



Hal Kirkop Local Council

Annual Report and Financial Statements  
31 December 2018



*Prepared by Accounting & Management Team Limited*

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

The Local Councils (Financial) Regulations 1993 require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's Profit or Loss and Other Comprehensive Income for the year and of the Council's Financial Position at the end of the 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 Comprehensive Income of the Local Council for the year and its Financial Position as at the year end, and that they comply with the Act, the Local Council (Financial) Regulations, 1993 and the Local Council (Financial) Procedures, 1996.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Council (Financial) Regulations 1993, and the Local Council (Financial) Procedures 1996. 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.

This statement was approved by the Local Council on the 25<sup>th</sup> April 2019 and signed on its behalf by:



Terence Agius  
Mayor



Antonia Demicoli  
Executive Secretary

**Statement of Profit or Loss and Other Comprehensive Income**

	Notes	2018	2017
		€	As restated €
<b>Income</b>			
Funds received from Central Government	3	238,248	235,905
Investment Income	4	62	56
Income raised under Local Enforcement System	5	1,504	2,063
General Income	6	24,894	6,691
Income from by Law	7	200	-
		<b>264,908</b>	<b>244,715</b>
<b>Expenditure</b>			
Personal emoluments	8	84,171	72,262
Operations and Maintenance	9	96,542	65,557
Administrative and other Expenditure	10	127,470	14,989
		<b>308,183</b>	<b>152,808</b>
<b>(Deficit)/Surplus for the year</b>		<b>(43,275)</b>	<b>91,907</b>
<b>Total comprehensive (expense)/income for the year</b>		<b>(43,275)</b>	<b>91,907</b>

The notes on pages 6 to 26 form an integral part of these financial statements

**Statement of Financial Position**

	Notes	2018 €	2017 As restated €	2017 As previously stated €
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	11	212,794	235,901	1,197,776
<b>Current assets</b>				
Receivables	12	40,933	42,652	42,652
Cash and cash equivalents	13	196,039	234,631	234,631
		236,972	277,283	277,283
<b>Total Assets</b>		<b>449,766</b>	<b>513,184</b>	<b>1,475,059</b>
<b>RESERVES AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Retained earnings		414,518	457,793	457,793
<b>LIABILITIES</b>				
<b>Non-current Liabilities</b>				
Deferred income		-	-	867,410
		-	-	867,410
<b>Current Liabilities</b>				
Payables	14	35,248	55,391	149,856
		35,248	55,391	149,856
<b>Total Liabilities</b>		<b>35,248</b>	<b>55,391</b>	<b>1,017,266</b>
<b>Total Reserves and Liabilities</b>		<b>449,766</b>	<b>513,184</b>	<b>1,475,059</b>

These financial statements were approved by the Local Council on the 25<sup>th</sup> April 2019 and are signed on its behalf by:

  
Terence Agius  
Mayor

  
Antonia Demicoli  
Executive Secretary

The notes on pages 6 to 26 form an integral part of these financial statements

**Statement of Changes in Equity**

	Retained earnings €	Total €
Balance at 1 January 2017	365,886	365,886
Total comprehensive income for the year	91,907	91,907
<b>Balance at 31 December 2017</b>	<b>457,793</b>	<b>457,793</b>
Balance at 1 January 2018	457,793	457,793
Total comprehensive expense for the year	(43,275)	(43,275)
<b>Balance at 31 December 2018</b>	<b>414,518</b>	<b>414,518</b>

The notes on pages 6 to 26 form an integral part of these financial statements



**Statement of Cash Flows**

	Notes	2018 €	2017 As restated €
<b>Cash flows (used in)/from operating activities</b>			
<b>(Deficit)/Surplus for the year</b>		<b>(43,275)</b>	91,907
Adjustments for:			
Depreciation	11a	58,165	(22,987)
Provision for bad debts		(965)	(4,891)
Bad Debts written off		500	2,600
Investment income receivable		(62)	(56)
<b>Surplus for the period before working capital movements</b>		<b>14,363</b>	66,573
(Increase) in receivables		2,184	3,114
Increase/(Decrease) in payables		(20,143)	(10,474)
<b>Net cash (used in)/generated from operating activities</b>		<b>(3,596)</b>	59,213
<b>Cash flows used in investing activities</b>			
Investment income receivable		62	56
Payment to acquire property, plant and equipment	11a	(35,058)	(3,757)
<b>Net cash used in investing activities</b>		<b>(34,996)</b>	(3,701)
<b>Cash flows from financing activities</b>			
Payments of short – term borrowings		-	-
<b>Net cash from financing activities</b>		-	-
<b>Movement in cash and cash equivalents</b>		<b>(38,592)</b>	55,512
<b>Cash and cash equivalents at the beginning of the year</b>		<b>234,631</b>	179,119
<b>Cash and cash equivalents at the end of the year</b>	13	<b>196,039</b>	234,631

**Notes to the Financial Statements  
For the year ended 31 December 2018****1. Statutory Information**

The Hal Kirkop Local Council is a local government entity set up by the Local Council Act, 1993. The office of the Council is situated at 31, Triq San Benedittu, Kirkop. The financial statements of the Hal Kirkop Local Council for the year ended 31 December 2018 were approved and authorised for issue by the Council Members on the 25th April 2019.

**2. Accounting policies**

The principal accounting policies adopted 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. Basis of preparation**

The 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, in accordance to the requirements of International Financial Reporting Standards (IFRSs) as adopted by the European Union (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. Use of estimates and judgements**

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

However, in the opinion of the Council members, there are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.



**Notes to the Financial Statements  
For the year ended 31 December 2018****2. Accounting policies - continued****c. New and revised standards that are effective for the current period**

In the current year, the Council has applied IFRS 9 Financial Instruments and the related consequential amendments to other International Financial Reporting Standards that are effective for periods that begin on or after 1 January 2018. IFRS 9 introduced new requirements for the classification and measurement of financial assets and introduced an 'expected credit loss' model for the impairment of financial assets.

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

In the current year, the Council has applied IFRS 15 Revenue from Contracts with Customers which is effective for periods that begin on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition.

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

**d. New and revised standards that are issued but not yet effective**

IFRS 16, 'Leases' introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised, with the exception of short-term and low-value leases. IFRS 16 will supersede the current lease guidance of IAS 17 and the related interpretations. The standard is mandatory for periods commencing on or after 1 January 2019.

At this stage the Council is still in the process of assessing and evaluating the impact of IFRS 16.

**e. Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Hal Kirkop Local Council and the revenue can be reliably measured, regardless of when the payment is received.

**Notes to the Financial Statements**  
**For the year ended 31 December 2018****2. Accounting policies - continued****e. Revenue recognition - continued**

Revenue is recognised upon transfer of funds from the Central Government when there are no significant uncertainties concerning the derivation of consideration or associated costs.

Interest income is recognised in the income statement as it accrued under finance income.

**f. Functional and presentation currency**

Items included in the Local Council's financial statements are measured using the currency of the primary economic environment in which the entity operates. The Local Council's financial statements are presented in Euro, which is the Local Council's functional currency.

**g. Local Enforcement System**

The amount disclosed in the financial statements under Local Enforcement Income represents the administrative charges to Regional Committees.

**h. Government Grants**

The Department for Local Government instructed Local Councils under Directive Number 1/2017 that when accounting for Government Grants, the Councils had to adopt the Capital Approach and not the Income Approach as from 1<sup>st</sup> January 2018. This is a change in accounting policy and in accordance to IAS 8 '*Accounting policies, Changes in Accounting Estimates and Errors*' this did not affect the final figure on the Statement of Comprehensive Income but it only affected the Statement of Financial Position.

**i. Depreciation of Fixed Assets**

On 1 January 2018, a change in Depreciation method has been effected according to the instructions in DLG Directive 1/2017, whereby from reducing balance method, depreciation is now being calculated on the straight line method. Adjusted net book values as at 01/01/2017 and 31/12/2017 are reflected in the PPE Schedule on page 18.

**Notes to the Financial Statements  
For the year ended 31 December 2018****2. Accounting policies - continued****j. Intangible assets**

Intangible assets comprise computer software. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful live of 25% using the straight line method. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Where an indication of impairment exists, in that the carrying amount of an intangible asset is greater than its estimated recoverable amount, a charge is made to write down the value of the asset to its estimated recoverable amount (Accounting policy (l)).

**k. Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated on a monthly basis using the straight line method to allocate the cost of the assets to their residual values over their estimated useful lives as follows:

• Land	0%
• Trees	0%
• Buildings	1%
• Office furniture and fittings	7.5%
• Construction works	10%
• Urban improvements (Street Furniture)	10%
• Special projects	10%
• Office equipment	20%
• Motor vehicles	20%
• Plant and machinery	20%
• Computer equipment	25%
• Plants	100%
• Litter bins	100%
• Traffic and road signs	100%
• Playground furniture	100%
• Street lights	100%
• Street mirrors	100%

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount, and are taken into account in determining operating profit.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (Accounting policy (l)).



**Notes to the Financial Statements  
For the year ended 31 December 2018****2. Accounting policies - continued****l. Impairment of assets**

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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

**m. Amounts receivable**

Amounts receivable are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Amounts receivable are carried at original invoice amount less provisions made for impairment of these receivables. A provision for impairment of amount receivables is established when there is objective evidence that the Local Council will not be able to collect all amounts due according to the set original terms. The amount of provision is recognised in the Statement of Comprehensive Income. Bad debts are written off during the year in which they are identified.

**n. Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at face value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

**o. Profits and losses**

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

**p. Payables**

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

**Notes to the Financial Statements  
For the year ended 31 December 2018****2. Accounting policies - continued****q. Provisions**

Provisions are recognised when the Local Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

**r. Operating leases**

Leases of assets where a significant portion of the risk and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

**s. Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

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

**t. Capital Management**

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

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

To achieve the above, the Council carries out a quarterly review of the working capital ratio ('Financial Situation Indicator'). The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

**u. 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.



**Notes to the Financial Statements  
For the year ended 31 December 2018****2. Accounting policies - continued****u. Financial instruments - continued**

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 transaction costs. They are measured subsequently as described below.

**v. 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 as described below.

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest rate 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 considerable to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counter party 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.

**w. Financial liabilities**

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

All interest-related charges are included within finance costs.

**Notes to the Financial Statements  
For the year ended 31 December 2018****3. Funds Received from Central Government**

	2018 €	2017 As restated €
In terms of Section 55 of the Local Councils Act (Cap 363)	215,269	207,133
Other Government Income	15,555	7,851
Supplementary government income – WasteServ allocation	7,424	20,921
	<u>238,248</u>	<u>235,905</u>

**4. Investment income**

	2018 €	2017 €
Bank interest receivable	<u>62</u>	<u>56</u>

**5. Income raised under Local Enforcement System**

	2018 €	2017 €
Administrative charges to Regional Committees	<u>1,504</u>	<u>2,063</u>
	<u>1,504</u>	<u>2,063</u>

**6. General Income**

	2018 €	2017 €
General income	10,559	6,691
Contributions	14,335	-
	<u>24,894</u>	<u>6,691</u>

**Notes to the Financial Statements  
For the year ended 31 December 2018****7. Income from by law**

	2018 €	2017 €
Income from by law	200	-

**8. Personal Emoluments**

	2018 €	2017 €
Mayor's honoraria and allowance	9,064	8,945
Executive secretary salary	34,749	24,471
Employees' salaries	30,172	29,365
Social Security Contributions	5,386	4,456
Council members' allowance	4,800	5,025
	<b>84,171</b>	<b>72,262</b>

**Average number of people employed**

Employees	3	3
Mayor and Councillors	5	5

**Notes to the Financial Statements  
For the year ended 31 December 2018****9. Operations and Maintenance**

	2018 €	2017 €
<b>Repairs and Upkeep:</b>		
Road and street pavements (Patching works)	4,530	-
Road Markings	8,968	777
Signs	1,656	360
Sundry repairs	8,590	2,601
	<b>23,744</b>	<b>3,738</b>
	2018 €	2017 €
<b>Contractual Services:</b>		
Refuse collection (including bins on wheels)	33,532	18,927
Waste disposal	14,742	21,401
Bulky refuse collection (including open skips)	3,068	2,684
Road and street cleaning (mechanical and manual)	12,366	11,104
Cleaning Council premises	3,521	1,285
Street Lighting	4,139	3,370
Cleaning and Maintenance of Parks and Gardens	1,430	3,048
	<b>72,798</b>	<b>61,819</b>
	<b>96,542</b>	<b>65,557</b>

**Notes to the Financial Statements  
For the year ended 31 December 2018****10. Administrative and other expenditure**

	2018	2017
	€	As restated €
Utilities	14,572	5,171
Other repairs and upkeeps	4,535	3,530
Rent	1,341	1,337
Cleaning material	283	284
Library	802	929
National & International membership	140	633
Repairs of Office furniture and equipment	370	774
Office services	4,409	4,337
Transport	1,240	1,318
Information services	465	763
Insurance	3,692	3,503
Travel	1,705	-
Sundry expenses	-	238
Professional services	17,810	14,295
Community and hospitality	2,875	1,567
Social events	14,334	1,269
LES related expenses	1,005	239
Bank interest and charges	89	80
Depreciation	58,165	(22,987)
Provision for bad debts	(965)	(4,891)
Bad debt written off	500	2,600
Penalties	103	-
	<b>127,470</b>	<b>14,989</b>



**Notes to the Financial Statements**  
**For the year ended 31 December 2018**  
**11a. Property, plant and equipment**

Asset	Motor Vehicles	Office & Computer Equipment	Urban improvements	Plant and Machinery	Furniture and Fittings	Construction works	Assets Under Construction	Total
	€	€	€	€	€	€	€	€
<b>Cost</b>								
As at 1 January 2018	4,600	40,604	94,656	2,947	45,910	2,318,951	-	2,507,668
Additions	-	6,566	10,294	-	2,039	16,159	-	35,058
Write offs	-	-	(4,868)	-	-	(15,575)	-	(20,443)
As at 31 December 2018	4,600	47,170	100,082	2,947	47,949	2,319,535	-	2,522,283
<b>Grants</b>								
As at 1 January 2018	-	2,873	-	-	-	1,970,213	-	1,973,086
Additions	-	-	-	-	-	-	-	-
As at 31 December 2018	-	2,873	-	-	-	1,970,213	-	1,973,086
<b>Accumulated Depreciation</b>								
As at 1 January 2018	3,474	30,045	67,660	2,907	25,650	168,945	-	298,681
Charge for the year	1,126	6,551	5,057	40	10,459	34,932	-	58,165
Released on write off	-	-	(4,868)	-	-	(15,575)	-	(20,443)
As at 31 December 2018	4,600	36,596	67,849	2,947	36,109	188,302	-	336,403
<b>Net Book Value</b>								
As at 31 December 2018	-	7,701	32,233	-	11,840	161,020	-	212,794

**Notes to the Financial Statements**  
**For the year ended 31 December 2018****11b. Property, plant and equipment**

Asset	Motor Vehicles	Office & Computer Equipment	Urban improvements	Plant and Machinery	Furniture and Fittings	Construction works	Assets Under Construction	Total
	€	€	€	€	€	€	€	€
<b>Cost</b>								
As at 1 January 2017	4,600	39,688	93,819	2,947	45,910	1,893,886	423,061	2,503,911
Additions	-	916	837	-	-	2,004	-	3,757
Transfer	-	-	-	-	-	423,061	(423,061)	-
As at 31 December 2017	4,600	40,604	94,656	2,947	45,910	2,318,951	-	2,507,668
<b>Grants</b>								
As at 1 January 2017	-	2,873	-	-	-	543,714	-	546,587
Adjusted	-	-	-	-	-	1,426,499	-	1,426,499
As at 31 December 2017	-	2,873	-	-	-	1,970,213	-	1,973,086
<b>Accumulated Depreciation</b>								
As at 1 January 2017	3,222	28,013	64,845	2,898	24,067	557,728	-	680,773
Adjusted	-	-	-	-	-	(359,105)	-	(359,105)
Charge for the year	252	2,032	2,815	9	1,583	75,841	-	82,532
Adjusted	-	-	-	-	-	(105,519)	-	(105,519)
As at 31 December 2017	3,474	30,045	67,660	2,907	25,650	168,945	-	298,681
<b>Net Book Value</b>								
As at 31 December 2017	1,126	7,686	26,996	40	20,260	179,793	-	235,901

**Notes to the Financial Statements  
For the year ended 31 December 2018****12. Receivables**

	2018 €	2017 €
Receivables	31,220	8,036
Provision for Bad Debts	(2,010)	(2,010)
LES Debtors	145,090	146,055
Provision for Bad LES Debts	(145,090)	(146,055)
Accrued income	7,452	33,126
<b>Financial assets</b>	<b>36,662</b>	<b>39,152</b>
Prepayments	4,271	3,500
	<b>40,933</b>	<b>42,652</b>

The total financial assets for the year amounted to €36,662 (2017:€39,152).

**13. Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following amounts in the Local Council Statement of Financial Position:

	2018 €	2017 €
Bank balances:		
Ordinary funds	195,806	234,398
Cash in hand	233	233
	<b>196,039</b>	<b>234,631</b>

**Notes to the Financial Statements**  
**For the year ended 31 December 2018****14. Payables**

	2018	2017
	€	As restated €
Payables	15,214	22,442
Accruals	19,844	6,100
Other Payables	190	26,849
Financial Liabilities	<u>35,248</u>	<u>55,391</u>

The total financial liabilities for the year amounted to €35,248 (2017: €55,391)

**15. Contingent liabilities**

The Local Council is defendant in proceedings in which an individual is claiming compensation for damages amounting to € 15,000 (fifteen thousand Euro), which were allegedly sustained by the plaintiff following works carried out by the Council. The Council is contesting the claim vigorously and the Council members firmly believe that such an action ought to be dismissed. Nevertheless, the outcome of the action remains uncertain and the claim may finally be decided in favour of the Local Council.

**16. Related party transactions**

During the year, the Local Council had effected transactions with related parties resulting mainly in connection with income and administrative transactions, are disclosed in notes 8 and 10 to these financial statements. The following were the related parties:

<b>Name of Entity</b>	<b>Nature of relationship</b>
Department of Local Councils	Significant Control
Gozo Regional Committee	No Control
Central Regional Committee	No Control
North Regional Committee	Joint Control
South Regional Committee	No Control
South Eastern Regional Committee	No Control
Local Enforcement Systems Agency	No Control
ARMS Ltd	No Control
Commissioner of Data Protection	No Control
Department of Information	No Control
Ministry of Finance	No Control
Police General Head Quarters	No Control



**Notes to the Financial Statements  
For the year ended 31 December 2018****16. Related party transactions- continued**

<b>Name of Entity</b>	<b>Nature of relationship</b>
Malta Environment and Planning Authority	No Control
Water Services Corporation	No Control
Enemalta Corporation	No Control
Cleansing Directorate	No Control
Department of Lands	No Control
Wasteserv Malta Limited	No Control
Bank of Valletta plc	No Control
Department of Lands	No Control
Local Councils' Association	No Control
Central Bank of Malta	No Control
Department of Inland Revenue	No Control
Ministry for Justice, Culture and Local Government	No Control

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

	<b>2018</b>	<b>2017</b>
	<b>€</b>	<b>€</b>
<b>(a) Funds received from Local Government</b>	<b>215,269</b>	<b>207,133</b>

**Key management compensation**

Transactions with key management personnel are disclosed in note 8.

**Ultimate controlling party**

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



## Notes to the Financial Statements For the year ended 31 December 2018

### 17. Financial risk management

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

#### **Credit risk**

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors 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.

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

	2018 €	2017 €
Classes of financial assets – carrying amounts		
Trade and other receivables	36,662	39,152
Cash and cash equivalents	196,039	234,631
	<b>232,701</b>	<b>273,783</b>

#### **Liquidity risk**

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact, at year end, the Council has as cash in bank and in hand the amount of €196,039. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net current asset position of €201,724 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

**Notes to the Financial Statements  
For the year ended 31 December 2018****17. Financial risk management – continued**

At 31 December 2018 and 31 December 2017, the contractual maturities on the financial liabilities of the Council were as summarized below. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the Statement of Profit and Loss and Other Comprehensive Income.

	2018 €	2017 €
<b>Trade and other payables</b>		
Less than six months	38,955	30,163
Six to twelve months	38,175	30,163
One to five years	27,104	131,906

**Foreign currency risk**

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

**Interest rate risk**

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

**18. Fair values estimation**

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

**Notes to the Financial Statements  
For the year ended 31 December 2018****19. Summary of financial assets and liabilities**

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

	2018 €	2017 €
<b>Current assets</b>		
Loans and receivables:		
Trade and other receivables	36,662	39,152
Cash and cash equivalents	196,039	234,631
	<u>232,701</u>	<u>273,783</u>
<b>Current liabilities</b>		
Financial liabilities measured at amortised costs:		
Payables	15,214	22,442
Other Payables	190	26,849
Accruals	19,844	6,100
	<u>35,248</u>	<u>55,391</u>

**20. Capital commitments****Capital expenditure**

Commitments for capital expenditure not provided for in these financial statements are as follows:

	2018 €
Contracted but not provided for	-
Authorised but not contracted	137,000
	<u>137,000</u>

The Capital Expenditure of €137,000 will be financed: €50,000 out of the Sebbah Pajjizek Fund, €36,000 out of DPF Funds and the balance out of Council funds.



**Notes to the Financial Statements  
For the year ended 31 December 2018****21. Prior Year Comparative Amounts**

Comparative amounts have been changed to reflect the change in method of calculating depreciation from reducing balance to straight line (Note 2- Property, Plant and equipment); and change in accounting policy for Government grants from income approach to capital approach (Note 2 – Government Grants) and be consistent with current year's presentation. Profit or Loss and Financial Position line items were adjusted as follows respectively:

	As reported in 2017 Audit	Adjustment to reflect change in Accounting Policy	As restated in 2018 Audit
	€	€	€
<b>General income</b>			
General income – Government grants released	(112,210)	105,519	(6,691)
<b>Expenditure</b>			
Administrative and other expenditure - Depreciation	82,532	(105,519)	(22,987)



**Notes to the Financial Statements  
For the year ended 31 December 2018****21. Prior Year Comparative Amounts- continued**

	<b>As reported in 2017 Audit</b>	<b>Adjustment to reflect change in Accounting Policy</b>	<b>As restated in 2018 Audit</b>
	€	€	€
<b>Non-current assets</b>			
Property, plant and equipment	1,197,776	(961,875)	235,901
<b>Non-current liabilities</b>			
Deferred Income	(867,410)	867,410	-
<b>Current liabilities</b>			
Trade and other payables – deferred income	(94,465)	94,465	-

**REPORT OF THE LOCAL GOVERNMENT AUDITORS ON THE HAL KIRKOP LOCAL COUNCIL TO THE AUDITOR GENERAL****Report on the Audit of the Financial Statements****Qualified Opinion**

We have audited the financial statements of Hal Kirkop Local Council which comprise the Statement of Financial Position as at 31 December 2018, and the statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion, the financial statements give a true and fair view of the financial position of the Hal Kirkop Local Council as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

**Basis for Qualified Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' 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 were not able to determine if the written down value of the fixed assets stated in the accounts, amounting to €212,794 as at 31 December 2018 and €235,901 as at 31 December 2017, is complete and free from material misstatement as we were not provided with sufficient evidence to support the amounts disclosed in the financial statements. This is mainly because the Council does not keep a proper fixed asset register.

**Responsibilities of the Executive Secretary**

The Executive Secretary is 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 the Executive Secretary determines are 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 is responsible for assessing the entity'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 Council is intended to be liquidated or to cease operations, or has no realistic alternative but to do so.



**Auditors' 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.

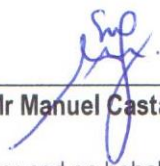
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Secretary.
- Conclude on the appropriateness of the Executive Secretary's 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 entity'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 auditors' report. However, future events or conditions may cause the entity 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 regarding, among other matters, the planned scope and timing of the audit and significant audit figures, 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 do not comply fully with the Local Councils Act, the Financial Regulations issued in terms of this Act and the Local Council (Financial) Procedures, due to the matter described in the Basis for Qualified Opinion section of this report.



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**Mr Manuel Castagna**

For and on behalf of

**Nexia BT**

**Certified Public Accountants**

**The Penthouse, Suite 2  
Capital Business Centre, Entrance C  
Triq taz-Zwejt  
San Gwann SGN 3000  
Malta**

**Date: 26th April 2019**