



**Kunsill Lokali Birgu**  
*Città Vittoriosa*



**BIRGU LOCAL COUNCIL**

**Annual Report and  
Financial Statements**

**For the year ended 31 December 2017**

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On behalf of Parker Randall Turner  
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BIRGU LOCAL COUNCIL

ANNUAL REPORT AND FINANCIAL STATEMENTS  
For the year ended 31 December 2017

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## BIRGU LOCAL COUNCIL

Financial Statements for the year ended 31 December 2017

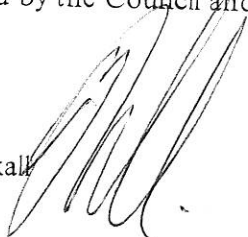
### Statement of Local Council Members' and Executive Secretary's Responsibilities

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

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Councils (Financial) Regulations 1993, and the Local Councils (Financial) Procedures 1996. The Executive Secretary is also responsible for safeguarding the assets of the Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Council and signed on its behalf on 23rd April 2018:

John Boxall  
Mayor



Lara Mascena  
Executive Secretary



# BIRGU LOCAL COUNCIL

## STATEMENT OF FINANCIAL POSITION As at 31 December 2017

	Notes	2017 €	2016 €
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	3	304,826	323,212
Current Assets			
Receivables	4	66,282	61,789
Cash and Cash Equivalents	5	71,680	130,115
Total current assets		137,962	191,904
Total Assets		€ 442,788	€ 515,116
<b>RESERVES AND LIABILITIES</b>			
Reserves			
Retained Fund		132,291	76,381
Non-current Liabilities			
Deferred income	6	150,112	175,963
Current Liabilities			
Overdrawn bank balances	7	22,117	42,064
Payables	7	138,268	220,708
Total liabilities		160,385	262,772
Total reserves and liabilities		€ 442,788	€ 515,116

The notes on pages 8 to 26 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on the 23rd April 2018 and signed on its behalf by:

John Boxall  
Mayor

Lara Mascena  
Executive Secretary

# BIRGU LOCAL COUNCIL

## STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 December 2017

	Notes	2017 €	2016 €
REVENUE			
Funds received from central government	8	350,434	297,933
Income from EU Funds	9	7,822	30,449
Income from Law Enforcement System	10	6,806	2,138
General Income	12	71,624	62,048
		<u>436,686</u>	<u>392,568</u>
EXPENDITURE			
Personal emoluments	13	98,349	92,853
Operations and maintenance	14	132,563	147,715
Administration and other expenditure	15	149,889	159,164
		<u>380,801</u>	<u>399,732</u>
Operating surplus/ (deficit) for the year		<u>55,885</u>	<u>(7,164)</u>
Investment income	11	<u>25</u>	<u>35</u>
Total Comprehensive Income/ (Loss) for the year		<u>55,910</u>	<u>€ (7,129)</u>

The notes on pages 8 to 26 are an integral part of the financial statements.

BIRGU LOCAL COUNCIL

STATEMENT OF CHANGES IN EQUITY  
For the year ended 31 December 2017

	Retained Funds 2017 €	Retained Funds 2016 €
At 1 January	76,381	83,510
Total Comprehensive Income/ (Loss) for the year	55,910	(7,129)
At 31 December	<u>€ 132,291</u>	<u>€ 76,381</u>

The notes on pages 8 to 26 are an integral part of the financial statements.

# BIRGU LOCAL COUNCIL

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 €	2016 €
Cash Flows from Operating Activities			
Total Comprehensive income/ (loss) for the year		55,910	(7,129)
Adjustments for:			
Depreciation		31,282	23,071
Investment Income		(25)	(35)
Deferred income released		(19,611)	(16,085)
Operating profit/ (loss) before working capital changes		67,556	(178)
(Increase)/ decrease in receivables		(4,493)	3,836
Decrease in payables		(90,216)	(1,403)
Net Cash (used in)/ generated from operating activities		(27,153)	2,255
Cash flows from Investing Activities			
Purchase of property, plant and equipment		(14,545)	(52,526)
Investment Income		25	35
Proceeds from disposal		1,649	-
New Grants received		17,498	-
Grants written back		(15,962)	-
Net Cash (used in) Investing Activities		(11,335)	(52,491)
Net movement in Cash and Cash Equivalents		(38,488)	(50,236)
Cash and Cash Equivalents at the beginning of Year		88,051	138,287
Cash and Cash Equivalents at the end of year	5	€ 49,563	€ 88,051

The notes on pages 8 to 26 are an integral part of the financial statements.

## BIRGU LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

#### 1. General Information

Birgu Local Council is the local authority of Birgu setup in accordance with the Local Councils Act. The office of the Local Council is situated at "Auberge de France", Hilda Tabone Street, Birgu. The financial statements were authorised for issue by the Council on the 12 February 2018.

#### 2. Accounting Policies and Reporting Procedures

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

##### (a) Accounting convention

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

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

##### (b) Standards, amendments and interpretations to existing standards

##### New and amended standards adopted by the council

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



## BIRGU LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

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

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

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

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

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

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and established principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS18 "Revenue: and IAS11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted, subject to endorsement by the EU. The Council is assessing the impact of IFRS 15.

## BIRGU LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

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

IFRS 16 presents new requirements for the recognition of leases replacing IAS 17 'Leases, and some lease-related Interpretations'. The new standard requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value leases. The standard also provides new guidelines on the application of the definition of lease and on sale and lease back accounting. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. The council has started to assess the impact of IFRS 16 but is not yet in a position to provide quantified information.

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

#### (c) Revenue recognition

Revenue is recognised when the amount of revenue and the associated costs can be measured reliably. Other income such as that derived from the organisation of courses, cultural, sporting and social activities is only recognised on a cash basis. Interest income is recognised in the statement of comprehensive income as it accrues.

#### (d) Local Enforcement System

During 2016 the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is chargeable to the various Regional Committees/ LESA for contraventions paid at the Council.

## BIRGU LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

#### (e) Property, Plant and Equipment

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

	%
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
Road and traffic Signs	replacement basis
Street Mirrors	replacement basis
Street Lights	100

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

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Local Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

#### (f) Government Grants

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

## BIRGU LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

#### (g) Impairment of Assets

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

#### (h) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

#### (i) Amounts Receivable

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

#### (j) Foreign Currencies

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

#### (k) Surplus and deficits

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

## BIRGU LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

#### (l) 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.

#### (m) Related parties

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

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

#### (n) Payables

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

Amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the council.

#### (o) 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.

## BIRGU LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

#### (o) Financial Instruments – continued

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 counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

#### Financial liabilities

The council's financial liabilities include other payables. These are stated at their nominal amount which is a reasonable approximation of fair value.

All interest-related charges are included within 'finance costs'.

#### (p) Capital management policies and procedures

The council's capital consists of its net assets, including working capital, presented by its retained funds. The Council's management objective 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 this, the Council carries out a quarterly review of the working capital ratio (Financial Situation Indicator). This ratio was positive at the reporting date. 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.

## BIRGU LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

#### (p) Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS adopted by the EU requires council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In the opinion of the council members, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).



# BIRGU LOCAL COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017 – continued

### 3. PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicles €	Office & Computer Equipment €	Urban Improvements €	Office Furniture & Fittings €	Street Signs €	Construction €	Assets Under Construction €	Total €
Cost								
At 1 Jan 2017	11,181	64,218	525,568	104,895	7,762	731,641	91,372	1,536,637
Additions	-	1,551	3,116	3,869	-	6,009	-	14,545
Reclassifications	-	-	-	-	-	87,100	(87,100)	-
Disposal	-	-	-	-	-	-	(1,649)	(1,649)
At 31 Dec 2017	11,181	65,769	528,684	108,764	7,762	824,750	2,623	1,549,533
Grants and other reimbursements								
At 1 Jan 2017	-	-	123,829	-	-	498,192	-	622,021
Additions	-	-	-	-	-	-	-	-
At 31 Dec 2017	-	-	123,829	-	-	498,192	-	622,021
Depreciation								
At 1 Jan 2017	10,779	51,605	289,581	37,755	7,762	193,922	-	591,404
Charge for the year	73	2,989	10,768	4,965	-	12,487	-	31,282
At 31 Dec 2017	10,852	54,594	300,349	42,720	7,762	206,409	-	622,686
Net Book Value								
At 31 Dec 2017	€ 329	€ 11,175	€ 104,506	€ 66,044	€ -	€ 120,149	€ 2,623	€ 304,826



# BIRGU LOCAL COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017 – continued

### 3. PROPERTY, PLANT AND EQUIPMENT – Continued

Cost	Motor Vehicles €	Office & Computer Equipment €	Urban Improvements €	Office Furniture & Fittings €	Street Signs €	Construction €	Assets Under Construction €	Total €
At 1 Jan 2016	11,181	61,570	525,568	100,593	7,762	690,340	87,097	1,484,111
Additions	-	2,648	-	4,302	-	41,301	4,275	52,526
At 31 Dec 2016	11,181	64,218	525,568	104,895	7,762	731,641	91,372	1,536,637
Grants and other reimbursements	-	-	-	-	-	-	-	-
At 1 Jan 2016	-	-	123,829	-	-	498,192	-	622,021
Additions	-	-	-	-	-	-	-	-
At 31 Dec 2016	-	-	123,829	-	-	498,192	-	622,021
Depreciation	-	-	-	-	-	-	-	-
At 1 Jan 2016	10,689	48,365	277,734	32,681	7,762	191,102	-	568,333
Charge for the year	90	3,240	11,847	5,074	-	2,820	-	23,071
At 31 Dec 2016	10,779	51,605	289,581	37,755	7,762	193,922	-	591,404
Net Book Value	-	-	-	-	-	-	-	-
At 31 Dec 2016	€ 402	€ 12,613	€ 112,158	€ 67,140	€ -	€ 39,527	€ 91,372	€ 323,212

# BIRGU LOCAL COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

4. Receivables	2017 €	2016 €
Amounts invoices but not yet settled	2,358	2,647
Other receivable	7,345	7,345
EU programmes recoverable expenses	14,994	14,994
Accrued income	41,585	36,803
	<u>€ 66,282</u>	<u>€ 61,789</u>
Amounts invoiced but not yet settled are analysed as follows:	2017 €	2016 €
Within the current period	15,539	15,956
Exceeded credit period but not yet impaired	50,743	45,833
	<u>€ 66,282</u>	<u>€ 61,789</u>
Amounts invoiced and impaired		
Impaired and provided for	107,142	107,142
Provision for doubtful debts	(107,142)	(107,142)
	<u>€ -</u>	<u>€ -</u>

## 5. Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the statement of cash flow comprise the following amounts in the Local Council statement of financial position:

	2017 €	2016 €
Bank Balances:		
Ordinary funds	71,607	130,061
Bank balances overdrawn	(22,117)	(42,064)
Cash in hand	73	54
Cash and cash equivalents	<u>49,563</u>	<u>88,051</u>
Bank balances overdrawn – Transferred to payables	22,117	42,064
Cash at bank and in hand	<u>€ 71,680</u>	<u>€ 130,115</u>

# BIRGU LOCAL COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

	2017	2016
	€	€
6. Deferred Income		
Between 1 and 2 years	26,391	16,834
Between 2 and 5 years	79,173	41,442
Over 5 years	44,548	117,687
	<u>€ 150,112</u>	<u>€ 175,963</u>
	2017	2016
	€	€
Opening balance	194,578	210,663
Increase in grants	17,498	-
Reversal of grants	(15,962)	-
Release of grants	(19,611)	(16,085)
Closing balance	<u>176,503</u>	<u>194,578</u>
Less Current portion	(26,391)	(18,615)
Non-current portion	<u>€ 150,112</u>	<u>€ 175,963</u>
	2017	2016
	€	€
7. Payables		
Trade creditors	59,464	145,851
Indirect taxes and social security	8,315	26,110
Accruals	39,881	25,915
Other payables	4,217	4,217
Deferred income within 1 year	26,391	18,615
Bank balance overdrawn	22,117	42,064
	<u>€ 160,385</u>	<u>€ 262,772</u>

# BIRGU LOCAL COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

8. Funds received from Central Government	2017	2016
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	319,457	275,752
Other Government Income	11,366	6,096
Government grants released	19,611	16,085
	<u>€ 350,434</u>	<u>€ 297,933</u>
9. EU Funds	2017	2016
Oralities and other projects	€ 7,822	€ 30,449
	<u>€ 7,822</u>	<u>€ 30,449</u>
10. Income raised from Local Enforcement System	2017	2016
Income from administration fee	2,172	2,138
Income from pre-regional funds	4,634	-
	<u>€ 6,806</u>	<u>€ 2,138</u>
11. Investment income	2017	2016
Bank Interest Receivable	€ 25	€ 35
	<u>€ 25</u>	<u>€ 35</u>
12. General Income	2017	2016
	€	€
Income from permits	19,737	18,351
Other income	1,408	559
Contributions and donations	50,479	43,138
	<u>€ 71,624</u>	<u>€ 62,048</u>

# BIRGU LOCAL COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

13. Personal Emoluments	2017	2016
	€	€
Personal emoluments include, inter alia:		
Mayor's Allowance	7,345	7,224
Councillors' Allowance	6,400	6,280
Executive Secretary salary and allowances	29,056	26,324
Employees' Salaries	48,751	46,649
Social Security Contributions	6,797	6,376
Total	<u>€ 98,349</u>	<u>€ 92,853</u>
14. Operations and Maintenance		
Operations and maintenance includes, inter alia	2017	2016
Repairs and Upkeep:	€	€
Road and street maintenance	4,613	11,555
Street signs	1,767	4,204
Office furniture and equipment	-	1,236
Other repairs and upkeep	24,157	22,118
	<u>€ 30,537</u>	<u>€ 39,113</u>
Contractual Services:	2017	2016
	€	€
Refuse Collection	76,301	76,301
Bulky Refuse Collection	-	195
Waste disposal	16,577	15,346
Road and street cleaning	1,630	1,577
Cleaning and maintenance of parks and gardens	1,800	3,265
Cleaning and maintenance of public conveniences	-	1,080
Cleaning and maintenance of council premises	-	465
Other contractual services	-	-
Street Lighting	4,868	9,165
Les related expenditure	850	1,208
	<u>102,026</u>	<u>108,602</u>
Total Operations and Maintenance Expenses	<u>€ 132,563</u>	<u>€ 147,715</u>

# BIRGU LOCAL COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

15. Administrative and other Expenses	2017	2016
	€	€
Depreciation	31,282	23,071
Utilities	6,979	11,669
Meetings and conventions – Overseas	8,208	12,206
Rent	2,516	2,516
Bank charges	365	242
Subscriptions	1,496	1,483
Information services	1,831	13,203
Insurance coverage	7,237	2,468
Office services	3,593	6,382
Sundry minor expenses	1,045	1,477
Professional services	29,377	40,374
Transport expenses	4,044	1,465
Community and hospitality	51,916	42,608
	<u>€ 149,889</u>	<u>€ 159,164</u>

## 16. Contingent liabilities

As at 31 December 2017, there were no claims against the Local Council, that have not been provided in the financial statements.

## 17. Capital Commitments

At the end of the financial year there was one capital projects approved but not yet contracted for. This related to the construction of council premises.

Details of capital commitments are as follows	2017	2016
	€	€
Approved but not contracted for	€ 346,417	€ 20,000
Contracted for but not provided for:		
Lift at Auberge de Angleterre	103,321	-
Lift at Auberge de France	54,157	-
Embellishment & upgrading of Recreational area	188,939	-
Construction in Auberge de Angleterre		15,000
Urban improvements	-	5,000
	<u>€ 346,417</u>	<u>€ 20,000</u>

## BIRGU LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

#### 18. Related Parties Disclosures

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

Name of entity	Nature of relationship
Department of Local Councils	Significant control
Xlokk Regional Committee for Local Enforcement	Joint control
Malta Environment and Planning Authority	
Arms Limited, Water Service Corporation, Enemalta Corporation, Inland Revenue Department, Director General Works Division, WasteServ Malta Ltd, Cleansing Services Department, Gozo Regional Committee, North Regional Committee, South Eastern Regional Committee, Police General Head Quarters, Bank of Valletta Plc and the Department of Lands	No control

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

	2017	2016
Significant control	€	€
Revenue:		
Annual financial allocation	319,457	275,752

The ultimate controlling party of the Local Council is Central Government since the Council's main revenue is from the Government allocation received every quarter. Apart from the normal funds received from Government, Councils also receive funds relating to specific projects as well as other funds for the improvement and betterment of the locality.

#### 19. Risk management objectives and policies

The Council's activities expose it to credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Council is not exposed to any market risk. The Council's risk management is coordinated by the council members and focuses on actively securing the council's short to medium term cash flow by minimising exposure to financial risks.

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

## BIRGU LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

#### 19. Risk management objectives and policies - continued

##### 19.1 Credit risk

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

	2017	2016
	€	€
Class of financial assets – carrying amounts		
Trade and other receivables	66,282	61,789
Cash and Cash Equivalents	71,680	130,115
	<u>€ 137,962</u>	<u>€ 191,904</u>

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

The council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See note 4 for further information on impairment or financial assets that are past due.

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

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

##### 19.2 Liquidity risk

The council's exposure to liquidity risk arises from its obligations to meet its financial liabilities which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funds to meet the council's obligations when they become due.

The council manage its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. The council's liquidity is deemed to be sufficient in view of an excess of financial assets.



# BIRGU LOCAL COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

### 19. Risk management objectives and policies - continued

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

	Current Within 1 year €	Non – Current 1 to 5 years €	More than 5 years €
Payables	59,464	-	-
Accruals	39,881	-	-
Other payables	4,217	-	-

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

	Current Within 1 year €	Non – Current 1 to 5 years €	
Payables	145,851	-	-
Accruals	25,915	-	-
Other payables	4,217	-	-

### 19.3 Interest rate risk

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 5), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

### 19.4 Summary of the financial assets and liabilities by category

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

Current Assets	2017 €	2016 €
Loans and receivables:		
Trade and other receivables	66,282	61,789
Cash and Cash Equivalents	71,680	130,115
	<u>€ 137,962</u>	<u>€ 191,904</u>

## BIRGU LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

#### 19. Risk management objectives and policies - continued

Current Liabilities	2017	2016
	€	€
Financial liabilities measured at amortised costs:		
Payables	59,464	145,851
Accruals	39,881	25,915
Other payables	4,217	4,217
	<u>€ 103,562</u>	<u>€ 175,983</u>

#### 19.5 Capital risk management

The Council's objectives when managing capital are to safeguard the Council's ability to continue as a going concern so that it can continue to provide a service to the residents of the Local Council by maintaining an optimal capital structure to reduce cost of capital.

The Council's equity, as disclosed in the statement of financial position, constitutes its capital. The Council's capital structure is monitored by the Executive Secretary and the Council with appropriate reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Council's activities, the capital level as at the end of the reporting period is deemed adequate by the Council.

#### 20. Fair value estimation

At 31 December 2017 and 31 December 2016, the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

#### 21. Events after the statement of financial position date

There have been no events whether favourable or unfavourable which occurred between the end of the reporting period and the date the financial statements have been authorised for issue.

# Report of the Local Government Auditor

To the Auditor General

## Report on the audit of the financial statements

### Disclaimer of opinion

We were engaged to audit the financial statements of Birgu Local Council set out on pages 4 to 26 which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in paragraphs 1, 2, 3, 4 and 5 under the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate evidence to provide a basis for an audit opinion on these financial statements.

### Basis for disclaimer of opinion

1. We did not express an opinion on the financial statements of the Council for the previous year because of several matters which limited the scope of our work. Because of this we were unable to ascertain whether the opening balances at 1 January 2017 are materially misstated, and consequently, whether adjustments to the results for the year ended 31 December 2017 and opening retained earnings at 1 January 2017 might be necessary.
2. The council's property, plant and equipment include an amount of €2,623 representing assets under construction. This amount disagrees with the amount of €89,724 shown in the accounting records. Moreover the council did not provide us with a supporting list and details of these assets and therefore we could not perform any procedures to verify the completeness, existence and valuation of those assets.
3. Included in trade and other receivables, are long-outstanding trade receivables of €4,299, accrued income of €41,585 and other receivables of €22,429. These amounts have been brought forward from prior years and we were not provided with sufficient documentary evidence or explanations to support these amounts. We could not perform any procedures to verify the existence, completeness and recoverability of the said amounts.
4. Creditors at 31 December 2017 include a balance of €2,330 payable to a supplier. We have seen credit notes issued by the supplier which cancel out the entire balance but which, for some unexplained reason, have not been accounted for. These financial statements also include a long outstanding amount payable to a third party amounting to €4,217 which is not supported by documentary evidence. Our work also revealed that certain expenses relating to the year under review were not included with creditors or accruals. Because of these findings and the Council's inability to satisfactorily explain the reasons therefor, we were unable to satisfy ourselves as to the existence and completeness of creditors.

5. We were not provided with satisfactory workings and supporting documentation in relation to deferred income of €176,503 in note 6 to the statement of financial position and related income for the year of €19,611 included in note 8 to the statement of comprehensive income. Consequently we could not satisfy ourselves that the reported figures in these financial statements are not materially misstated.

Other identified matters that would have otherwise required a modification to our opinion

- a. We noted that the Council's accrued income includes an amount of €5,744 relating to the CIES scheme. According to documents we have seen, this amount should read € 732.
- b. Our work on payroll revealed a discrepancy of € 2,219 between the wages and salaries account and the returns submitted to the Inland Revenue Department. This difference mainly arose because of an under accrual in the previous year's wages and salaries amounting to €3,291 and an error of €1,164 in an unrelated account which was passed against wages account.
- c. In previous years the council acquired property, plant and equipment, €65,000 of which was funded by a grant. The council accounted for this grant using the capital approach. This is in contravention of instructions issued by the Department of Local Government which require councils to account for grants using the income approach. Proper grant accounting was also not applied in the case of a grant of €5,520 received during the year. Our work revealed that this amount was entirely recognised as income when only €3,514 should have been recognised with the balance of € 2,006 being deferred.

Responsibilities of those charged with governance for the financial statements

As described on page 3 the Executive Secretary and the members of the Local Council are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Legislation, and for such internal control as they 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 Executive Secretary and the members of the Local Council are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is the intention to liquidate the Council or to cease operations, or have no realistic alternative but to do so.

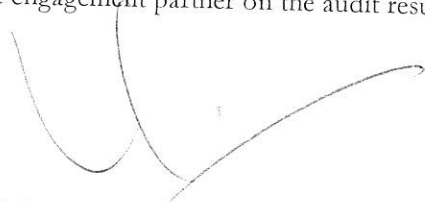
The Executive Secretary and the members of the Local Council are responsible for overseeing the Council's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit on the council's financial statements in accordance with International Standards on Auditing (ISAs) and to issue an auditor's report. However, because of the matters described in the Basis for disclaimer of opinion section of our report, we have not able to obtain sufficient appropriate evidence to provide a basis for an audit opinion on these financial statements.

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 of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements.

The engagement partner on the audit resulting in this independent auditor's report is Mark Bugeja



Mark Bugeja (Partner) for and on behalf of

**GRANT THORNTON**  
Certified Public Accountants

Fort Business Centre  
Mriehel Bypass  
Birkirkara BKR 3000  
Malta

23 April 2018