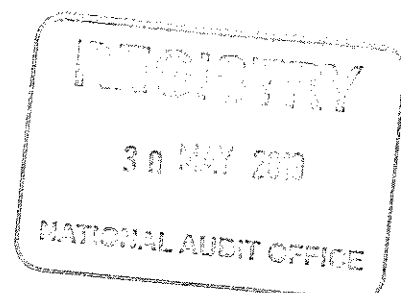


Local Council Attard
Annual Audit Report
for the year ended 31 December 2018

Prepared by 3a



Contents

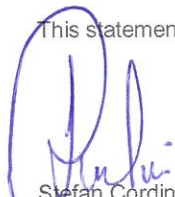
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**Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2018**

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

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

This statement was approved by the Council on 23 April 2019 and signed on its behalf by:


Stefan Cordina
Mayor


Marica Mifsud
Executive Secretary

Statement of Comprehensive Income
for the year ended 31 December 2018

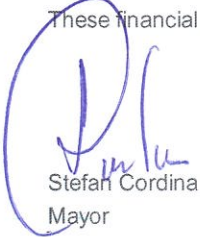
	Notes	2018 €	2017 €
Revenue			
Funds received from Central Government	3	768,332	722,203
Income raised under Local Council Bye-Laws	4	2,507	5,488
Income raised under Local Enforcement System	5	6,774	35,875
General Income	6	40,185	41,199
		<u>817,798</u>	<u>804,765</u>
Expenditure			
Personal Emoluments	7	(153,321)	(142,608)
Operations and maintenance	8	(500,929)	(475,677)
Administration and other expenditure	9	(423,953)	(151,567)
		<u>(1,078,203)</u>	<u>(769,852)</u>
Operating (loss)/profit for the year		(260,405)	34,913
Finance income	10	99	83
Finance costs	11	(21)	(611)
		<u>(260,327)</u>	<u>34,385</u>
Loss on disposal of assets	7	(81)	(508)
(Loss)/Profit for the year	7	<u>(260,408)</u>	<u>33,877</u>

The notes on pages 6 to 29 form an integral part of these financial statements.

Statement of Financial Position
as at 31 December 2018

	Notes	2018 €	2017 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	13	264,729	467,611
Intangible assets	12	841	-
		<u>265,570</u>	<u>467,611</u>
Current Assets			
Inventories	14	2,172	9,486
Receivables	15	101,300	67,253
Cash and cash equivalents	16	222,954	233,583
		<u>326,426</u>	<u>310,322</u>
Total Assets		<u>591,996</u>	<u>777,933</u>
RESERVES			
Retained earnings		257,775	518,183
Total reserves		<u>257,775</u>	<u>518,183</u>
Non-Current Liabilities			
Deferred income	18	182,506	157,069
Current Liabilities			
Payables	17	151,715	102,681
Total Liabilities		<u>334,221</u>	<u>259,750</u>
Total reserves and liabilities		<u>591,996</u>	<u>777,933</u>

These financial statements were approved by the Local Council on 23rd April 2019 and signed on its behalf by:


Stefan Cordina
Mayor


Marica Mifsud
Executive Secretary

The notes on pages 6 to 29 form an integral part of these financial statements.

**Statement of Changes in Equity
for the year ended 31 December 2018**

	Retained Funds	Total
	€	€
At 1 January 2017	484,306	484,306
Profit for the year	33,877	33,877
At 31 December 2017	<u>518,183</u>	<u>518,183</u>
 At 1 January 2018	 518,183	 518,183
Loss for the year	(260,408)	(260,408)
At 31 December 2018	<u>257,775</u>	<u>257,775</u>

The notes on pages 6 to 29 form an integral part of these financial statements.

Statement of Cash Flows
for the year ended 31 December 2018

	2018	2017
	€	€
Cash flow from operating activities		
Net (loss)/profit for the year	(260,408)	33,877
Depreciation	297,371	54,155
Loss on disposal of assets	81	508
Movement in Provision for Doubtful Debts	(226)	(1,034)
Bad debtors written off	-	978
Inventory written off	7,180	492
Reclass from property, plant and equipment to income	(942)	-
Interest receivable	(99)	(83)
Interest payable	21	611
Operating profit before working capital changes	42,978	89,504
Decrease in inventories	134	40
(Increase) / decrease in receivables	(15,295)	1,765
(Increase) in other receivables	7,361	(16,204)
Increase in payables	40,026	11,245
Decrease in other payables	9,007	(1,663)
Cash (used in)/generated from operating activities	84,211	84,687
Cash flow from investing activities		
Interest received	99	83
Purchase of property, plant & equipment	(162,583)	(9,295)
Receipt of grant	67,665	29,161
Cash generated from investing activities	(94,819)	19,949
Cash from financing activities		
Interest paid	(21)	(611)
Cash used in financing activities	(21)	(611)
Net increase in cash in the year	(10,629)	104,025
Cash and equivalents at beginning of year	233,583	129,558
Cash and equivalents at end of year	222,954	233,583

The notes on pages 6 to 29 form an integral part of these financial statements.

1. General Information

The Local Council Attard is the local authority of Malta set up in accordance with the Local Councils Act(1993). The office of the Local Council is situated at 6, Main Street, Attard. These financial statements were approved for issue by the Council Members on 23 April 2019. The Local Council's presentation as well as functional currency are denominated in €.

2 Accounting Policies and Reporting Procedures

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

Accounting convention

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

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).

During the year the Council has applied the following International Financial Reporting Standards as adopted by the EU which have become mandatorily effective for the year ending 31 December 2018:

On 24 July 2014, the IASB issued IFRS 9 Financial Instruments. The finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement has become mandatory for annual periods beginning on or after 1 January 2018. The standard contains requirements in the following areas:

- Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- Impairment. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

There have been no changes to the classification, measurement or impairment of financial assets and liabilities as a result of the application of IFRS 9.

On 28 May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows: Identify the contract with the customer; Identify the performance obligations in the contract; Determine the transaction price; Allocate the transaction price to the performance obligations in the contracts; & Recognise revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

The application of IFRS 15 has not had an impact on the financial position and financial performance of the Council.

2 Accounting Policies and Reporting Procedures (continued)*New or revised Interpretations adopted:*

On 8 December 2016, the IASB issued IFRIC 22 Foreign Currency Transactions and Advance Consideration. The interpretation addresses foreign currency transactions or parts of transactions where: (1) There is consideration that is denominated or priced in a foreign currency; (2) The entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and (3) the prepayment asset or deferred income liability is non-monetary. The Interpretation states, that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. The interpretation also states that if there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

New or revised Amendments adopted:

- Clarifications to IFRS 15 'Revenue from Contracts with Customers'. Amends IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions. Amends IFRS 2 Share-based Payment to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.
- Amendments to IAS 40: Transfers of Investment Property. Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The list of examples of evidence in paragraph 57(a) - (d) of the standard, is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.
- Annual Improvements to IFRS Standards 2014-2016 Cycle. Makes amendments to the following standards: (1) IFRS 1 - Deletes the short-term exemptions in paragraphs E3-E7 of IFRS 1, because they have now served their intended purpose. (2) IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

New and revised IFRSs adopted by the EU that are not mandatorily effective for the year ending 31 December 2018 and have not been applied during the year under review:

- IFRS 16 Leases - IFRS 16 was issued on 13 January 2016 to specify how an IFRS reporter will recognise, measure, present and disclose leases. The standard becomes applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2019. At this stage the Council is still in the process of assessing and evaluating the impact of IFRS 16.
- IFRIC 23 Uncertainty over Income Tax Treatments - IFRIC 23 was issued on 7 June 2017 and addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The interpretation becomes applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2019.

2 Accounting Policies and Reporting Procedures (continued)

Standards and Interpretations issued by the IASB but not yet adopted by the EU:

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the IASB except for the following standards and amendments to the existing standards, which were not endorsed for use in the EU as at 31 December 2018 and cannot be applied by the entities preparing their financial statements in accordance with IFRS as adopted by the EU:

Standards and Interpretations issued by the IASB but not yet adopted by the EU

- Annual Improvements to IFRS Standards 2015-2017 Cycle (issued 12 December 2017)
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement (issued 7 February 2018)
- Amendments to References to the Conceptual Framework in IFRS Standards (issued 29 March 2018)
- Amendments to IAS 1 and IAS 8 Definition of Material (issued 31 October 2018)

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

Intangible Fixed Assets

Computer Software

Computer software is valued at cost less accumulated depreciation and impairment losses to date. Amortisation to write off the cost is calculated on a monthly basis using the straight line method at 25% per annum.

2 Accounting Policies and Reporting Procedures (continued)***Property, plant and equipment***

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses to date. Depreciation is calculated on a monthly basis using the straight-line method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

	%
Land	0
Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	Replacement Basis
Playground Furniture	100
Traffic Signs	Replacement Basis
Road Signs	Replacement Basis
Street Mirrors	Replacement Basis
Street Lights	100

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

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

Up to the year 31 December 2017, depreciation was accounted for using the reducing balance method according to IAS 16 Property, Plant and Equipment. On 1 January 2018, the straight-line method, according to IAS 16 has been adopted, in line with the Directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting estimate, which according to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors it has been accounted for prospectively.

2 Accounting Policies and Reporting Procedures (continued)

Impairment of Assets

As at 31 December 2017 assets that had an indefinite useful life were not subject to amortisation and were tested annually for impairment. Assets that were subject to amortisation or depreciation were reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss was 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 Profit or Loss and Other Comprehensive Income.

After the adoption of IFRS 9 as from 1 January 2018, the Council applied the simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Amounts receivable

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

Related parties

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

Revenue

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

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

Government grants

By means of Directive 1/2017, the Department of Local Councils has instructed the Council to adopt the alternative capital approach available in IAS 20 as from 1 January 2018. This is a change in accounting policy, and according to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, has been accounted for retrospectively.

2 Accounting Policies and Reporting Procedures (continued)

Foreign currencies

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

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

Borrowing costs

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

Profits and losses

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

Cash and equivalents

Cash and Cash Equivalents are carried in the Statement of Financial Position 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.

Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Executive Secretary, the accounting estimates and judgements made in the preparation of the Financial Statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS1 (revised) - 'Presentation of Financial Statements'.

Capital Management

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objectives are to ensure:

- that the Council's ability to continue as a going concern is still valid and
- that the Council maintains a positive working capital ratio.

To achieve the above, the Council carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was positive at the reporting date and has not changed significantly from the previous year. The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

2 Accounting Policies and Reporting Procedures (continued)

Financial instruments

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs. They are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets of the Council are classified into loans and receivables upon initial recognition.

Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

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

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

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

3. Funds received from central government

	2018 €	2017 €
In terms of section 55 of the Local Council Act	701,775	672,935
Other Government Income	18,388	-
Supplementary Government Income	48,169	49,268
	<u>768,332</u>	<u>722,203</u>

4. Income raised from Bye-Laws

	2018 €	2017 €
Bye-Law - Advertising on Street Furniture	<u>2,507</u>	<u>5,488</u>

5. Local Enforcement System

	2018 €	2017 €
Contraventions and other fines	1,079	-
Administrative charges to Regional Committees+LESA	5,695	6,250
LESA surplus distribution	-	29,625
	<u>6,774</u>	<u>35,875</u>

6. General Income

	2018 €	2017 €
Community Services	3,144	-
Sale of books and other merchandise	-	44
General Income	-	701
Tender Documents/Info. Charges	9	-
Donations	925	150
Contributions	650	-
Refund of expenses	-	7,942
Insurance Claims	23	-
Income from Permits	35,434	32,362
	<u>40,185</u>	<u>41,199</u>

7. Loss for the year

		2018	2017
		€	€
Loss for the year is stated after charging:			
Staff salaries	<i>Note</i>	153,321	142,608
Depreciation of tangible assets		297,203	77,849
Amortisation of intangible assets		168	-
Loss on disposal of property, plant and equipment		81	508
		<u>153,321</u>	<u>142,608</u>

Staff salaries

	2018	2017
	€	€
Mayor's Remuneration	11,196	11,018
Councillors' Allowances	11,200	11,200
Executive Secretary Salary and Allowances	34,568	33,746
Employees' Salaries	86,458	78,030
Social Security Contributions	9,899	8,614
	<u>153,321</u>	<u>142,608</u>

Average number of people employed

Employees	6	6
Mayor & Councillors	9	9
	<u>6</u>	<u>9</u>

8. Operations and Maintenance

	2018	2017
	€	€
<i>Repairs and Upkeep:</i>		
Public Property	12,707	11,779
Road/Street Pavements	12,454	42,084
Signs	8,932	5,178
Road Markings	4,262	1,130
Office Furniture and Equipment	725	1,087
Plant & Equipment	100	-
Sundry Repairs	50	-
Other repairs and Upkeep	32	83
Council Property	553	-
	<u>39,815</u>	<u>61,341</u>

8. Operations and Maintenance (continued)

	2018	2017
	€	€
<i>Contractual Services:</i>		
Waste Disposal	89,914	88,866
Refuse Collection	140,530	123,703
Bulky Refuse Collection	20,054	17,130
Hiring of Skips - Bins on Wheels	1,851	657
Bring-in Sites	-	437
Cleaning Services	220	-
Road & Street Cleaning	80,153	63,994
Cleaning & Maint. Non-Urban	9,188	10,331
Cleaning - Public Conveniences	6,870	5,025
Other Contractual Services	-	1,820
Clean. & Maint. Parks & Gardens	96,031	90,325
Clean. & Maint. Soft Areas	875	-
Street Lighting	11,168	8,425
Experts	1,011	177
Studies & Consultations	-	1,980
Local Enforcement Expenses	3,249	1,466
	<u>461,114</u>	<u>414,336</u>
 Total Operations and Maintenance Costs	 <u>500,929</u>	 <u>475,677</u>

9. Administration and other expenditure

	2018	2017
	€	€
Utilities	13,250	8,695
Other repairs and upkeep	7,260	3,823
Rent	116	116
National and International Memberships	772	791
Office Services	31,131	23,131
Transport	6,180	9,447
Information Services	5,359	4,327
Bank charges	145	114
Lease of Equipment	854	-
Insurance Coverage	4,002	3,163
Penalties	250	-
Professional Services	33,006	27,855
Training	175	180
Entertainment	339	923
Conference Expenses	31	-
Visits - Foreign Delegations	-	3,204
Social Events	10,314	8,051
Cultural Events	6,342	2,762
Community Services	-	200
Donations	102	194
Inventory written off	7,180	492
Increase/(decrease) provision for doubtful debts	(226)	(1,034)
Bad debts written off	-	978
Depreciation	297,371	54,155
	<u>423,953</u>	<u>151,567</u>

10. Finance Income

	2018	2017
	€	€
Bank Interest Received	<u>99</u>	<u>83</u>

11. Finance Costs

	2018	2017
	€	€
Late payment interest	<u>21</u>	<u>611</u>

12. Intangible fixed assets

	Computer Software	Total
	€	€
Cost		
Additions	1,009	1,009
At 31 December 2018	<u>1,009</u>	<u>1,009</u>
Provision for diminution in value		
Charge for year	168	168
At 31 December 2018	<u>168</u>	<u>168</u>
Net book values		
At 31 December 2018	<u>841</u>	<u>841</u>
At 31 December 2017	<u>-</u>	<u>-</u>

**Notes to the Financial Statements
for the year ended 31 December 2018**

13. Property, plant and equipment

	Trees	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & equipment	Office Furniture & fittings	Motor vehicles	Total
Cost	€	€	€	€	€	€	€	€
At 1 January 2017	11,529	6,954	18,445	2,640,029	26,660	29,184	5,299	2,738,100
Additions	-	155	-	3,852	4,901	367	-	9,295
Disposals	-	-	-	-	(641)	(198)	-	(839)
At 31 December 2017	<u>11,529</u>	<u>7,109</u>	<u>18,445</u>	<u>2,643,881</u>	<u>30,920</u>	<u>29,373</u>	<u>5,299</u>	<u>2,746,556</u>
Depreciation								
At 1 January 2017	-	-	12,877	1,313,673	15,343	16,376	2,120	1,360,389
Charge for the year	-	-	-	49,792	2,749	978	636	54,155
Adoption of capital approach	-	-	-	(222,433)	(630)	-	-	(223,063)
Disposals	-	-	-	-	(302)	(30)	-	(332)
At 31 December 2017	<u>-</u>	<u>-</u>	<u>12,877</u>	<u>1,141,032</u>	<u>17,160</u>	<u>17,324</u>	<u>2,756</u>	<u>1,191,149</u>
Grants								
At 1 January 2017	-	-	5,568	623,221	-	-	-	628,789
Adoption of capital approach	-	-	-	457,399	1,608	-	-	459,007
At 31 December 2017	<u>-</u>	<u>-</u>	<u>5,568</u>	<u>1,080,620</u>	<u>1,608</u>	<u>-</u>	<u>-</u>	<u>1,087,796</u>
Net book values								
As Adjusted	<u>11,529</u>	<u>7,109</u>	<u>-</u>	<u>422,229</u>	<u>12,152</u>	<u>12,049</u>	<u>2,543</u>	<u>467,611</u>

Notes to the Financial Statements
for the year ended 31 December 2018

13. Property, plant and equipment (continued)

	Trees	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & equipment	Office Furniture & fittings	Motor vehicles	Total
Cost	€	€	€	€	€	€	€	€
At 1 January 2018	11,529	7,109	18,445	2,643,881	30,920	29,373	5,299	2,746,556
Additions	-	105,309	-	53,344	2,358	563	-	161,574
Reclassifications	-	-	-	-	644	(644)	-	-
Disposals	-	-	-	-	(968)	-	-	(968)
At 31 December 2018	11,529	112,418	18,445	2,697,225	32,954	29,292	5,299	2,907,162
Depreciation								
At 1 January 2018	-	-	12,877	1,141,032	17,160	17,324	2,756	1,191,149
Reclassification to income	-	-	-	1,493	-	-	-	1,493
Charge for the year	-	-	-	284,488	7,082	4,125	1,508	297,203
On disposals	-	-	-	-	(887)	-	-	(887)
At 31 December 2018	-	-	12,877	1,427,013	23,355	21,449	4,264	1,488,958
Grants								
At 1 January 2018	-	-	5,568	1,080,620	1,608	-	-	1,087,796
Reclassification to income	-	-	-	(2,435)	-	-	-	(2,435)
Additions	-	33,861	-	34,253	-	-	-	68,114
At 31 December 2018	-	33,861	5,568	1,112,438	1,608	-	-	1,153,475
Net book values								
At 31 December 2018	11,529	78,557	-	157,774	7,991	7,843	1,035	264,729

14. Inventories

	2018	2017
	€	€
Books held for resale	<u>2,172</u>	<u>9,486</u>

15. Receivables

	2018	2017
	€	€
Receivables	20,325	4,804
LES amounts receivable	67	180
Accrued income	<u>71,129</u>	<u>51,369</u>
Financial assets	91,521	56,353
Other receivables	1,368	2,713
Prepayments	<u>8,411</u>	<u>8,187</u>
	<u>101,300</u>	<u>67,253</u>

15. Receivables (continued)*Receivables*

General receivables are analysed as follows:

	2018 €	2017 €
Within credit period	16,000	1,731
Exceeded credit period	4,382	3,309
Provision for doubtful debts	(57)	(236)
	<u>20,325</u>	<u>4,804</u>

Included in the receivables are debtors with a carrying amount of €4,325 (2017 : €3,073) which are past due at the reporting date for which the council has not provided as there has not been significant change in credit quality and the amounts are still considered recoverable. The age of financial assets past due but not impaired is as follows:

	2018 €	2017 €
Not more than 3 months	2,447	1,469
More than 3 months but not more than 6 months	170	293
More than 6 months	1,708	1,311
	<u>4,325</u>	<u>3,073</u>

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

	2018 €	2017 €
Balance at 1 January	124,482	125,516
(Decrease) in provision for LES debtors	(1,363)	(640)
(Decrease)/Increase in provision for general receivables	(179)	(394)
Balance at 31 December	<u>122,940</u>	<u>124,482</u>

Local Enforcement System (LES) Debtors

LES Debtors are stated after a specific provision for doubtful debts amounting to €122,883 (2017 - €124,246).

16 Notes to the cashflow statement*Cash & cash equivalents*

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

	2018	2017
	€	€
Bank Balances	222,807	233,550
Cash in Hand	147	33
	<u>222,954</u>	<u>233,583</u>

17. Payables

	2018	2017
	€	€
Payables	112,167	72,140
Other creditors	27	-
Other taxes and social security costs	-	-
Accruals	37,418	29,076
Financial liabilities	<u>149,612</u>	<u>101,216</u>
Other Deferred Income	2,103	1,465
	<u>151,715</u>	<u>102,681</u>

18. Deferred income Government grants	2018	2017
	€	€
Government grants		
At 1 January	157,069	363,852
Increase in year	93,551	29,161
	<u>250,620</u>	<u>393,013</u>
Capitalised during the year	(68,114)	-
Adjustment due to capital approach	-	(235,944)
At 31 December	<u>182,506</u>	<u>157,069</u>
Current Deferred Income	<u>-</u>	<u>-</u>
Non-Current Deferred Income	<u>182,506</u>	<u>157,069</u>
Deferred Government Grants		
Deferred between one and two years	41,246	-
Deferred between two and five years	141,260	157,069
	<u>182,506</u>	<u>157,069</u>

19. Effect of change in accounting policy

On 1 January 2018, the capital approach, according to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, has been adopted, in line with the Directive No. 1/2017 issued by the Department of Local Government. This is a change in accounting policy, and, according to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, it has been accounted for retrospectively.

The effect of the restatement on these financial statements is summarised below:

		2017		2017
		<i>Originally reported</i>	<i>Adjustment</i>	<i>Restated</i>
		€	€	€
Statement of Comprehensive income				
Funds received from Central Government	3	745,895	23,692	722,203
Administration and other expenditure	9	175,259	23,692	151,567
Statement of financial position				
Property, plant and equipment	13	679,863	212,252	467,611
Non-current deferred income	18	348,018	190,949	157,069
Current deferred income	18	21,303	21,303	-

20. Capital commitments

	2018 €	2017 €
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	<u>56,188</u>	<u>358,358</u>
(i) Approved but not yet contracted for:		
Construction of New Local Council's Premises	-	278,358
Office Furniture and Fittings	4,999	5,000
Urban Improvements	26,000	75,000
Construction	<u>25,189</u>	<u>-</u>
	<u>56,188</u>	<u>358,358</u>

The capital commitments will be financed by the Council through funds received from the Regional Committee and potential new funds from the PA Urban Improvement Fund.

21. Contingent liabilities

The Council as at 31 December 2018 had the following pending Court cases:

- two claims in front of the First Hall opened by third parties claiming damages for motor-cycle accident in Mdina Road Attard. The Council is restricting such claims as this road falls under the responsibility of the Central Government.

- case opened by the Council against the owner of a quarry situated in the locality of Attard. The Council is requesting the owner of the quarry to regulate the alleged irregularities in the quarry site. The outcome of such case still unpredictable.

At 31 December 2017, the Council also had the following:

- arbitration claim by a third party against the Council for accident occurred at the area of Ta' Qali. The Council was restricting such claim as the area fell under the responsibility of the Central Government. Case was decided in May 2018 against Transport Malta. Local Council was not held responsible.

22. Related party transactions

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Councils	Significant control
Regional Committee (Local Enforcement)	Joint Control
Gozo Regional Committee	No control
North Regional Committee	No control
South Regional Committee	No control
South Eastern Regional Committee	No control
Central Regional Committee	No control
Local Enforcement System Agency	No control
Local Councils' Association	No control
Malta Communications Authority	No control
Malta Information Technology Agency	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Commissioner for Data Protection	No control
Department of Inland Revenue	No control
Bank of Valletta plc	No control
Wasteserv Malta Limited	No control
GreenPak	No Control
Airmalta plc	No control
ARMS Ltd	No control
ERA Monitoring Unit	No Control
Environmental Landscapes Consortium Limited	No control
Koperattiva tat-Tabelli u Sinjali	No control

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

	2018	2017
	€	€
Annual Financial Allocation	<u>701,775</u>	<u>672,935</u>

Key management compensation

The Council considers the Mayor, Councillors and the Executive Secretary to be Key Management Personnel. Remuneration to Key Management Personnel are disclosed in note 7.

23. Financial Risk Management

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

Credit risk

The receivable balances of the Council are mainly composed of balances with government-related entities. Given the low risk associated with such entities, the default risk is considered to be insignificant. Given the fact that this will not result in material misstatement, the Council did not calculate and account for this 'expected credit loss'.

The Council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period and is summarised as follows:

	2018	2017
	€	€
Classes of financial assets - carrying amounts		
Trade and other receivables	91,521	56,353
Cash and cash equivalents	222,954	233,583
	<u>314,475</u>	<u>289,936</u>

Liquidity risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact, at year end, the Council has as cash and cash equivalents of the amount of € 222,954. The Council also maintains a positive net asset position of €257,775 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

At 31 December 2018 the council's financial liabilities have contractual maturities which are summarised below:

31 December 2018

	Current within 1 year €	Non-current 1 to 5 years €	later than 5 years €
Payables	112,167	-	-
Other creditors	27	-	-
Accruals	<u>37,418</u>	<u>-</u>	<u>-</u>

23. Financial Risk Management (continued)

This compares to the maturity of the council's financial liabilities in the previous reporting period as follows:

31 December 2017

	Current within 1 year €	Non-current 1 to 5 years €	later than 5 years €
Payables	72,140	-	-
Accruals	29,076	-	-
	<u>101,216</u>	<u>-</u>	<u>-</u>

Foreign currency risk

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

Interest rate risk

Interest rate risk mainly arises through interest bearing liabilities and assets. The objective of interest rate risk management is to optimise the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense.

24. Summary of financial assets and liabilities

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

	2018 €	2,017 €
Current assets		
Loans and receivables:		
Trade and other receivables	91,521	56,353
Cash and cash equivalents	222,954	233,583
	<u>314,475</u>	<u>289,936</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	112,167	72,140
Other creditors	27	-
Accruals	37,418	29,076
	<u>149,612</u>	<u>101,216</u>

25. Fair values estimation

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

26. Going Concern

The Statement of Financial Position on page 3 and the notes thereto, with special reference to capital commitments, suggest that the going concern assumption used in the preparation of these financial statements is dependent on further sources of funds other than the annual financial allocation by Central Government, on the collection of debts due to the Council and on the continued support of the Council's creditors. Any adverse change in either of these assumptions above, would not let the Council able to meet its financial obligations as they fall due without curtailing its future commitments.

Financial statements for the year ended 31 December 2018

Report of the Local Government auditor to the Auditor General

Report on the Audit of the Financial Statements

Qualified opinion

We have audited the accompanying financial statements of Attard Local Council which comprise the statement of financial position as at 31 December 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, except for the effects of the matters described in paragraphs 1 and 2 of the Basis for Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of Attard Local Council as of 31 December 2018 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 6 to 13.

Because of the matters set out in paragraph 3 below, 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 paragraph 1 and 2 below, these financial do not comply with the requirements of International Financial Reporting Standards as adopted by the E.U.

Basis for Qualified Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Council in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

1. As from 30 September 2002, all income and expenditure from the Local Enforcement System (LES) were centralised through the Birkikara Joint Committee and LES debtors at that date were transferred to the Joint Committee as well. The Birkikara Joint Committee ceased operations on 31 August 2011 and LES was centralised through the Central Regional Committee as from 1 September 2011. The Council did not report any income from LES in the current year. We were unable to determine the amount of any income the Council is entitled to receive from Birkirkara Joint Committee since the audited financial statements as at 31 December 2018 of the Joint Committee were not available and the last version available (2015) were qualified on the basis that amounts receivable could not be reconciled to the IT system. All LES receivables of the Joint Committee have been provided for.

Financial statements for the year ended 31 December 2018

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

Basis for Qualified Opinion (continued)

2. As required by Directive 1/2017 and as disclosed in note 19, the Council adopted the IAS 20 capital approach treatment for recognition and disclosure of grants. The change was applied retrospectively in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. The impacts of the adoption are disclosed in note 19, however, the note does not highlight the changes in all line items of the Financial Statements including total and sub-totals as well as the impact on the Statement of Cash Flows.
3. The council has an FSI index which is lower than the minimum balance of 10% of the annual Government allocation allowed by the Local Councils (Financial) Procedures.

Other Information

The Councillors and the Executive Secretary are responsible for the other information. The other information comprises the Statement of Local Council Members' and Executive Secretary's Responsibility. Our opinion on the financial statements does not cover this information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. We have nothing to report in this regard.

Responsibilities of the Local Council Members' and Executive Secretary

The Councillors and the Executive Secretary are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS as adopted by the E.U. and for such internal control as the Councillors and Executive Secretary determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors and the Executive Secretary are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Councillors and the Executive Secretary has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Financial statements for the year ended 31 December 2018

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

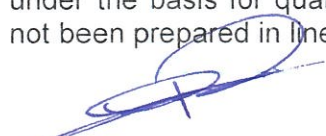
Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

Report on Other Legal and Regulatory Requirements

The Local Council (Financial) Procedures, 1996, require that the financial statements should be prepared in accordance with the International Financial Reporting Standards as adopted by the E.U, and the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996. In view of the matters set out under the basis for qualified opinion section of this report, these financial statements have not been prepared in line with these requirements.



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

Mazars Malta

Certified Public Accountants

Attard,
Malta

23 April 2019

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