8,069	-	-	-	-	-	-	(8,069)	-
Additions	-	108,290	455	788	2,664	7,960	200	-	9,029	129,386
Disposals	-	-	(25)	-	-	(3,972)	-	-	(3,423)	(7,420)
At 31 December 2014	11,379	2,743,609	71,202	31,395	305,755	35,548	32,271	18,386	19,997	3,269,542
<b>Government Grants</b>										
At 1 January 2014 & 31 December 2014	-	921,147	-	-	-	5,199	-	-	7,485	933,831
<b>Depreciation</b>										
At 1 January 2014	-	794,372	39,936	30,607	255,614	19,095	14,986	17,772	-	1,172,382
Current charge	-	120,844	2,414	788	7,411	1,981	3,452	123	-	137,013
Eliminated on Disposals	-	-	(2)	-	-	(3,074)	-	-	-	(3,076)
At 31 December 2014	-	915,216	42,348	31,395	263,025	18,002	18,438	17,895	-	1,306,319
N.B.V. at 31 December 2014	11,379	907,246	28,854	-	42,730	12,347	13,833	491	12,512	1,029,393

# HAZ-ZABBAR LOCAL COUNCIL

## Notes to the Financial Statements

..... continued

### 15. Property, plant and equipment

Cost	Trees €	Construc. Works €	Furniture & Fittings €	New Street Signs €	Urban Improve. €	Office Equip. €	Plant and machinery €	Motor vehicles €	Assets Not yet Capitalised €	Total €
At 1 January 2013	11,279	2,385,455	73,561	27,383	293,141	29,100	32,071	18,386	15,385	2,885,761
Reclassifications	-	500	-	-	-	-	-	-	(500)	-
Additions	100	241,295	2,673	3,224	9,950	2,460	-	-	7,575	267,277
Disposals	-	-	(5,462)	-	-	-	-	-	-	(5,462)
At 31 December 2013	11,379	2,627,250	70,772	30,607	303,091	31,560	32,071	18,386	22,460	3,147,576
<b>Government Grants</b>										
At 1 January 2013 & 31 December 2013	-	921,147	-	-	-	5,199	-	-	7,485	933,831
<b>Depreciation</b>										
At 1 January 2013	-	717,414	41,190	27,382	243,935	16,974	10,715	17,619	-	1,075,229
Current charge	-	76,958	2,544	3,225	11,679	2,121	4,271	153	-	100,951
Eliminated on Disposals	-	-	(3,798)	-	-	-	-	-	-	(3,798)
At 31 December 2013	-	794,372	39,936	30,607	255,614	19,095	14,986	17,772	-	1,172,382
<b>N.B.V. at 31 December 2013</b>	11,379	911,731	30,836	-	47,477	7,266	17,085	614	14,975	1,041,364

## HAZ-ZABBAR LOCAL COUNCIL

### Notes to the Financial Statements

..... continued

#### 16. Financial Instruments

The Council manages its liquidity to ensure that it will be able to continue as a going concern while maximising the return through the optimisation of the debt and reserves balance. The Council's overall strategy remains unchanged from 2013.

16.1 Categories of financial instruments	2014 €	2013 €
<i>Financial Assets</i>		
<i><u>Non-Current Assets</u></i>		
Grants Receivables	-	30,500
<i><u>Current Assets</u></i>		
Grants Receivables	-	55,958
General receivables	55,268	52,318
Cash and bank balances	648,090	521,737
	<u>703,358</u>	<u>630,013</u>
<i>Financial Liabilities</i>		
Financial liabilities restated at amortised cost		
<i><u>Non-Current Liabilities</u></i>		
Payables under Public Private Partnership agreement	<u>90,802</u>	<u>115,400</u>
<i><u>Current Liabilities</u></i>		
Payables under Public Private Partnership agreement	48,956	49,194
General payables	114,714	135,393
Bank Balance	101,745	18,801
	<u>265,415</u>	<u>203,388</u>
 17. Inventories	 2014 €	 2013 €
Books for sale	<u>12,479</u>	<u>12,676</u>

## HAZ-ZABBAR LOCAL COUNCIL

### Notes to the Financial Statements

..... continued

<b>18 . Government Grants</b>		<b>2014</b>	<b>2013</b>
		<b>€</b>	<b>€</b>
	<i>Note</i>		
Balance at the beginning of the year		86,458	58,843
Forgone	(a)	(26,192)	-
Increase		-	32,800
Received		(60,266)	(5,185)
		<hr/>	<hr/>
Balance at the end of the year		-	86,458
		<hr/>	<hr/>
<b>Amount Receivable within one year</b>	<b>19</b>	-	<b>55,958</b>
		<hr/>	<hr/>
<b>Amount Receivable beyond one year</b>		-	<b>30,500</b>
		<hr/>	<hr/>

#### (a) Foregone

Foregone represents the amounts previously agreed with the relevant authority but were eventually not received. Refer also to note 22.



## HAZ-ZABBAR LOCAL COUNCIL

### Notes to the Financial Statements

..... continued

<b>19. Receivables</b>		<b>2014</b>	<b>2013</b>
		<b>€</b>	<b>€</b>
<b>Falling due within One Year</b>			
Grants receivable	<b>18</b>	-	55,958
Receivables	<b>19. 1</b>	-	1,920
Other Related Undertakings	<b>27</b>	51,629	50,359
		<u>51,629</u>	<u>108,237</u>
Prepayments, accrued income and deferred expenditure		6,179	5,327
		<u>57,808</u>	<u>113,564</u>
		<b>2014</b>	<b>2013</b>
		<b>€</b>	<b>€</b>
<b>19. 1 Credit period analysis:</b>			
Within credit period		-	-
Exceeded credit period but not impaired		-	1,920
Impaired and provided for		367,168	368,618
Provision for doubtful debts		(367,168)	(368,618)
		<u>-</u>	<u>1,920</u>
<b>19. 2 Provision for doubtful debts</b>		<b>2014</b>	<b>2013</b>
		<b>€</b>	<b>€</b>
Opening balance		368,618	341,260
Increase/(Decrease) in provision for doubtful debts		(2,645)	27,358
Closing balance		<u>365,973</u>	<u>368,618</u>

## HAZ-ZABBAR LOCAL COUNCIL

### Notes to the Financial Statements

..... continued

As at the date of the statement of financial position, the ageing analysis of the receivables is as follows:

	<b>Total</b>	<b>current neither past due nor impaired</b>	<b>less than 30 days</b>	<b>30 to 60 days</b>	<b>60 to 90 days</b>	<b>90 days and over</b>
	€	€	€	€	€	€
<b>At 2014</b>	<u>1,195</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,195</u>
<b>At 2013</b>	<u>1,920</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,920</u>

#### 20. Cash and Cash Equivalents

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

	<b>2014</b>	<b>2013</b>
	€	€
Cash in hand	183	39
Bank balances: Current accounts	(100,144)	(16,468)
Bank balances: Savings accounts	646,306	519,365
	<u>546,345</u>	<u>502,936</u>



## HAZ-ZABBAR LOCAL COUNCIL

### Notes to the Financial Statements

..... continued

21. Other financial payables		2014 €	2013 €
	<i>Note</i>		
<b>Non-Current</b>			
Public Private Partnership (PPP) Agreement		<u>90,802</u>	<u>115,400</u>
<b>Current</b>			
Public Private Partnership (PPP) Agreement	23	<u>48,956</u>	<u>49,194</u>
Total Amount payable under the PPP Agreement		<u>139,758</u>	<u>164,594</u>
Amount payable between one and two years		16,551	24,597
Amount payable between two and five years		49,654	49,654
Amount payable beyond five years		<u>24,597</u>	<u>41,149</u>
		<u>90,802</u>	<u>115,400</u>

## HAZ-ZABBAR LOCAL COUNCIL

### Notes to the Financial Statements

..... continued

<b>22. Deferred Income</b>		<b>2014</b>	<b>2013</b>
		<b>€</b>	<b>€</b>
Government Grants			
	<i>Note</i>		
Balance at 1 January		229,188	211,933
Increase		-	32,800
		<u>229,188</u>	<u>244,733</u>
Released to income		(15,007)	(15,545)
Forgone	<i>(a)</i>	(26,192)	-
		<u>187,989</u>	<u>229,188</u>
<b>Non-Current</b>		<u>175,045</u>	<u>214,658</u>
<b>Current</b>	<i>23</i>	<u>12,944</u>	<u>14,530</u>
<b>Deferred Government Grants</b>			
Amount to be released between one and two years		11,544	12,944
Amount to be released between two and five years		27,906	31,149
Amount to be released beyond five years		135,595	170,565
		<u>175,045</u>	<u>214,658</u>
<b>Deferred after five or more years:</b>			
Amount to be released beyond five years		<u>135,595</u>	<u>170,565</u>

Deferred Government Grants represent agreements signed with the Malta Environment & Planning Authority, the ERDF fund and other Central Government Grants, collectively referred to as 'Government Grants', up to the end of the year under review. The funds are released to income in line with the depreciation charge on the projects that were capitalised up the end of the year under review.

#### *(a)* **Foregone**

Foregone represents the amounts previously agreed with the relevant authority but were eventually not received. Refer also to note 18 .

## HAZ-ZABBAR LOCAL COUNCIL

### Notes to the Financial Statements

..... continued

<b>23. Payables</b>	<b>2014</b>	<b>2013</b>
	<b>€</b>	<b>€</b>
<b>Falling due within One Year</b>		
Payables	111,583	142,088
Law Enforcement Unidentified deposits	4,967	4,967
Amounts owed to other Councils	112	23
Accruals and deferred income	59,952	52,039
	<u>176,614</u>	<u>199,117</u>

<b>24. Capital commitments</b>	<b>2014</b>	<b>2013</b>
	<b>€</b>	<b>€</b>

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

(i) Approved but not yet contracted for:	<u>238,500</u>	<u>270,700</u>
(ii) Contracted for but not provided in the financial statements:	<u>-</u>	<u>65,320</u>

These can be analysed further as follows:

(i) Approved but not yet contracted for:		
- Construction (Resurfacing Triq il-Gnien)	20,000	-
- Urban Improvements (Gnien il-Kunsill)	188,500	270,700
- Furniture & Fittings (Refurbishing Council offices)	30,000	-
	<u>238,500</u>	<u>270,700</u>
(ii) Contracted for but not provided in the financial statements:		
- Road Resurfacing	-	51,000
- Urban Improvements	-	14,320
	<u>-</u>	<u>65,320</u>

The Council will be financing Gnien il-Kunsill through a grant from the Urban Improvement Funds of € 100,000 .

## HAZ-ZABBAR LOCAL COUNCIL

### Notes to the Financial Statements

..... continued

<b>25. Cash generated from operations</b>	<b>2014</b>	<b>2013</b>
	<b>€</b>	<b>€</b>
Surplus for the year	31,699	111,596
Adjustments for:		
Depreciation	137,013	100,951
Loss on disposal of assets	3,907	1,665
Grants released to income	(15,007)	(15,545)
Investment income	(1,003)	(1,604)
Movements in working capital:		
Inventories	197	502
General and other receivables	27,480	(37,224)
Provision for doubtful debts	(1,450)	27,358
General and other payables	(10,854)	(57,515)
Deferred income	(26,192)	32,800
Cash generated from operations	<u>145,790</u>	<u>162,984</u>

### 26. Contingent liabilities

The Council is in litigation five of its suppliers for the total amount of € 889.83 (2013: € - ). Included in the payables accounts is also the amount of € 4,360 (2013: € 40,547) that is also being contested by the Council. The outcome of the litigations is still uncertain as the Council is contesting the amounts claimed.

## HAZ-ZABBAR LOCAL COUNCIL

### Notes to the Financial Statements

..... continued

#### 27. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The ultimate controlling party of the Haz-Zabbar Local Council is the Department for Local Government within the Parliamentary Secretariat for Culture.

All the Companies, Authorities and Agencies set up by the Central Government are also considered to be related parties to Haz-Zabbar Local Council but do not have significant control. The Joint Committee (up to the 31 August 2011), All Regional Committees (from 1 September 2011), the Local Councils Association and the other Local Councils are also considered to be related parties.

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

Name of Entity:	Nature of Relationship
Department for Local Government	Significant Control
Regional Committee - Local Law Enforcement	No Control
Southern Harbour District Joint Committee	No Control
Bank of Valletta plc	No Control
Cleansing Services Department	No Control
Lands Department	No Control
Enemalta Corporation	No Control
Arms Limited	No Control
MITTS	No Control
Local Councils Association	No Control
Other Local Councils	No Control
Police Commissioner	No Control
Water Services Corporation	No Control
Wasteserv Malta Limited	No Control
Works Division - Director General Works	No Control

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

	2014	2013
	€	€
<b>Cash Transactions:</b>		
Income - Annual Financial Allocation	770,892	764,058
Income - Law Enforcement System	7,940	7,596
Purchases of goods and services	16,829	98,417



## HAZ-ZABBAR LOCAL COUNCIL

### Notes to the Financial Statements

..... continued

	2014 €	2013 €
<b>Non-Cash Transactions:</b>		
Government Grants Released	<u>15,007</u>	<u>15,545</u>

<b>Year-end balances arising from related party transactions</b>	<b>2014 €</b>	<b>2013 €</b>
Receivables from related parties (excluding Grants receivable)	<u>50,359</u>	<u>48,323</u>

The receivables from related parties arise mainly from the annual financial allocation by Central Government, Urban Improvement Funds and income arising from delegation of responsibilities. The receivables are unsecured in nature and bear no interest.

	2014 €	2013 €
Payables to related parties	<u>2,658</u>	<u>10,955</u>

The payables to related parties arise mainly from purchases of goods and services and are mainly due 1 month after the date of purchase. The payables bear no interest.

#### 28. Post Balance Sheet events

There were no particular important events affecting the Council which occurred since the end of the accounting period.

#### 29. Comparative Figures

Certain comparative figures have been restated to conform to current year's presentation.

## **Zabbar Local Council**

### **Financial Statements for the year ended 31 December 2014**

#### **Report of the Local Government auditor to the Auditor General**

We have audited the accompanying financial statements of Zabbar Local Council which comprise the statement of financial position as at 31 December 2014, the statement of income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### ***Respective responsibilities of the Local Council and Local Government auditors***

As described in page 1, these financial statements are the responsibility of the Executive Secretary and the Local Council members.

#### ***Auditors' responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements.

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

#### ***Basis for qualified opinion***

1. Up to 31 August 2011 the Council operated the Local Enforcement System (LES). At that date the Council had outstanding debtors which by 31 December 2014 were either received or provided for. During our audit work we noted that the Council has recorded cash received during the year amounting to € 1,957 whereas two particular LES reports generated from the same IT system are indicating that during the year ended 31 December 2014 the Council received € 2,644 and € 2,038 respectively. This casts doubt on the integrity of the data being generated from the IT system.
2. Included with Receivables in note 19 to the financial statements is an amount of € 38,694 owed by a third party. We were unable to obtain direct confirmation of the balance from the debtor and there were no satisfactory alternative audit procedures we could perform to ensure that the balance is not materially misstated.
3. Included with Payables in note 23 is an amount due to a third party which according to the statement issued by the third party is understated by € 10,092.
4. The accounting treatment applied to measure long-term creditors relating to PPP projects, shown in note 21, does not satisfy the requirements of IAS 39 *Financial Instruments: Recognition & Measurement*, which requires that such creditors are accounted for at amortised cost
5. The council's financial statements do not include disclosures on the objectives, policies and processes for managing capital as required by IAS 1 *Presentation of financial statements*.

**Zabbar Local Council**

**Financial Statements for the year ended 31 December 2014**

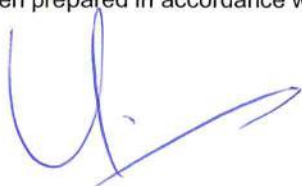
**Report of the Local Government auditor to the Auditor General (continued)**

6. The disclosures in note 3 relating to "Financial liabilities" and in note 16.1 relating to "Financial assets" and "Financial liabilities" do not report the correct amounts and therefore do not satisfy the requirements of the quantitative disclosures required by *IFRS 7 Financial Instruments: Disclosures*.
7. The cash flow statement does not reflect the correct cash outflows on the acquisition of Property, Plant and Equipment as required by *IAS 7 Statement of Cash Flow*.
8. Excluded from these financial statements are the budgeted figures for the year. This is not in accordance with the Local Councils (Financial) Procedures, 1996.

**Qualified Opinion**

In our opinion, except for the effects of the matters described in paragraphs 1 to 4 above, the financial statements give a true and fair view of the financial position of Zabbar Local Council as of 31 December 2014, and of the results of its operations, changes in net assets/equity and its cash flows for the period then ended in accordance with the accounting policies set out on pages 7 to 18.

Because of the matter set out in paragraphs 5 to 8 above, these financial statements do not comply fully with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 and because of the matters set out in paragraphs 4 to 7 these financial statements have not been prepared in accordance with International Financial Reporting Standards.



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27 April 2015