

KUNSILL LOKALI HAL LIJA
HAL LIJA LOCAL COUNCIL

Lija Local Council
Report and Financial Statements

for the year ended 31 December 2018



Prepared by Ms Marisa Ciappara

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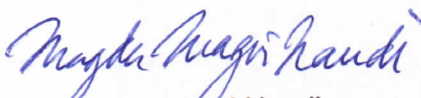
Statement of Local Council Members' and Executive Secretary's Responsibilities

For the year ended 31 December 2018

The Local Councils (Financial) Regulations require the Executive Secretary/Acting Executive Secretary to prepare a detailed annual administrative report which included 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 the Local Council, the income and expenditure of the Local Council for the year its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, and the Local Council (Financial) Procedures issued in terms of the said Act.

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

This statement was approved by the Local Council on 29th April 2019 and signed on its behalf by:-



Ms Magda Magri Naudi

Mayor



Ms Doriette Farrugia

Deputy Executive Secretary

Lija Local Council
Statement of Comprehensive Income
For the year ended 31 December 2018

	Notes	2018	2017
		€	€
Revenue			
Funds received from central government	9	289,620	275,186
Income raised from Local Enforcement System	10	4,491	8,582
General Income	11	17,565	18,605
		<u>311,676</u>	<u>302,373</u>
Expenditure			
Personal emoluments	12	(93,748)	(90,247)
Operations and maintenance	13	(100,096)	(91,301)
Administration and other expenditure	14	(116,537)	(62,400)
		<u>(310,381)</u>	<u>(243,948)</u>
Operating Surplus for the year		1,295	58,425
Investment Income	15	-	17
Surplus for the year		<u>1,295</u>	<u>58,442</u>

The notes on pages 6 - 24 form an integral part of these financial statements.



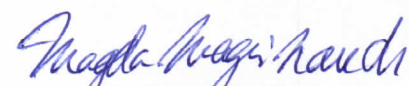
Lija Local Council
Statement of Financial Position
As at 31 December 2018

Statement of Financial Position

	Notes	2018 €	2017 €
ASSETS			
Non Current Assets			
Property, Plant and equipment	3	<u>154,368</u>	<u>230,876</u>
Current Assets			
Inventory	4	3,729	3,738
Trade and other receivables	5	12,795	16,609
Cash and Cash Equivalents	6	<u>191,105</u>	<u>132,436</u>
		<u>207,629</u>	<u>152,783</u>
Total Assets		<u>361,997</u>	<u>383,659</u>
RESERVES AND LIABILITIES			
Reserves			
Retained earnings		<u>291,456</u>	<u>290,161</u>
Non-current Liabilities			
Deferred Income	7	6,632	13,373
Long-term payables	8	<u>14,062</u>	<u>28,124</u>
		<u>20,694</u>	<u>41,497</u>
Liabilities			
Payables	8	<u>49,847</u>	<u>52,001</u>
		<u>70,541</u>	<u>93,498</u>
Total equity and liabilities		<u>361,997</u>	<u>383,659</u>

The notes on pages 6 to 24 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on 29th April 2019 and signed on its behalf by:-


 Ms Magda Magri Naudi
 Mayor


 Ms Doriette Farrugia
 Deputy Executive Secretary

Lija Local Council
Statement of Changes in Equity
Year ended 31 December 2018

	Retained Funds 2018 €	Retained Funds 2017 €
At 1 January	290,161	231,719
Surplus for the year	1,295	58,442
At 31 December	<u>291,456</u>	<u>290,161</u>

The notes on pages 6 - 24 form an integral part of these financial statements.

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Lija Local Council
Statements of Cash Flows
Year ended 31 December 2018

	Notes	2018	2017
		€	€
Cash Flow from Operating Activities			
Surplus for the year		1,295	58,442
Adjustments for:			
Depreciation		80,133	25,537
Impairment of PPE		-	3,384
Deferred income released		(9,769)	(6,384)
Interest receivable		-	(17)
Operating Profit before Working Capital Changes		71,659	80,962
Working Capital Changes :			
(Increase)/decrease in inventories		9	53
(Increase)/decrease in receivables		3,814	(4,156)
(Decrease)/Increase in payables		(4,147)	(13,236)
Net Cash flows from operating activities		71,335	63,623
Cash flows from Investing Activities			
Purchase of property, plant and equipment		(17,787)	(14,432)
New grants received		145	13,499
Receipt on disposal of asset		100	-
Interest received		-	17
Cash Flow (used in)/generated from Investing Activities		(17,542)	(916)
Net decrease in Cash and Cash Equivalent		53,793	62,707
Cash and Cash Equivalent at the Beginning of period/year		121,530	58,823
Cash and Cash Equivalent at the End of period/year	6	175,323	121,530

The notes on pages 6 - 24 form an integral part of these financial statements.

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

1. General Information

Hal Lija Local Council is the local authority of Hal Lija set up in accordance with the Local Councils Act. The office of the Local Council is situated at Triq Robert Mifsud Bonnici, Hal Lija. These financial statements were approved for issue by the Council on 29th April 2019. The Council's financial statements are presented in euro which is the functional currency of the Council.

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 Ministry 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. Changes in accounting policies and disclosures adopted by the Council

The following new standards and interpretations, which have been issued by the IASB and the IFRIC and are relevant to these financial statements have been adopted in these financial statements. A description of these standards and interpretations, together with (where applicable) an indication of the effect of adoption them is set out below. Changes and amendments to accounting standards that are not relevant to these financial statements have been excluded

IFRS 15 Revenue from Contracts with Customers had been issued in 2014 with the effective dated being for financial periods on or after 1st January 2018 as per the amendment issued in September 2015. This IFRS replaces several IASs and interpretations, mainly IAS 11 Contracts and IAS 18 Revenue. IFRS 15 introduces a five-step process for revenue recognition with emphasis on the contractual agreement between the provider and the customer. Further clarification to this IFRS was issued in April 2016, which do not alter the standard but provide further insight to it. This standard does not fundamentally change the way that revenue is recognised by the Council but has been adopted in these financial statements.

IFRS 9 (2014) Financial Instrument has been issued in July 2014, which is an amended version of IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013). This IFRS introduces new requirements for classifying and measuring financial assets and puts in place a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. In addition, it introduces a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. The Council carries receivables which are considered as a financial instrument under this new standard.

Notes to the Financial Statements for the Year ended 31 December 2018 - continued

IFRIC 22, New Interpretation on foreign currency transactions and advance consideration, states that the deemed date of a transaction in foreign currency when prepayments are involved, the transaction date is the date when the prepayment has been done for the purpose of determining the exchange rate. Although this has been adopted by the Council, there were no such transactions.

Other standards or amendments to standards which came into effect during this year but not effecting the Council's Financial Statements, include:

- Amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards, where transitory exemption clauses were removed due to their expiration
- Amendments to IFRS 2, Share-based Payments, which gives interpretations as to how share-based payments are accounted for in transactions based on performance and for modifications from cash-settled to equity-settled and the classification of transactions with net settlement features
- Changes to IFRS 4, Insurance Contracts, in relation to the application of the deferral approach to valuation of insurance contracts
- Clarifications to IAS 28, Investment in Associated and Joint ventures, clarify that the election to measure at fair value through profit or loss an investment in an associated or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition
- Amendments to IAS 40, Investment Property, clarifying transfers/classifications of property to or from investment property.

New directives from the Department of Local Councils

During January 2017, the Department for Local Government issued directive 1/2017 in which Local Councils are required to change the accounting policies for both depreciation of fixed assets and recognition of Government Grants (IAS 20) in the purchase of fixed assets. This change of policy requires that depreciation of fixed asset is to be calculated on a straight-line basis instead of the reducing balance basis as is previously adopted and to adopt the capital approach for accounting of Government and EU Grants for the acquisition of assets rather than the income method. These changes come into effect for financial periods commencing on or after 1st January 2018. The Council has adopted these changes in this financial year. As a result, the 2017 figures have been restated in line with the new policies. The effect of such changes can be found in note 3 to these financial statements

Standards, Interpretations and amendments to published standards as adopted by the EU that are not yet effective for financial periods beginning on 1 January 2018

Up to the financial position date, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective for the current reporting period and which the Council has not yet adopted. A description of these standards and interpretations, together with (where applicable) an indication of the effect of adoption them is set out below. Changes and amendments to accounts standards that are not relevant to these financial statements have been excluded.

Notes to the Financial Statements for the Year ended 31 December 2018 - continued

IFRS 16, Leases, was issued in January 2016, with effective date for financial periods commencing on or after 1st January 2019. This new standard requires that lessees recognize leased assets with a term of more than twelve months as assets and a liability against such assets. All leased assets, operating or financial, are now to be treated under one single accounting treatment in the lessees' books. Such assets will be measured on the basis of the right-of-use as other non-financial assets and depreciated accordingly. The lease repayments have to be divided between the interest on the lease and the principal and recognised accordingly in the financial statements including the statement of cash flows. In the case of the lessor, the accounting treatment remain unchanged from IAS 17, the previous standard this new standard replaces. Although this standard was not adopted early by the Council, this standard will effect the Council's financial statements as from 1st January 2019.

In 2017, a specific amendment was issued with regards to IFRS 9, Financial Instruments, dealing with early payment of financial liabilities where such early payment allows for a compensation to the borrower. In such cases an exception can be made to measure such liabilities at amortised cost.

Other amendments to accounting standards which do not effect the financial reporting of the Council include IFRIC 23, Uncertainty over Income Tax Treatments, which clarifies the accounting for uncertainties in income taxes.

Standards, interpretations and amendments issued by the International Accounting Standards Board (IASB) but not yet adopted by the European Union:

IFRS 17, Insurance Contract, established the principles for the recognition, measurement, presentation and disclosure of insurance contracts. Its objective is to ensure that relevant information is provided to represents such contracts giving a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cashflows. IFRS 17 is effective for accounting periods commencing on or after 1st January 2021. This does not influence the Council's financial statements since it does not issue insurance contracts.

A number of other amendments come into force for financial period commencing on or after 1st January 2019 including amendments to:-

- IFRS 2, Business Combinations, clarifying the meaning of a business and requiring remeasurement of previously acquired interests in a newly acquired business
- IFRS 11, Joint Arrangements, not requiring remeasurement of previously held interests in a newly acquired joint interest arrangement
- IAS 1, Presentation of Financial Statements, and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, in relation to the definition of material, considering obscurity of information, reasonable influence on users and the narrowing of the definition of users to primary users
- IAS12, Income Taxes, clarifying requirements of income tax consequences of dividends
- IAS 19, Employee Benefits, dealing with changes in employee benefits plans
- IAS 23, Borrowing Costs, which amendment requires that any residual borrowing for the acquisition of capital assts, after they are made available to the entity, become part of the general borrowing of the entity
- IAS 28, Investments in Associated and Joint Ventures, in relation to long-term interests in joint-ventures.



Notes to the Financial Statements for the Year ended 31 December 2018 - continued

c. Revenue recognition

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

d. Local Enforcement System

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

e. Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses to date. Depreciation was previously calculated on a monthly basis using the reducing balance method. Following a change in policy, as from this year, depreciation is being calculated on a monthly basis using the straight-line method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

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

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Notes to the Financial Statements for the Year ended 31 December 2018 - continued

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 the financial reporting date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

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

f. Government Grants

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

Government and EU grants relating to property, plant and equipment are written-off against, the expenditure incurred on such property, plant and equipment in the year of purchase in line with the capital approach as per International Accounting Standard 20, Government Grants.

g. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Until the 31st December 2017, an impairment loss was recognized 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 were immediately recognized as an expense in the Statement of Comprehensive Income,

As from 1st January 2018, financial assets are tested annually for impairment used the expected credit loss model. The Council assesses the risk of defaults in the 12 months after the end of the financial year. Such risks are probability weighted for their occurrence and all scenarios for the outcome of such risks are quantified, taking into consideration the time value of money when quantifying the outcome of such risks. The Council considers reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of future economic conditions as the basis for assessing such risks of defaults.

h. Amounts Receivable

Amounts receivable are recognized initially at fair value and subsequently measured at amortized 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 recognized in the statement of comprehensive income.

Notes to the Financial Statements for the Year ended 31 December 2018 - continued

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 present currency.

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

j. Surplus and deficits

Only surpluses that were realized at the date of the Statement of Financial Position are recognized 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 Equivalent

Cash and Cash Equivalent are carried in the Statement of Financial Position at face value. For the purpose of the Statement of Cash Flow, cash and cash equivalent comprise cash in hand and balances held with banks.

l. Related parties

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

During the year under review, the Local Council's related party that exercised a significant control was the Department of Local Government. The parties that exercise no control were Water Services Corporation LESA, Enemalta, Arms and Malta Environmental and Planning Authority.

m. Trade and other payables

Trade payables comprise obligations to pay for goods and 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 (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 local council.

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Notes to the Financial Statements for the Year ended 31 December 2018 - continued

n. Financial Instruments

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

Financial assets are derecognized 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 derecognized when it is extinguished, discharges, cancelled or expires.

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

Financial assets

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

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

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

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

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

Financial Liabilities

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

Notes to the Financial Statements for the Year ended 31 December 2018 - continued

o. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires council members to make judgments, 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 judgment 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 assumption are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future period if the revision affects both current and future periods.

In the opinion of the council members, the accounting estimates and judgments 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)

As stated earlier on, in the opinion of the council members, IFRS 9 introduced new requirements for the classification and measurement of financial assets and introduced an 'excepted credit loss' model for the impairment of financial assets.

p. Inventories

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



Lija Local Council

Notes to the Financial Statements for the Year ended 31 December 2018 - continued

3 a Property, Plant & Equipment	Office Furniture/ Fitting €	Plant & Machinery €	Office Equipment €	Urban Improvement €	New Street Signs €	Construction Works €	Motor Vehicles €	Total €
Cost								
As at 1 January 2018	16,849	3,986	40,501	178,054	41,019	785,366	8,000	1,073,775
Additions during the year	-	-	225	-	-	-	3,500	3,725
Disposal	-	-	-	-	-	-	(8,000)	(8,000)
As at 31 December 2018	16,849	3,986	40,726	178,054	41,019	785,366	3,500	1,069,500
Grants and other reimbursements								
As at 1 January 2018	-	-	4,944	45,501	7,687	175,045	-	233,177
As at 31 December 2018	-	-	4,944	45,501	7,687	175,045	-	233,177
Depreciation and impairment Provision								
As at 1 January 2018	12,862	3,944	31,310	98,137	33,332	422,237	7,900	609,722
Charge for the year	1,259	42	4,277	13,322	-	61,000	233	80,133
Disposal	-	-	-	-	-	-	(7,900)	(7,900)
As at 31 December 2018	14,121	3,986	35,587	111,459	33,332	483,237	233	681,955
NET BOOK VALUE								
As at 31 December 2018	2,728	-	195	21,094	-	127,084	3,267	154,368



Lija Local Council

Notes to the Financial Statements for the Year ended 31 December 2018 - continued

3 a Property, Plant & Equipment

	Office Furniture/ Fitting €	Plant & Machinery €	Office Equipment €	Urban Improvement €	New Street Signs €	Construction Works €	Motor Vehicles €	Total €
Cost								
As at 1 January 2017	16,849	3,986	40,131	178,054	41,019	785,366	8,000	1,073,405
Additions during the year	-	-	370	-	-	-	-	370
As at 31 December 2017	16,849	3,986	40,501	178,054	41,019	785,366	8,000	1,073,775
Grants and other reimbursements								
As at 1 January 2017	-	-	2,644	-	7,687	86,935	-	97,266
Adoption of Capital Approach	-	-	2,300	45,501	-	88,110	-	135,911
As at 31 December 2017	-	-	4,944	45,501	7,687	175,045	-	233,177
Depreciation and impairment Provision								
As at 1 January 2017	12,550	3,934	30,380	94,501	33,332	402,367	3,737	580,801
Charge for the year	312	10	930	3,636	-	19,870	779	25,537
Impairment charge	-	-	-	-	-	-	3,384	3,384
As at 31 December 2017	12,862	3,944	31,310	98,137	33,332	422,237	7,900	609,722
NET BOOK VALUE								
As at 31 December 2017	3,987	42	4,247	34,416	-	188,084	100	230,876

Lija Local Council

Notes to the Financial Statements for the Year ended 31 December 2018 - continued

	2018 €	2017 €
4 Inventory		
Inventory of books	<u>3,729</u>	<u>3,738</u>

In 2016, the Council wrote off Euro 548 in lost inventories.

	2018 €	2017 €
5 Receivables		
Receivables	4,491	2,883
Other receivables	-	5,378
Prepayment	4,387	8,348
Accrued income	<u>3,917</u>	<u>-</u>
	<u>12,795</u>	<u>16,609</u>

	2018 €	2017 €
Trade receivables		
Within the current period	2,360	1,505
Exceed credit period but not yet impaired	<u>2,131</u>	<u>1,378</u>
	<u>4,491</u>	<u>2,883</u>

Receivables are stated net of provision for doubtful debts of Euro 430 (2017 : Euro 430)
LES related receivables are stated net of provision for doubtful debts of Euro 1,463 (2017 : Euro 1,463)

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 statement of financial position:-

	2018 €	2017 €
Bank Balances:		
Current Accounts	(15,782)	(10,906)
Savings Accounts	191,044	132,367
Cash in Hand	<u>61</u>	<u>69</u>
	<u>175,323</u>	<u>121,530</u>
Transfer to payables	<u>15,782</u>	<u>10,906</u>
Cash at bank and in hand	<u>191,105</u>	<u>132,436</u>

Lija Local Council

Notes to the Financial Statements for the Year ended 31 December 2018 - continued

	2018 €	2017 €
7 Deferred Income - Central Regional Funds		
Opening Balance	16,256	9,141
Allocation of funds	145	13,499
Release of funds	(9,769)	(6,384)
Closing Balance	6,632	16,256
Less Current portion	-	(2,883)
Non-current portion	6,632	13,373
Deferred Income - between 1 to 2 years	-	2,883
Deferred Income - over 5 years	6,632	13,373
	6,632	16,256
8 Trade and other payables		
Overdrawn bank balances	15,782	10,906
Accounts payable	26,202	29,627
Accruals	7,604	8,382
Deferred Grant	-	2,883
Other Deferred Income	259	203
Financial liabilities	49,847	52,001
Non-Current		
Long term payable	14,062	28,124
9 Funds received from Central Government		
In terms of Section 55 of the Local Councils Act (Cap 363)	278,851	267,802
Other Supplementary Government Income	10,769	7,384
	289,620	275,186

Lija Local Council

Notes to the Financial Statements for the Year ended 31 December 2018 - continued

	2018 €	2017 €
10 Income raised from Local Enforcement System		
Regional Committee/LESA - Administration fee	4,491	4,653
LESA Surplus distributed to Council	-	3,756
Regional Committee	-	173
	<u>4,491</u>	<u>8,582</u>

	2018 €	2017 €
11 General Income		
Income from Permits	9,420	10,053
Sundry Contributions and Donations	7,954	7,626
Income from Insurance Claim	-	711
Other Income	191	215
	<u>17,565</u>	<u>18,605</u>

12 Personal emoluments		
Personal Emoluments include, inter alia:	2018 €	2017 €
Mayor's Allowance	7,464	7,345
Councillor's Allowance	6,214	6,334
Executive Secretary's Salary	29,639	29,390
Employees' Salaries	44,517	41,470
Social Security Contributions	5,914	5,708
	<u>93,748</u>	<u>90,247</u>

Average number of people employed

Employees - Full Timers	3	3
Employees - Part Timer	2	1
Mayor & Councillors	<u>5</u>	<u>5</u>

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Lija Local Council

Notes to the Financial Statements for the Year ended 31 December 2018 - continued

	2018 €	2017 €
13 Operations and Maintenance		
Operations and maintenance includes, inter alia:		
Repairs and Upkeep:		
Road/Street pavements	5,857	906
Signs and road markings	3,718	4,182
Other repairs and upkeep	3,925	1,796
Total	<u>13,500</u>	<u>6,884</u>
Contractual Services:		
Refuse Collection	45,002	46,949
Bulky Refuse Collection	3,384	2,796
Road and street cleaning	17,407	16,427
Cleaning and Maintenance of Public Conveniences	4,694	4,227
Cleaning and Maintenance of Parks and Gardens	7,532	7,508
Street Lights	6,359	4,502
Other	2,218	2,008
	<u>86,596</u>	<u>84,417</u>
Total Operations and Maintenance Expenses	<u>100,096</u>	<u>91,301</u>

	2018 €	2017 €
14 Administration and other expenditure		
Utilities	3,125	2,988
Rent Payable	8,856	8,850
National and International Memberships and Subscriptions	205	445
Office Services	3,183	2,011
Motor Vehicles Insurance/Licence including fuel	1,598	1,281
Publications /Advertising	607	257
Professional Services	14,142	13,543
Community Services and Events	2,708	1,502
Bank Interest and Charges	113	72
Penalties and Claims	-	-
Impairment of PPE		3,384
Depreciation	80,133	25,537
Insurance	1,674	1,896
Other Expenses	193	634
	<u>116,537</u>	<u>62,400</u>

	2018 €	2017 €
15 Investment Income		
Bank Interest Receivable	<u>-</u>	<u>17</u>

Lija Local Council

Notes to the Financial Statements for the Year ended 31 December 2018 - continued

16 Capital Commitments

By the time these financial statements were approved, the Council did not approve any major capital commitments.

17 Related party transactions

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 (Local Enforcement)	No control
LESA	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control
Enemalta Corporation / Arms	No control

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

	2018 €	2017 €
Annual financial allocation	<u>278,851</u>	<u>267,802</u>

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

Key management compensation

Transactions with key management personnel are disclosed in note 12. The Council considers its Mayor, Councillors and the Executive Secretary to be Key Management Personnel. Remuneration paid to its Key Management Personnel amounted to Euro 44,994 for 2018 (2017: Euro 44,871)

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 risk to which the council is exposed are described below.

Notes to the Financial Statements for the Year ended 31 December 2018 - continued**18 Risk management objectives and policies (continued)****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 €
Classes of financial assets - carrying amounts			
Trade and other receivables	(Note 5)	4,491	2,883
Cash and cash equivalents	(Note 6)	191,105	132,436
		<u>195,596</u>	<u>135,319</u>

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

The Council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

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.

18.2 Liquidity risk

The Council's trade and other payables 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 manages 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 insufficient in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments.

	2018 €	2017 €
Current liabilities		
Financial liabilities measured at amortised cost:		
Trade and other payables	26,202	29,627
Bank Overdrawn	15,782	10,906
Accruals	7,604	8,382
	<u>49,588</u>	<u>48,915</u>
Non - Current Liabilities		
Financial liabilities measured at amortised cost:		
Long term payables	<u>14,062</u>	<u>28,124</u>

Notes to the Financial Statements for the Year ended 31 December 2018 - continued

18 Risk management objectives and policies (continued)

18.2 Liquidity risk (continued)

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

31 December 2018

	Current within 1 year €	Non-current 1 to 5 years €	later than 5 years €
Trade and other payables	26,202	-	-
Bank Overdrawn	15,782	-	-
Accruals	7,604	-	-
Long term payables	-	14,062	-

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

31 December 2017

	Current within 1 year €	Non-current 1 to 5 years €	later than 5 years €
Trade and other payables	29,627	-	-
Bank Overdrawn	10,906	-	-
Accruals	8,382	-	-
Long term payables	-	28,124	-

18.3 Interest rate risk

The Council has no significant interest-bearing assets other than cash and cash equivalent (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.

18.4 Foreign currency risk

The Council is not exposed to foreign exchange risk since it does not transact in foreign currencies.

Notes to the Financial Statements for the Year ended 31 December 2018 - continued

18 Risk management objectives and policies (continued)

18.5 Summary of financial assets and liabilities by category

The carrying amount 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:		
Trade and other receivables	4,491	2,883
Cash and cash equivalents	191,105	132,436
	<u>195,596</u>	<u>135,319</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Trade and other payables	26,202	29,627
Bank Overdrawn	15,782	10,906
Accruals	7,604	8,382
	<u>49,588</u>	<u>48,915</u>
Non - Current Liabilities		
Financial liabilities measured at amortised cost:		
Long term payables	<u>14,062</u>	<u>28,124</u>

18.6 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.

19 Fair Value Estimation

As 31 December 2018 and 31 December 2017, 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.

20 Events after the end of the reporting period

No adjusting or significant non-adjusting events have occurred between the end of the reporting period and the date of authorisation by the Council.

Notes to the Financial Statements for the Year ended 31 December 2018 - continued

21 Contingent liabilities

As at year - end the Council had contingent liabilities in respect of the following claim against it.

Mallia Joseph noe v Magri Naudi Madga noe et: This claim is for Euro 18,485.97. Originally this claim was between Ms Annalise Cilia and the Insurance Company, infact the Insurance Company did pay Ms Annalise Cilia for damages caused to furniture and home appliances amounting to Euro 17,161 and Euro 1,324.97 on survey fees regarding the case, but then after the Insurance Company opened this claim against the Mayor as representative of the Lija Local Council. Mr Joseph Mallia is acting as representative of the Insurance Company - Lloyd's Malta Ltd.

The Council is restricting such claim and no provision has been made in these financial statements in respect of such claim.

22 Leases

The Council as at 1st January 2019, has officially signed a leased agreement for the premises from where the Council operate, the lease is for a term of two years.

Financial statements for the year ended 31 December 2018

Report of the Local Government auditor to the Auditor General

Report on the Audit of the Financial Statements

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

Qualified opinion

In our opinion, except for the effects of the matters described in paragraphs 1, 2 3 and 4 of the Basis for Qualified Opinion section of our report, the financial statements give a true and fair view of the financial position of Lija Local Council as of 31 December 2018 and of the results of its operations, changes in net assets/equity and its cash flows for the period then ended in accordance with the accounting policies set out on pages 6 to 13.

These financial statements comply in all material respect with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 but because of the matters set out in paragraphs 1, 2, 3 and 4 of the Basis for Qualified Opinion section of our report, these financial statements have not been prepared in accordance with International Financial Reporting Standards as adopted by the E.U.

Basis for Qualified Opinion

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

1. As from 30 September 2002, all income and expenditure from the Local Enforcement System (LES) were centralised through the Birkikara Joint Committee and LES debtors at that date were transferred to the Joint Committee as well. The Birkikara Joint Committee ceased operations on 31 August 2011 and LES was centralised through the Central Regional Committee as from 1 September 2011. The Council reported EUR173 in income from LES in the current period. We were unable to determine the amount of any additional income the Council is entitled to receive from Birkikara Joint Committee since the audited financial statements as at 31 December 2017 of the Joint Committee were not available and the last set available (2015) were qualified on the basis that amounts receivable could not be reconciled to the IT system and financial statements at period end were not available. All LES receivables of the Joint Committee have been provided for.

Financial statements for the year ended 31 December 2018

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

Basis for Opinion (continued)

2. The Council's interest free non-current payable arising on the PPP project is accounted for at historical cost rather than amortised cost as required by IAS 39, *Financial Instruments*.
3. Whereas the Council indicated in note 2 that it has adopted IFRS 9, we were not provided with an assessment of the impact of adoption of the Expected Credit Loss model to impair the Financial Assets of the Council. The financial statements also lack disclosure on the methodology used and impact that this model had on the financial assets that amount to EUR199,513 at 31 December 2018.
4. As required by Directive 1/2017 and as disclosed in note 2(b) on page 7, the Council adopted the IAS 20 capital approach treatment for recognition and disclosure of grants. The change was applied retrospectively in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. Although the note on page 7 indicates that the impact of the change is disclosed on page 3, the Financial Statements do not include an analysis of the changes in each Financial Statement line item as required by IAS 8. Furthermore, the Government Grants policy disclosed in note 2(f) does not disclose the policy applied up to 31 December 2017.

Other Information

The Councillors and the Executive Secretary are responsible for the other information. The other information comprises the Statement of Local Council Members' and Executive Secretary's Responsibility. Our opinion on the financial statements does not cover this information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of the Local Council Members' and Executive Secretary

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

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

Financial statements for the year ended 31 December 2018

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

Auditor's Responsibilities for the Audit of the Financial Statements

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:

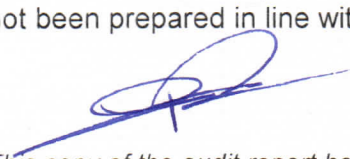
Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting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

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

Financial statements for the year ended 31 December 2018**Report of the Local Government auditor to the Auditor General (continued)****Report on Other Legal and Regulatory Requirements**

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



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

Mazars Malta
Certified Public Accountants
Attard,
Malta

29 April 2019