

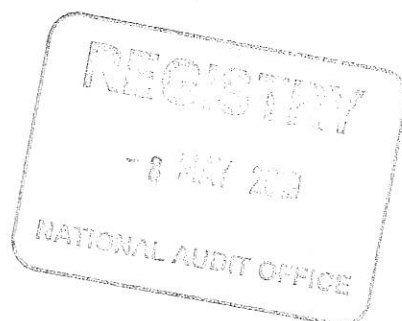
Ghasri Local Council

Financial Statements

For the year ended 31 December 2018

Prepared by:

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& Registered Auditor



Ghasri Local Council

**ANNUAL REPORT AND FINANCIAL STATEMENTS
31 December 2018**

CONTENTS	PAGE
Statement of Local Council Members' and Executive Secretary's Responsibilities	3
Statement of comprehensive income	4
Statement of financial position	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8-23
Independent auditors' report	24-26

Ghasri Local Council

Financial Statements for the year ending 31 December 2018

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

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

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

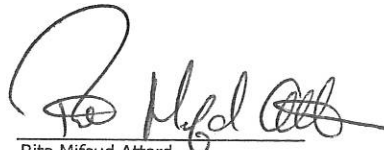
Approved by the Council and signed on its behalf on

29 April

2019 by:



Dr Daniel Attard
Mayor



Rita Mifsud Attard
Executive Secretary

Ghasri Local Council

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2018

	Notes	2018 €	2017 €
INCOME			
Funds received from central government	9.	196,620	173,245
General Income	10.	4,255	1,723
Income raised under the Local Enforcement System	11.	223	2,483
		201,098	177,451
EXPENDITURE			
Personal emoluments	12.	(57,732)	(50,829)
Operations and maintenance	13.	(89,431)	(67,922)
Administration and other expenditure	14.	(153,734)	(50,412)
		(300,897)	(169,163)
Operating (deficit)/surplus for the year		(99,799)	8,288
Investment income	15.	173	44
Total comprehensive (deficit)/surplus for the year		(99,626)	8,332


The notes on pages 8 to 23 are an integral part of the financial statements.

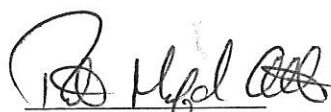
Ghasri Local Council

STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	2018 €	2017 €
ASSETS			
Non Current Assets			
Property, plant and equipment	3.	358,041	287,525
Total non-current assets		358,041	287,525
Current assets			
Inventories	4.	1,541	1,892
Receivables	5.	9,235	1,896
Cash and Cash Equivalents	6.	525,265	315,671
Total current assets		536,041	319,459
Total assets		€ 894,082	€ 606,984
RESERVES AND LIABILITIES			
Retained reserves		242,875	342,501
Non-Current Liabilities			
Deferred income - grants	7.	-	249,822
Current Liabilities			
Payables	8.	199,309	14,661
Deferred income - grants	7.	451,898	-
TOTAL LIABILITIES AND RESERVES		€ 894,082	€ 606,984

The notes on pages 8 to 23 are an integral part of the financial statements. The said financial statements were approved by the Local Council on 29 April 2019.


Dr Daniel Attard
Mayor


Rita Mifsud Attard
Executive Secretary

Ghasri Local Council

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2018

	Retained funds
	Account
	€
Balance as at 1 January 2017	334,169
Total comprehensive surplus for the year	8,332
	<hr/>
Balance as at 31 December 2017	342,501
Total comprehensive deficit for the year	(99,626)
	<hr/>
Balance as at 31 December 2018	<u>€ 242,875</u>

The notes on pages 8 to 23 are an integral part of the financial statements.

Ghasri Local Council

STATEMENT OF CASH FLOW STATEMENT
Year ended 31 December 2018

	Notes	2018 €	2017 €
Cash Flows from Operating Activities			
Total Comprehensive loss for the year		(99,626)	8,332
Adjustments for:			
Depreciation		110,806	19,848
Loss on disposal of Assets		-	186
Provision for bad debts		-	183
Interest received		(173)	(44)
Operating profit before Working Capital Changes		11,007	28,505
Movement in working capital:			
Movement in inventories		351	190
Movement in receivables		(7,339)	(553)
Movement in payables		184,648	3,801
Net cash flow generated from operating Activities		188,667	31,943
Cash flow generated from investing activities			
Purchase of Property, Plant and Equipment		(181,322)	(7,440)
Grants received		202,076	250,663
Interest received		173	44
Net cash flow generated from investing activities		20,927	243,267
Net increase in Cash and Cash Equivalents		209,594	275,210
Cash and Cash Equivalents at the beginning of year		315,671	40,461
Cash and Cash Equivalents at the end of year	6.	€ 525,265	€ 315,671

The notes on pages 8 to 22 are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2018

1. General Information

Ghasri Local Council is the local authority of Ghasri setup in accordance with the Local Councils Act. The office of the Local Council is situated at Triq Dun Karm Caruana Ghasri. The financial statements were approved for issue by the Council on 29 April 2019. The Local Council's presentation as well as functional currency is denominated in €.

2. Accounting policies and Reporting Procedures

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

(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 Local Council :

During the year, the Local Council has adopted a number of new standards and interpretations, or amendments thereto, issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee, and endorsed by the European Union. The Council is of the opinion that the adoption of these standards, interpretations or amendments thereto, does not have material impact on these financial statements.

IFRS 9 Financial Instruments

The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

IFRS 15 Revenue from Contracts with Customers

The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Ghasri Local Council

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2018

2(b) Accounting policies and Reporting Procedures - Standards, amendments and interpretations to existing standards (Continued)

New Standards and amendments not yet effective:

A number of new International Financial Reporting Standards and amendments and revisions thereto were in issue but not yet effective during the financial period under review. These include the following:

IFRS 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces IAS 17 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset and an interest expense on the recognised lease liability. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

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. Interest income is recognised in the statement of comprehensive income as it accrues.

(d) Local Enforcement System

During 2018, the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is chargeable to the Regional Committees and LESA for contraventions paid at the Council.

Ghasri Local Council

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2018

2. Accounting policies and Reporting Procedures (Continued)

(e) Tangible fixed assets

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 straight line method at rates calculated to write off the cost over its expected useful life as follows:

Land	0%
Trees	0%
Buildings	1%
Furniture, fixtures & 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 company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

(f) Government Grants

Government grants relating to operating expenditure are recognized in the statement of Comprehensive Income in the same period that the related expenditure is incurred. Government grants relating to the purchase of property, plant and equipment are accounted for using the capital approach, and are thus deducted from the carrying amount of the relative non-current asset.

Up to year ended 31st December 2017, government grants were accounted for using the income approach according to IAS20 Accounting for Government Grants and Disclosure of Government Assistance. On 1st January 2018, the capital approach, according to IAS20, has been adopted, in line with the Directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting policy, and according to IAS8 Accounting Policies, Changes in Accounting Estimates and Errors, it has been accounted for retrospectively.

Ghasri Local Council

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2018

2. Accounting policies and Reporting Procedures (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) Amounts Receivable

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

(i) Foreign Currencies

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

(j) Surplus and deficits

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

(k) Cash and Equivalents

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

(l) Related parties

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

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2018

2. Accounting policies and Reporting Procedures (Continued)

(m) Payables

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

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

(n) Financial Instruments

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

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

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

Financial assets and financial liabilities are measured initially at fair value plus transactions costs.

Financial assets

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2018

2. Accounting policies and Reporting Procedures (Continued)

Financial liabilities

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

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

(o) Critical accounting estimates and judgements

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

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

(p) Inventories

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

Ghasri Local Council

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2018

3. Tangible fixed assets

3a

	Cost 01-Jan-18	Additions	Cost 31-Dec-18
Cost	€	€	€
Property	129,040	-	129,040
Furniture, fixtures & fittings	18,694	-	18,694
Plant and machinery	487	460	947
Computers and electronic equipment	4,719	65	4,784
Office Equipment	12,282	210	12,492
Urban Improvements	25,401	610	26,011
New Street Signs	2,115	-	2,115
Assets under construction	-	179,977	179,977
Construction	569,731	-	569,731
	<u>762,469</u>	<u>181,322</u>	<u>943,791</u>
Depreciation	01-Jan-18	Depreciation for the year	31-Dec-18
Property	22,070	956	23,026
Furniture, fixtures & fittings	13,241	4,504	17,745
Plant and machinery	475	105	580
Computers and electronic equipment	3,892	842	4,734
Office Equipment	9,118	831	9,949
Urban Improvements	19,269	5,198	24,467
New Street Signs	2,115	-	2,115
Construction	313,060	98,370	411,430
	<u>383,240</u>	<u>110,806</u>	<u>494,046</u>
Grants			
Property	-	-	-
Furniture, fixtures & fittings	-	-	-
Plant and machinery	-	-	-
Computers and electronic equipment	-	-	-
Office Equipment	2,242	-	2,242
Urban Improvements	-	-	-
New Street Signs	-	-	-
Construction	89,462	-	89,462
	<u>91,704</u>	<u>-</u>	<u>91,704</u>
Net book value		2018	2017
		€	€
Property		106,014	106,970
Furniture, fixtures & fittings		949	5,453
Plant and machinery		367	12
Computers and electronic equipment		50	827
Office Equipment		301	922
Urban Improvements		1,544	6,132
New Street Signs		-	-
Assets under construction		179,977	-
Construction		68,839	167,209
Total fixed assets		<u>€ 358,041</u>	<u>€ 287,525</u>

Ghasri Local Council

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2018

3b Tangible fixed assets (Continued)

	Cost 01-Jan-17	Disposal for the year	Additions for the year	Cost 31-Dec-17
Cost	€		€	€
Property	129,040	-	-	129,040
Furniture, fixtures & fittings	18,624	-	70	18,694
Plant and machinery	487	-	-	487
Computers and electronic equipment	8,678	(3,959)	-	4,719
Office Equipment	14,514	(2,232)	-	12,282
Urban Improvements	25,161	-	240	25,401
New Street Signs	2,115	-	-	2,115
Construction	562,601	-	7,130	569,731
	761,220	(6,191)	7,440	762,469

Depreciation

	01-Jan-17	Reallocation of Grants amortisation	Released on Disposal	Depreciation for the year	31-Dec-17
Property	20,985	-	-	1,085	22,070
Furniture, fixtures & fittings	12,805	-	-	436	13,241
Plant and machinery	471	-	-	4	475
Computers and electronic equipment	7,586	-	(3,924)	230	3,892
Office Equipment	11,872	(820)	(2,081)	147	9,118
Urban Improvements	18,348	-	-	921	19,269
New Street Signs	2,115	-	-	-	2,115
Construction	301,883	(5,848)	-	17,025	313,060
	376,065	(6,668)	(6,005)	19,848	383,240

Grants

	01-Jan-17	Reallocation of Grants	31-Dec-17
Property	-	-	-
Furniture, fixtures & fittings	-	-	-
Plant and machinery	-	-	-
Computers and electronic equipment	-	-	-
Office Equipment	-	2,242	2,242
Urban Improvements	-	-	-
New Street Signs	-	-	-
Construction	58,911	30,551	89,462
	58,911	32,793	91,704

	2017 €	2016 €
Net book value		
Property	106,970	108,055
Furniture, fixtures & fittings	5,453	5,819
Plant and machinery	12	16
Computers and electronic equipment	827	1,092
Office Equipment	922	2,642
Urban Improvements	6,132	6,813
New Street Signs	-	-
Construction	167,209	201,807
Total fixed assets	€ 287,525	€ 326,244

Ghasri Local Council

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2018

4. Inventories

	2018 €	2017 €
Ghasri Sub-post office: Inventories of stamps and cards	€ 1,541	€ 1,892

5. Receivables

	2018 €	2017 €
Prepayments and accrued income	6,297	897
Amounts receivable	2,509	999
Sub-post office	429	-
	<u>9,235</u>	<u>1,896</u>
Receivables		
Within the credit period	8,614	1,232
Exceeded credit period but not yet impaired	621	664
	<u>9,235</u>	<u>1,896</u>

Amounts receivable are stated after making a provision of doubtful debts of €664.

6. Cash and Cash Equivalents

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

	2018 €	2017 €
Bank Balances		
Bank Current accounts	434	2,997
Savings Account	314,275	310,130
Central Bank of Malta	207,992	-
Current Account - Ghasri sub-post office	2,435	2,381
Cash in hand	129	163
Cash at bank and in hand	<u>€ 525,265</u>	<u>€ 315,671</u>

Ghasri Local Council

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2018

7. Deferred income grants

	2018 €	2017 €
Between 1 and 2 years	-	249,822
Between 2 and 5 years	-	-
Over 5 years	-	-
	<u>€ -</u>	<u>€ 249,822</u>

	2018 €	2017 €
Opening balance	249,822	-
Increase in grants - Deferred income - Road resurfacing	202,076	249,822
Movement in deferred income	-	-
Grants transferred to fixed assets	-	-
Closing balance	<u>451,898</u>	<u>249,822</u>
Less Current portion	<u>(451,898)</u>	<u>-</u>
Non Current portion	<u>-</u>	<u>249,822</u>

8. Payables

	2018 €	2017 €
Accruals	195,964	5,147
Accounts payable	3,345	9,514
	<u>€ 199,309</u>	<u>€ 14,661</u>

9. Funds received from Central Government

	2018 €	2017 €
In terms of section 55 of the Local Councils Act (CAP 363)	177,784	170,477
Other Government Income	18,836	2,768
	<u>€ 196,620</u>	<u>€ 173,245</u>

10. General Income

	2018 €	2017 €
Income from tender documents	53	5
Income from permits	1,630	1,112
Income from SPO Services	406	566
Contributions and donations	2,166	40
	<u>€ 4,255</u>	<u>€ 1,723</u>

Ghasri Local Council

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2018

11. Income raised under Local Enforcement System

	2018	2017
	€	€
Administration fees income from contraventions	223	247
Distributions from LESA pooling system	-	2,236
	€ 223	€ 2,483

12. Personal Emoluments

	2018	2017
	€	€
Personal Emoluments include, inter alia:		
Mayor's Allowance	7,464	7,345
Councillors' Allowance	4,800	6,400
Executive Secretary salary and allowances	30,172	24,055
Employees' salary	11,966	10,611
Social Security Contributions	3,330	2,418
	€ 57,732	€ 50,829

13. Operations and Maintenance

	2018	2017
	€	€
Operations and maintenance includes, inter alia:		
Repairs and Upkeep:		
Road and Street Pavements (patching works)	39,740	24,722
Sundry Repairs	46	9
Public Property	14,671	8,566
Signs and markings	339	61
	€ 54,796	€ 33,358

Contractual Services:

	2018	2017
	€	€
Refuse Collection	12,294	11,715
Bulky Refuse Collection	2,628	1,599
Road and Street Cleaning	8,562	10,211
Cleaning and Maintenance - Public Conveniences	2,855	2,548
Cleaning and Maintenance - Soft areas	1,902	1,661
Cleaning - Council premises	505	520
Street Lighting	3,405	3,363
Other	2,484	2,947
	€ 34,635	€ 34,564
Total Operations and Maintenance Expenses	€ 89,431	€ 67,922

Ghasri Local Council

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2018

14. Administration and other expenditure

	2018	2017
	€	€
Utilities	2,547	2,215
Materials and supplies	1,438	632
National and International Memberships	500	520
Office Services	1,530	1,832
Transport	2,691	2,110
Rent	396	396
Information services	714	1,073
Professional Services	15,822	8,219
Community services and events	16,978	13,198
Provision for bad debts	-	183
Asset Disposal	-	186
Depreciation	110,807	19,848
Bank Charges	311	-
Bad debt written off	-	-
	€ 153,734	€ 50,412

15. Investment Income

	2018	2017
	€	€
Bank Interest Receivable	173	44
	€ 173	€ 44

16. Capital Commitments

The Council's Capital commitments are as follows:

	2018	2017
	€	€
Approved but not yet contracted for:		
Construction	-	8,000
Improvements	-	13,000
Equipment	-	500
Resurfacing/Special Programmes	-	671,491
	€ -	€ 692,991
Contracted but not provided for:		
Improvements standards of living of farmers	288,835	€ -
Resurfacing of roads	228,706	€ -
Restoration of niche	14,438	-
	€ 531,979	€ -

Note i

This amount resurfacing works part of which will be covered by the €250,663 already received from Ministry for Gozo as per note 7 and by €378,598 from Measure 4.3. Whilst these works have begun they have not been completed and thus these funds remain in the council's bank account. The council has also been granted funding for the restoration of niche located at Salvu Gambin Street corner with Church Street. The works will be completed early in 2019.

Ghasri Local Council

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2018

17. Related Parties Disclosures

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

Name of entity	Nature of relationship
Department of Local Councils	Significant control
Regional Committees	No Control
Malta Environment and Planning	No Control

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

	2018	2017
	€	€
Significant control:		
Revenue:		
Annual Financial allocation	€ 177,784	170,477

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

18. 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.

18.1 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:

	2018	2017
	€	€
Class of financial assets - carrying amounts		
Receivables	9,235	1,896
Cash and Cash Equivalents	525,265	315,671
	€ 534,500	€ 317,567

Ghasri Local Council

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2018

18. Risk management objectives and policies (Continued)

18.1 Credit risk (Continued)

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

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

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

The company exercises a prudent credit control policy and accordingly it is not subject to any significant exposure or concentration of credit risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

18.2 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.

	2018 €	2017 €
Payables	199,309	14,661
	<u>€ 199,309</u>	<u>€ 14,661</u>

18.3 Interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2018

18. Risk management objectives and policies (Continued)

18.4 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:

	2018	2017
	€	€
Current Assets		
Loans and receivables :		
Receivables	9,235	1,896
Cash and Cash Equivalents	525,265	315,671
	<u>534,500</u>	<u>317,567</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	651,207	21,112
	<u>651,207</u>	<u>21,112</u>

19. 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 2018, 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.

Ghasri Local Council

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2018

21. On 1 January 2018, the Local Council applied Directive 1/2017 issued by the Department for Local Government in respect of Accounting of Grants as per IAS 20 "Government Grants". The Department for Local Government has instructed Local Councils to adopt the alternative capital approach as from 1 January 2018.

This is a change in accounting policies and according to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", this has been accounted for retrospectively. The change in accounting policy did not effect the Statement of Comprehensive Income. The effect of this change has been the reclassification of opening balances of Property, Plant and Equipment and Deferred Grants in the Statement of Financial as represented below.

	Note	Balance before adjustments €	Prior-Year Adjustments €	Reinstated Balances €
Non Current Assets				
Property Plant and equipment	3.	310,455	(22,930)	287,525
Current assets				
Inventories	4.	1,892	-	1,892
Receivables	5.	1,896	-	1,896
Cash and Cash Equivalents	6.	315,671	-	315,671
		319,459	-	319,459
Total Assets		629,914	(22,930)	606,984
Reserves and liabilities				
Reserves				
Retained earnings		342,501	-	342,501
Non-current liabilities				
Deferred income	7.	266,301	(16,479)	249,822
Current liabilities				
Payables		14,661	-	14,661
Current Deferred income		6,451	(6,451)	-
Total Equity and liabilities		629,914	(22,930)	606,984

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GHASRI LOCAL COUNCIL

REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL

Opinion

We have audited the accompanying financial statements of Ghasri Local Council, which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 4 - 23.

In our opinion, the financial statements give a true and fair view of the financial position of the Local Council as of 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Local 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 opinion.

Material Uncertainty Related to Going Concern

We draw attention to the Local Council's Statement of Financial Position on page 5 which shows that as at 31st December 2018, the current liabilities of the Local Council exceeded its current assets by €115,166. This condition indicates that a material uncertainty exists that may cast significant doubt as to whether the Local Council will be able to meet its liabilities as and when they fall due. Our opinion is not modified in respect of this matter.

Other Information

The Executive Secretary and the Local Council Members are 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 the other information and we do not express any form of assurance conclusion thereon.

REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL - continued

Other Information - continued

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Council Responsibilities for the Financial Statements

As described on page 3, the Executive Secretary and the Local Council Members 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 European Union, and for such internal control as the Executive Secretary and the Local Council Members 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 Local Council Members are responsible for assessing the Local 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 it is inappropriate to presume that the Local Council will continue as a going concern.

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

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 auditors' 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 skepticism 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.

REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL - continued

Auditor's Responsibilities for the Audit of the Financial Statements - continued

- 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 Local Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Secretary and the Local Council Members.
- Conclude on the appropriateness of the Executive Secretary's and the Local Council Members' 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 Local Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 Local Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been properly prepared in accordance with the Local Councils Act (Cap. 363), the Financial Regulations issued in terms of the said Act and the Local Councils (Financial) Procedures.

A handwritten signature in dark ink, appearing to read 'Conrad Borg', is written over a horizontal line.

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

RSM Malta
Certified Public Accountants

Date: 29th April 2019