

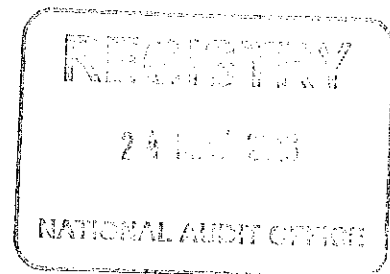
HAL GHARGHUR LOCAL COUNCIL

AUDITED REPORT AND

FINANCIAL STATEMENTS FOR

THE YEAR ENDED

31 DECEMBER 2017



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HAL GHARGHUR LOCAL COUNCIL

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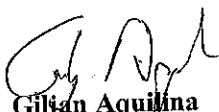
HAL GHARGHUR LOCAL COUNCIL

STATEMENT OF COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S RESPONSIBILITIES for the year ended 31 December 2017

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

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

This statement was approved by the Council on 26 April 2018 and signed on its behalf by:


Giljan Aquilina
Mayor


Maria Tanti
Executive Secretary

HAL GHARGHUR LOCAL COUNCIL

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2017

	Notes	Year Ended 2017 €	Year Ended 2016 €
Income			
Funds received from Central Government	3	283,183	275,794
Income from Law Enforcement System	4	6,129	2,459
General Income	5	16,052	13,947
		<u>305,364</u>	<u>292,200</u>
Expenditure			
Personal emoluments	7	78,828	62,235
Operations and maintenance	8	98,078	76,909
Administrative and other expenditure	9	104,180	109,425
		<u>281,086</u>	<u>248,569</u>
Net Operating Profit for the year		24,278	43,631
Investment income	10	8	32
		<u>8</u>	<u>32</u>
Net Profit		24,286	43,663

The notes on pages 6 to 27 form an integral part of these financial statements.

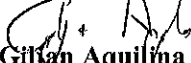
HAL GHARGHUR LOCAL COUNCIL

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	Year Ended 2017 €	Year Ended 2016 €
Assets			
<u>Non-current assets</u>			
Property, plant and equipment	11	619,108	626,546
Intangible Assets	12	771	992
Total non-current assets		619,879	627,538
<u>Current assets</u>			
Inventories	13	2,393	2,408
Trade and other Receivables	14	50,992	25,913
Cash and cash equivalent	15	174,011	160,132
Total current assets		227,396	188,453
Total assets		847,275	815,991
Reserves and liabilities			
<u>Reserves</u>			
Retained Earnings		586,431	562,145
Total Reserves		586,431	562,145
<u>Non-current liabilities</u>			
Deferred Income	16	153,621	149,077
Total non-current liabilities		153,621	149,077
<u>Current liabilities</u>			
Trade and Other Payables	17	107,223	104,769
Total current liabilities		107,223	104,769
Total liabilities		260,844	253,846
Total reserves and liabilities		847,275	815,991

The financial statements were approved by the Council on 26 April 2018 and signed on its behalf by:


Giljan Aquilina
 Mayor


Maria Tanti
 Executive Secretary

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL**STATEMENT OF CHANGES IN EQUITY****For the year ended 31 December 2017**

	Retained Earnings	Total Earnings
	€	€
At 1 January 2016	518,482	518,482
Total comprehensive profit for the year	43,663	43,663
At 31 December 2016	562,145	562,145
At 1 January 2017	562,145	562,145
Total comprehensive profit for the year	24,286	24,286
At 31 December 2017	586,431	586,431

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

STATEMENT OF CASHFLOWS For the year ended 31 December 2017

	Notes	2017 €	2016 €
Operating activities			
Profit for the year		24,286	43,663
<u>Adjustments to reconcile profit with net cash flows:</u>			
Depreciation/amortisation		53,439	56,000
Amortisation of grants made by council		1,200	1,800
Interest receivable	10	(8)	(32)
Movement in provision for doubtful debts		(130)	(1,480)
Adjustment re comfort chairs		-	(9,940)
Grants released during the year	16	(19,952)	(21,013)
Write off of cash in transit		-	(349)
<u>Working capital adjustments</u>			
Movement in inventories		15	(2,408)
Movement in receivables		(45,774)	(2,690)
Movement in payables		44,386	2,368
Cash flows from operating activities		57,462	65,919
Interest received		8	32
Net cash flows from operating activities		57,470	65,951
 Investing activities			
Purchase of property, plant and equipment	11	(43,591)	(29,457)
Net cash generated from/used in investing activities		(43,591)	(29,457)
 Cash flows from financing activities			
Grants received		-	12,003
Net cash generated by financing activities		-	12,003
 Net movement in cash and cash equivalents in the year		13,879	48,497
Cash and cash equivalents at beginning of year	15	160,132	111,635
Cash and equivalents at end of year		174,011	160,132
Total Cash in hand and at bank at year end	15	174,011	160,132

The notes on pages 6 to 27 form an integral part of these financial statements.

**Notes to the Financial Statements
for the year ended 31 December 2017**

..... continued

1. General Information

The Hal Gharghur Local Council is a local authority of Malta set up in accordance with the Local Councils Act (1993). The office of the Local Council is situated at Triq San Nikola, Hal Gharghur, GHR 1162, Malta. These financial statements were approved for issue by the Council Member on the 16 February 2018.

The Local Council's presentations as well as functional currency are denominated in Euro (€). Its ultimate controlling party is the Department for Local Government within Ministry for Justice, Culture and Local Government.

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, 1993 (Chap. 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, as adopted by the EU.

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, 1993 (Cap 363).

New and amended standards adopted by the Local Council

Certain new standards, amendments and interpretations to existing standards have been published and effective for the current period, however these changes are not expected to have a material effect on the Local Council's financial statements.

- IAS 1 (amendment) - Presentation of financial statements (effective from 1 January 2010).
- IAS 7 (amendment) - Statement of Cash Flows. Amendments to reflect changes in other standards.
- IAS 17 (amendment) - Leases - Amendments to reflect changes in other standards.
- IAS 36 (impairment of assets) - Amendments to reflect changes in other standards.
- IAS 38 (amendment) - Intangible Assets (effective from 1 July 2009).
- IAS 39 (amendment) - Financial Instruments: Recognition and measurement (effective from 1 January 2010).
- IAS 24 - Related party disclosures (effective 1 January 2011)

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2017

..... continued

New Relevant Standards and not yet adopted/not yet early adopted

The following standards and amendments to existing standards have been published and are mandatory (as applicable) for the Local Council's accounting periods beginning on or after 1 January 2011 or later periods and the Local Council has not yet early adopted them:

- IAS 32 (amendment) Financial Instruments: Presentation (effective from 1 February 2010).
- IFRS 7 (amendments) Financial Instruments (effective from 1 January 2011).
- IAS 1 (amendments) Presentation of Financial Statements (effective from 1 January 2013).
- IFRS 9 Financial Instruments (effective from 1 January 2013). This IFRS addresses the classification and measurement of financial assets and replaces the multiple classification and measurement tools in IAS 39 with a single model that only has two classification categories: amortised cost and fair value. Classification under IFRS 9 will be driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. Subject to adoption by the EU, IFRS 9 will be effective for financial periods beginning on, or after, 1 January 2018. The Council is considering the implications of the standard and its impact on the Council's financial results and position.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Local Council

HAL GHARGHUR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2017

..... Continued

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, impairment and grants received for specific projects (which grants were treated through the Statement of Financial Position approach). Depreciation is calculated on a monthly basis using the reducing balance method at rates estimated to write down the cost of all assets over their expected useful life, other than land and trees, over their expected useful lives as follows:

	Rates in %
Land	0
Trees	0
Buildings	1
Office Furniture & Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Programmes (Projects)	10
Office Equipment and Computer Equipment	25
Motor Vehicles	20
Plant and Machinery	20
Road/Street Signs	Replacement Basis
Litter Bins	Replacement Basis
Playground Equipment	100
Street Lighting	100
Street Mirrors	Replacement Basis
Plants	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 loss. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each year end. 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 recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Comprehensive Income Statement during the financial year in which they are incurred.

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2017

..... Continued

Impairment of property, plant and equipment

At the end of each reporting period, the Council reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Council estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Impairment of financial assets other than inventories

At the end of each reporting period, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

In the case of financial assets that are carried at amortised cost, objective evidence of impairment includes observable data about the following loss events - significant difficulty of the issuer (or counterparty) and/or breach of contract.

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2017

..... Continued

For loans, and receivables or, if there is objective evidence that an impairment loss has been incurred, the loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

In the case of other assets tested for impairment, the recoverable amount is the higher of fair value less costs to sell (which is the amount obtainable from sale at arm's length transaction between knowledgeable, willing parties, less the costs of disposal) and value in use (which is the present value of the future cash flows expected to be derived, discounted using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Impairment losses are recognized immediately in the statement of comprehensive income, unless the asset is carried at a revalued amount, in which case, the impairment loss is recognized directly against the asset's revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for the asset.

For loans and receivables, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized; the previously recognized impairment loss is reversed directly.

In the case of assets tested for impairment, an impairment loss recognized in a prior period is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but in a manner that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods.

Impairment reversals are recognized immediately in the comprehensive income statement, unless the asset is carried at a revalued amount, in which case, the impairment reversal is recognized directly in reserves, unless an impairment loss on the same asset was previously recognized in the comprehensive income statement.

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2017

..... continued

Cash and cash equivalents

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

Receivables

Receivables are recognized initially at the transaction price, less provision for impairment. A provision for impairment of general receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

A provision for impairment is established when there is objective evidence that the Council will not be able to collect all amounts receivable. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganization, and default in payments are considered indicators that the amount to be received is impaired. Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Related Parties

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

Income recognition

Income in general is stated when there is reasonable certainty that the income would be receivable and thus can be accrued for. Other income such as that derived from the organization of courses, cultural, sporting and social activities is only recognized on a cash basis.

Income from investment activities is recognized when the rights of receipt have been established.

Interest income from financial assets is recognized when it is probable that the economic benefits will flow to the Council and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Government grants

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

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2017

..... continued

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

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

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

Foreign currencies

In preparing the financial statements of the Council, transactions in currencies other than the Council's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical costs in a foreign currency are not retranslated.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for the intended use or sale.

Investment income on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in Total Comprehensive Income for the period in which they are incurred.

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2017

..... continued

General Payables

Payables and accrued expenditure are recognized initially at the transaction price and subsequently measured at amortised cost. The difference between the proceeds and the amount payable is recognized over the period of the payable using the effective interest method.

Judgements in applying accounting policies and key sources of estimating uncertainty

In the process of applying the Council's accounting policies, the Council Members have made no judgements which can significantly affect the amounts recognized in the financial statements.

At the end of the reporting period, except as disclosed in note 22, there were no key assumptions concerning the future, or any other key sources of estimating uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a first-in-first-out basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognized when the Council has a present obligation (legal or constructive) as a result of a past event, it is probable that the Council will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2017

..... continued

3. Funds Received from Central Government

	2017	2016
	€	€
In terms of section 55 of the Local Councils Act, 1993	250,102	230,449
Supplementary Income	13,129	24,332
Other Government Income	19,952	21,013
	<u>283,183</u>	<u>275,794</u>

4. Income raised under Law Enforcement System

	2017	2016
	€	€
LES share of joint committee results	3,508	109
Income from Regional Committees	2,621	2,350
	<u>6,129</u>	<u>2,459</u>

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2017

..... continued

5. General Income

	2017	2016
	€	€
Cultural activities	1,945	342
Income from permits	12,938	9,467
Income from adverts & sponsorships	1,169	2,414
Other general income	-	1,724
	<u>16,052</u>	<u>13,947</u>

6. Profit for the year

	Notes	2017	2016
		€	€
Personal Emoluments	7	78,828	62,235
Depreciation on property, plant and equipment & amortization of intangible assets	11&12	<u>54,916</u>	<u>55,933</u>

7. Personnel emoluments

	2017	2016
	€	€
Personnel emoluments include, inter alia:		
Mayor's Honoraria	7,345	7,228
Councillors' Allowance	6,400	6,400
Executive Secretary's Salary and Allowance	30,509	12,590
Employees' Salaries	27,656	30,283
Social Security Contributions	4,834	3,370
Overtime	2,084	2,364
	<u>78,828</u>	<u>62,235</u>

The average number of personnel for the year was 4 FTEs (full time equivalents) - 4 FTEs in 2016. These figures exclude four councilors as they are recipients of allowances only.

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2017

..... continued

8. Operations and Maintenance

	2017	2016
	€	€
Operations and maintenance includes, inter alia:		
Repairs and Upkeep:		
Road and Street Pavements (patching works)	3,529	1,353
Road Markings & Signs	10,368	5,674
Public property	-	99
Plant & machinery	699	755
Other repairs	4,583	792
	<u>19,179</u>	<u>8,673</u>
Contractual Services:		
Refuse collection	25,596	23,572
Bulky refuse collection	3,835	2,522
Bring in sites/tipping fees	26,317	19,956
Roads and street cleaning	12,728	13,626
Cleaning and maintenance public conveniences	3,720	2,945
Cleaning and maintenance parks and gardens	2,008	2,465
LES expenditure	1,960	139
Other contractual services	2,735	3,011
	<u>78,899</u>	<u>68,236</u>
TOTAL OPERATIONS AND MAINTENANCE	<u>98,078</u>	<u>76,909</u>

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2017

..... continued

9. Administration and Other Expenses

	2017	2016
	€	€
Utilities	4,881	5,536
Cleaning Materials & Supplies	773	640
Rent	3,370	4,758
Operating materials and supplies	1,667	1,769
Street lighting	6,908	4,449
e-government services	1,619	1,225
Bank charges	273	210
Insurance coverage	1,749	1,662
Participation fees and memberships	1,018	1,065
Advertising & Public relations expenses	3,592	2,064
ICT expenses	944	1,538
Legal and professional fees	924	8,931
Office services	3,176	1,911
Community and Hospitality	16,652	16,504
Depreciation	53,218	55,753
Amortisation of intangibles	221	247
Library & information service expenses	2,069	1,900
Amortisation of prepaid expenditure	1,200	1,800
Movement in Provisions on Bad Debts	(89)	(129)
Movement in inventories of books	15	(2,408)
TOTAL ADMINISTRATION AND OTHER EXPENSES	104,180	109,425

10. Investment income

	2017	2016
	€	€
Bank - interest receivable	8	32

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

Notes to the Financial Statements
for the year ended 31 December 2017
..... continued

11. Property, plant and equipment	Council Admin Offices	Construction Works	Office Furniture & Fittings	New Street Signs	Urban Improve.	Office & Plant & machinery	Special Program	Assets Under Construct	Total
	Buildings €	€	€	€	€	€	€	€	€
Depreciation rate	1%	10%	7.5%	100%	10%	25%	20%	10%	Nil
Cost									
At 1 January 2017	107,992	323,773	30,279	14,908	131,172	21,411	31,846	1,212,311	1,462
Additions	12,935	1,754	700	-	3,182	1,173	-	27,497	-
Disposals/transfers	-	-	-	-	-	-	-	(1,462)	(1,462)
At 31 December 2017	120,927	325,527	30,979	14,908	134,354	22,584	31,846	1,239,808	1,920,933
Government Grants									
At 1 January & 31 December 2017	-	-	-	-	-	-	-	(488,506)	(488,506)
Depreciation									
At 1 January 2017	(11,330)	(138,952)	(18,722)	(14,908)	(78,684)	(19,588)	(22,658)	(455,259)	-
Current charge	(1,091)	(17,726)	(883)	-	(5,124)	(589)	(1,710)	(26,095)	-
At 31 December 2017	(12,421)	(156,678)	(19,605)	(14,908)	(83,808)	(20,177)	(24,368)	(481,354)	-
N.B.V. at 31 December 2017	108,506	168,849	11,374	-	50,546	2,407	7,478	269,948	-
N.B.V. at 31 December 2016	96,662	184,821	11,557	-	52,488	1,823	9,188	268,545	1,462

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

Notes to the Financial Statements
for the year ended 31 December 2017
..... continued

	Council Admin Offices Buildings	Construction Works	Office Furniture & Fittings	New Street Signs	Urban Improve.	Office & Equip.	Plant & machinery	Special Programmes	Assets Under Constructi	Total
	€	€	€	€	€	€	€	€	€	€
Depreciation rate	1%	10%	7.5%	100%	10%	25%	20%	10%	Nil	
Cost										
At 1 January 2016	107,992	251,718	29,985	14,908	129,502	20,839	31,846	1,212,193	4,631	1,803,614
Additions	-	72,055	294	-	1,670	572	-	117	1,462	76,170
Disposals/transfers	-	-	-	-	-	-	-	-	(4,631)	(4,631)
At 31 December 2016	107,992	323,773	30,279	14,908	131,172	21,411	31,846	1,212,310	1,462	1,875,154
Government Grants										
At 1 January & 31 December 2016	-	-	-	-	-	-	-	(488,506)	-	(488,506)
Depreciation										
At 1 January 2016	(10,358)	(122,901)	(17,840)	(14,908)	(72,654)	(18,649)	(21,063)	(425,975)	-	(704,348)
Current charge	(972)	(16,051)	(882)	-	(6,030)	(939)	(1,595)	(29,284)	-	(55,753)
At 31 December 2016	(11,330)	(138,952)	(18,722)	(14,908)	(78,684)	(19,588)	(22,658)	(455,259)	-	(760,101)
N.B.V. at 31 December 2016	96,662	184,821	11,557	-	52,488	1,823	9,188	268,545	1,462	626,546
N.B.V. at 31 December 2015	97,634	128,817	12,145	-	56,848	2,190	10,783	297,712	4,631	610,760

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2017

..... continued

12. Intangible Assets

	2017	2016
	€	€
Cost of software		
Opening Balance	2,300	2,300
Additions	-	-
Closing Balance	2,300	2,300
 Depreciation		
Opening Balance	1,308	1,061
Charge for the year	221	247
Closing Balance	1,529	1,308
 Net Book Value	771	992

Note:

Actual cash capital outlay on tangible and intangible assets during the year amounted to €43,591 (2016: €29,547)

13. Inventories

	2017	2016
	€	€
Inventory of books for sale	2,393	2,408
	2,393	2,408

HAL GHARGHUR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2017

..... continued

14. Trade and other Receivables

	2017	2016
	€	€
Amounts owed by related parties (note i)	1,841	2,206
Other receivables (note i)	8,842	9,883
LES debtors	26,975	27,092
Provision for doubtful debts	(32,669)	(31,120)
Prepayments , prepaid expenditure & accrued income (note ii)	46,002	17,851
	<u>50,992</u>	<u>25,912</u>

	2017	2016
	€	€
<i>Note i - Credit period analysis:</i>		
Within credit period	4,456	5,299
Exceeded credit period but not impaired	533	2,762
Impaired and provided for	5,694	4,028
Provision for doubtful debts	<u>(5,694)</u>	<u>(4,028)</u>
	<u>4,989</u>	<u>8,061</u>

Note ii - Prepaid Expenditure

Includes prepaid expenditure relating to PPP grants made by council to two local organizations, Banda San Bert and Gharghur Football Club, which is being amortised over the respective periods of the agreements. This prepaid expenditure is for future use of musical and sports services and facilities. The closing balances on these PPP grants amounted to €4,100 at year end (2016: €5,300).

HAL GHARGHUR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2017

..... continued

15. Cash and Cash Equivalents

Cash and cash equivalents in the cash flow statement comprise the following amounts:

	2017	2016
	€	€
Cash at bank	174,011	160,123
Cash in hand	-	9
Cash at bank and in hand	<u>174,011</u>	<u>160,132</u>

16. Deferred Income

	2017	2016
	€	€
Balance at the beginning of the year	168,866	188,657
Grants received during the year	24,404	12,003
Other adjustments during the year	-	(10,781)
Release to income	(19,951)	(21,013)
Balance at the end of the year	<u>173,319</u>	<u>168,866</u>

	2017	2016
	€	€
Non-current deferred income	153,621	149,077
Current deferred income	19,698	19,789
Deferred income at year end	<u>173,319</u>	<u>168,866</u>

Deferred income represents capital grants received under the UIF, EAFRD Measure 313, alternative energy government scheme for local councils plus other grants received from the OPM up to the end of the year under review. The funds are released to income on a systematic basis over the useful life of the asset in line with the depreciation charge on the projects that were capitalised up to the end of the year under review.

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2017

..... continued

16A. Capital Creditors

Capital creditors at end of current year amounted to €46,422 with amount being due in 2018 in respect of Triq Fra Duminku Mifsud re-surfacing (€19,705) and embellishment of Gnien ta' Zaghruna (€26,717). The comparative figure for prior year amounted to €20,576.

17. Trade and Other Payables

	2017	2016
	€	€
Trade payables	6,612	9,969
Other payables including capital creditors	46,422	18,591
Related party undertakings (note 20)	15,079	16,255
Statutory obligations	-	406
Accruals	19,412	39,759
Deferred income – Grants (note 16)	19,698	19,789
Total Payables	107,223	104,769

18. Capital commitments

The council had no capital commitments at year end as was the case in the previous year, which were either only approved by Council or capital commitments that were also contracted for.

19. Contingent liabilities

The council forms part of a Local Enforcement Pooling System, profits and losses generated from which system cannot be quantified at year end and have been excluded from these financial statements.

20. Related party transactions

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

The ultimate controlling party of the Local Council is the Local Councils Department within the Office of the Prime Minister 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.

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2017

..... continued

All the companies, Authorities and Agencies set up by the Central Government are also considered to be related parties to Gharghur Local Council but do not have significant control. All Regional Committees (from 1 September 2011), the Local Councils Association and the other Local Councils are also considered to be related parties.

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

Name of Entity:	Nature of Relationship
Department of Local Councils	Significant
Regional Committee - Local Law Enforcement	No Control
Bank of Valletta	No Control
Department of Education	No Control
L.E.S.A.	No Control
Local Councils Association	No Control
Water Services Corporation	No Control
Wasteserv Malta Limited	No Control
Works Division - Director General Works	No Control

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

	2017	2016
	€	€
Income – Annual Financial Allocation	<u>250,102</u>	<u>230,449</u>

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

Notes to the financial statements for the year
Ended 31 December 2017

21. Financial Risk Management

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

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

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

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

Liquidity risk

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

Capital management

It is the policy of the council to maintain an adequate capital base in order to sustain the future development of the council and safeguard the ability of the council to continue operating. In this respect, the council monitors the operations and results of the council. The council is not subject to externally imposed capital requirements. There were no changes in the council's approach to capital management during the year.

Interest Rate risk

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

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

Notes to the Financial Statements

For the year ended 31 December 2017
The year ended 31 December 2017

-----Continued

22. Financial Risk Management

Credit risk

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

Movement in provision for doubtful debts

	2017	2016
	€	€
Provision at 1 January	4,028	5,508
Movement during the year	1,666	(1,480)
Provision at 31 December	<u>5,694</u>	<u>4,028</u>

Provision for doubtful debts is in respect of trade debtors. At year end the council provided for all debts that were due for more than 24 months. With respect to LES debtors the council made a full provision after correctly reflecting the amount due to the council in respect of LES as per Loqus (Datatrak) report. Included in the Council's receivables balance are the following receivables which are past due at the end of the reporting period net of an allowance for doubtful debts and excluding related party receivables. The credit period allowed by the Council to its debtors is 30 days.

Credit risk

	2017	2016
	€	€
30 - 60 days	356	529
61 - 90 days	533	2
over 91 days	5,704	6,217
	<u>6,593</u>	<u>6,748</u>

The notes on pages 6 to 27 form an integral part of these financial statements.

23. Events after the reporting date

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of approval of the financial statements by the council members.

24. Comparative Figures

Comparative figures have been changed to conform to the current year's presentation.

LOCAL COUNCIL GHARGHUR
Report of the Local Government Auditors to the Auditor General

Report on the Audit of the Financial Statements

We have audited the financial statements of LOCAL COUNCIL GHARGHUR set out on pages 2 to 27, 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.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of LOCAL COUNCIL GHARGHUR as at 31 December 2017, and its financial performance for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis for Qualified Opinion

In accordance with the Local Enforcement System (LES) issued by the Ministry by virtue of Article 72 of the Local Councils Act, 1993, the income relating to contraventions was delegated to the local councils through Legal Notice 32 of 2000. The Council entered into a pooling agreement with a number of local councils within the Local Enforcement System and formed a Joint Committee to manage and administer this function up to September 2011, when this was delegated to Regional Committees. In view that no proper audited financial statements have been prepared by the Joint Committee, we could not obtain reasonable assurance on the completeness of the share of income which has been recorded in the financial statements as well as on any possible accrued income or liabilities present as at end of the current financial year.

The Council does not maintain an appropriate fixed asset register to record its acquisitions of property, plant and equipment. Furthermore, a number of assets have been incorrectly categorized with the consequence that an incorrect depreciation rate has been applied and recognised in the financial statements. To this effect, we could not perform practical satisfactory audit procedures to obtain reasonable assurance on the existence and completeness of the opening balances of property, plant and equipment as recorded in the financial statements and having a net book value of €619,108 as well as on the completeness of the depreciation charged thereupon.

The Council received a number of government grants with respect of various capital projects. The Council's policy in this respect is to apply IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance using the income approach in relation to such grants. The information and evidence provided by the Council with respect to this opening balance of the deferred income liability as well as the movements in grants undertaken throughout the year was not appropriate to provide us with reasonable assurance as to the correctness of these deferred income balance as at year end and other alternative audit procedures performed did not provide us with the necessary assurance to determine the level of misstatement within the deferred income liability as recognized by the Council.

International Financial Reporting Standards require that all applicable standards and their disclosure requirements are complied with in the preparation of financial statements. These financial statements lack proper disclosures emanating from IAS 1 – Presentation of Financial Statements in relation to the full disclosures of accounting policies, new and revised standards applicable from 2016 and those issued but not yet applicable; from IAS 24-Related Parties in view that note 20 to the financial statements does not reflect the requirement of articles 18, 25 and 26 of the said standard. These financial statements also lack proper disclosure of financial assets and financial liabilities in line with the requirements of IFRS 7-Financial Instruments-Disclosure and disclosure of the accounting policy in relation to intangible assets in line with the requirements of IAS 38-Intangible Assets.

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.

Other Information

The Council is responsible for the other information. The other information comprises the Statement of Local Council Members' and Executive Secretary's Responsibilities. Our opinion on the financial statements does not cover this information, including the Statement of Local Council Members' and Executive Secretary's Responsibilities. 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.

Council's Responsibility for the Financial Statements

The Council Members and the Executive Secretary are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and for such internal control as management determines 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 management 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 management either intend to cease operations, or 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:

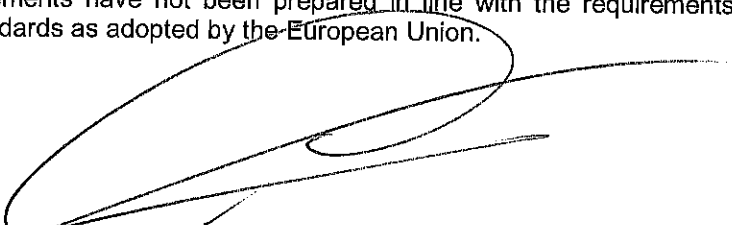
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council members and Executive secretary.

- Conclude on the appropriateness of the Council members and 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 Company'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 company 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 also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 European Union. 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 the requirements of International Financial Reporting Standards as adopted by the European Union.



This copy of the audit report has been signed by
Mr. Neville Cutajar (Audit Partner) for and on behalf of
3a
Certified Public Accountants
Level 2,
Palazzo Ca Brugnara',
Valley Road,
Birkirkara Malta.

Date: 26th April 2018