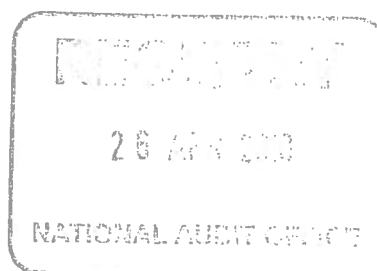


Local Council Marsaxlokk

Annual Audit Report

for the year ended 31 December 2017



Prepared by:
P & D Consultancy Services

A handwritten signature in black ink, located in the bottom right corner of the page.

Contents

	Page
Statement of Local Council Members' and Executive Secretary's Responsibilities	1
Statement of Comprehensive Income	2
Statement of Financial Position	3
Statement of Changes in Equity	4
Statement of Cashflows	5
Notes to the Financial Statements	6 - 24
Report of the Local Government Auditor	25 - 26



Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2017

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of comprehensive income for the year, and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Council (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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on 12th April 2018 and signed on its behalf by:



Horace Gauci
Mayor



Emma Vella
Executive Secretary



**Statement of Comprehensive Income
for the year ended 31 December 2017**

	Notes	2017 €	2016 €
Revenue			
Funds received from Central Government	3	405,454	402,387
Income raised under Local Enforcement System	4	6,854	2,607
General Income	6	11,613	18,909
		<u>423,921</u>	<u>423,903</u>
Expenditure			
Personal Emoluments	7	(96,338)	(99,948)
Operations and maintenance	8	(177,575)	(181,896)
Administration and other expenditure	9	(135,970)	(151,891)
		<u>(409,883)</u>	<u>(433,735)</u>
Operating profit/(loss) for the year		14,038	(9,832)
Finance income	5	<u>11</u>	<u>8</u>
Profit/(loss) for the year		<u>14,049</u>	<u>(9,824)</u>

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



Statement of Financial Position
as at 31 December 2017

	Notes	2017 €	2016 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	10	504,271	551,185
		<u>504,271</u>	<u>551,185</u>
Current Assets			
Receivables	11	19,561	29,986
Cash and cash equivalents	12	109,777	54,370
		<u>129,338</u>	<u>84,356</u>
Total Assets		<u>633,609</u>	<u>635,541</u>
RESERVES			
Retained earnings		397,477	383,428
Total reserves		<u>397,477</u>	<u>383,428</u>
Non-Current Liabilities			
Non-current Deferred Income	14	168,445	184,298
		<u>168,445</u>	<u>184,298</u>
Current Liabilities			
Trade and other payables	13	67,687	67,815
		<u>67,687</u>	<u>67,815</u>
Total Liabilities		<u>236,132</u>	<u>252,113</u>
Total reserves and liabilities		<u>633,609</u>	<u>635,541</u>

These financial statements were approved by the Local Council on 12th April 2018 and signed on its behalf by:


Horace Gauci
Mayor


Emma Vella
Executive Secretary

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



Statement of Changes in Equity
for the year ended 31 December 2017

	Retained Funds	Total
	€	€
At 1 January 2016	393,252	393,252
(Loss) for the year	(9,824)	(9,824)
At 31 December 2016	383,428	383,428
At 1 January 2017	383,428	383,428
Profit for the year	14,049	14,049
At 31 December 2017	397,477	397,477



Statement of Cash Flows
for the year ended 31 December 2017

	2017		2016
	€	€	€
Net profit/(loss) for the year	14,049		(9,824)
Reconciliation to cash generated from operations:			
Amortisation and Depreciation	51,616		57,858
Loss on disposal of non-current assets	921		35
Movement in Provision for Doubtful Debts	(384)		(1,589)
Interest receivable	(11)		(8)
Government grant released	(19,820)		(22,302)
Operating surplus before working capital changes	46,371		24,170
Decrease /(increase) in receivables	985		(3,277)
Decrease in other receivables	9,824		73,907
(Decrease) in payables	(3,700)		(19,172)
Increase /(decrease) in other payables	6,222		(11,566)
Cash generated from operating activities		59,702	64,062
Cash flow from Investing activities			
Interest received	11		8
Purchase of property, plant & equipment	(5,623)		(8,449)
Grants received	1,317		10,870
Cash (used in)/generated from investing activities		(4,295)	2,429
Net increase in cash in the year		55,407	66,491
Cash and equivalents at beginning of year		54,370	(12,121)
Cash and equivalents at end of year		109,777	54,370



1. General Information

The Marsaxlokk Local Council is the local authority of Malta set up in accordance with the Local Councils Act(1993). The office of the Local Council is situated at 2, Triq Vittorjo Cassar, Marsaxlokk. These financial statements were approved for issue by the Council Members on 12th April 2018. The Local Council's company's presentation as well as functional currency is €.

2. Accounting Policies and Reporting Procedures

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

Accounting convention

These financial statements are prepared under the historical cost convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act Cap. 363, the Financial Regulations issued in ters of this Act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards.

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

 6

New and amended standards adopted by the Local Council

In the current year the Council has applied the below new and revised IFRS issued by IASB that is mandatory effective for financial year beginning 1st January 2017.

IAS 7 - 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. Subject to adoption by the EU, the amendments are effective for annual periods beginning on or after 1 January 2017.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Local Council.

IFRS 9, 'Financial instruments' addresses the classification and measurement of financial assets and replaces the multiple classification and measurement tools in IAS 39 with a single model that only has two classification categories: amortised cost and fair value. Classification under IFRS 9 will be driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. IFRS 9 will be effective for financial periods beginning on, or after, 1 January 2018. The Council is considering the implications of the standard and its impact on the Council's financial results and position.

IFRS 16, 'Leases', introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows. IFRS 16 contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee. Subject to adoption by the EU, IFRS 16, will be effective for financial periods beginning on, or after, 1 January 2019.

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

Directive No 1/2017 issued by the Department for Local Government. As from 1st January 2018, the capital approach according to IAS 20 Accounting for Government Grants & Disclosure of Government Assistance is going to be adopted. Also with respect to depreciation, as from 1st January 2018, the Council is going to adopt the straight line method on a monthly basis as its depreciation method.

 7

Property, plant and equipment

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

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

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

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

Impairment of Assets

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



Leases

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

Related parties

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

Revenue

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

Local Enforcement System

Up till August 2011, the Council used to manage the the Local Enforcement System in its locality and used to receive all the income generated from the fines. As from 1 September 2011, the Council started to form part of the Southern Region, which took over the management of Local Enforcement System and the Council is receiving a 10 % administration fee on every fine paid at the Council. As from October 2015, LESA took over the administration of the Local Enforcement System.

Government grants

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the profit or loss over the expected lives of the related assets.

Profits and losses

Only losses that were realised at the date of the statement of financial position are recognised 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.

Cash and equivalents

Cash and Cash Equivalents are carried in the statement of financial position. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and balances held with banks.



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 substantially all risks and rewards are transferred.

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

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

Financial assets

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

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

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

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

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

Financial liabilities

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

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

Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

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

88 10

Capital management policies

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 services and benefits to its local community

The Council sets the amount of capital in proportion to risk. The Council manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The Council monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt ÷ adjusted capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Adjusted capital comprises of retained earnings.

3. Funds received from central government

	2017 €	2016 €
In terms of section 55 of the Local Councils Act	325,280	346,941
Supplementary Government Income	3,908	6,786
Other Government Income	76,266	48,660
	<u>405,454</u>	<u>402,387</u>

4. Local Enforcement Income

	2017 €	2016 €
LESA income distribution	3,672	-
Income from LES administration fees	3,182	2,607
	<u>6,854</u>	<u>2,607</u>

5. Investment Income

	2017 €	2016 €
Bank Interest	11	8
	<u>11</u>	<u>8</u>

6. General Income

	2017 €	2016 €
Sponsorships and donations	-	500
General Income	2	57
Media Advertising	991	1,020
Contractors' Guarantees Withdrawn	-	1,266
Payable write off	-	3,870
Contributions	-	500
Insurance Claims	726	1,100
Income from Permits	9,894	10,596
	<u>11,613</u>	<u>18,909</u>

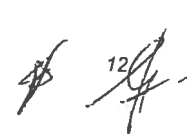
7. Profit/(loss) for the year

	2017 €	2016 €
Profit/(loss) for the year is stated after charging:		
Staff salaries	96,338	99,948
Depreciation of non-current assets	51,616	57,858
Loss on disposal of non-current assets	921	35

Note

Personal Emoluments

	2017 €	2016 €
Mayor's Allowance	7,345	7,229
Councillors' Allowance	6,400	6,175
Executive Secretary Salary and Allowances	22,629	29,810
Employees' Salaries	54,257	53,448
Social Security Contributions	5,707	3,286
	<u>96,338</u>	<u>99,948</u>



8. Operations and Maintenance

	2017	2016
	€	€
<i>Repairs and Upkeep:</i>		
Public Property	80	-
Road/Street Pavements	1,795	3,371
Signs and road markings	1,454	437
Road Markings	1,026	5,661
Office Furniture and Equipment	379	295
Plant & Equipment	763	1,353
Maintenance of motor vehicle	783	425
Other repairs and Upkeep	1,360	1,137
Council Property	236	1,898
	<u>7,876</u>	<u>14,577</u>
<i>Contractual Services:</i>		
Waste Disposal	24	-
Refuse Collection	70,432	69,904
Bulky Refuse Collection	5,079	4,932
Tipping fees	17,648	18,301
Hire of Open Skips	531	779
Cleaning Services	1,456	800
Road & Street Cleaning	22,354	22,202
Cleaning - Public Conveniences	30,433	28,271
Cleaning - Council Premises	582	1,456
Cleaning & Maintenance Parks & Gardens	12,446	12,557
Street Lighting	8,610	8,009
Local Enforcement Expenses	104	108
	<u>169,699</u>	<u>167,319</u>
	<u>177,575</u>	<u>181,896</u>

9. Administration and other expenditure

	2017	2016
	€	€
Utilities	28,035	14,364
Uniforms	822	53
Cleaning materials & supplies	-	268
Sundry materials & supplies	1,475	3,220
Rent	8,400	8,128
National/International Memberships	-	929
Participation fee - Nat. Mtg.	165	100
Printing	3,061	3,450
Stationery	1,019	1,413
Subscriptions	838	1,985
Couriers	2,321	2,079
Postages	386	329
Other Office Services	250	-
Transport	2,498	3,069
Information Services	6,280	7,416
Insurance Coverage	2,566	2,759
Bank Charges	262	306
IT Development Services	4,312	4,966
Legal services	200	1,251
Accountancy services	2,880	3,465
Other support services	2,913	2,771
Entertainment	350	-
Visits - Foreign Delegations	-	54
Other Hospitality Costs	1,017	1,166
Social Events	13,707	27,501
Community Services	60	3,346
Sundry Minor Expenses	-	639
Green MT	-	560
Provision for LES receivables	(384)	(1,589)
Loss on disposal of assets	921	35
Amortisation and Depreciation	51,616	57,858
	<u>135,970</u>	<u>151,891</u>

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

10. Property, plant and equipment

	Motor Vehicle	Property	Construction Works	New Street Signs	Urban Improvements	Plant and machinery	Office Equipment	Office Furniture & fittings	Special Programmes	Assets under construction	Total
	€	€	€	€	€	€	€	€	€	€	€
Cost											
At 1 January 2016	32,518	56,485	911,998	15,309	319,696	35,291	72,838	95,871	570,520	1,150	2,111,676
Additions	1,100	-	-	-	-	499	3,114	3,736	-	-	8,449
Reclassification	-	1,150	-	-	-	-	-	-	-	(1,150)	-
Disposals	-	-	-	(755)	(694)	(1,856)	-	-	-	-	(3,305)
At 31 December 2016	33,618	57,635	911,998	14,554	319,002	33,934	75,952	99,607	570,520	-	2,116,820
Grants											
At 1 January 2016	-	-	191,733	-	178,414	-	-	-	569,077	-	939,224
At 31 December 2016	-	-	191,733	-	178,414	-	-	-	569,077	-	939,224
Depreciation											
At 1 January 2016	14,992	189	388,972	15,309	95,959	23,181	16,523	16,281	417	-	571,823
On disposals	-	-	-	(755)	(694)	(1,821)	-	-	-	-	(3,270)
Charge for the year	3,725	574	29,506	-	3,922	1,403	12,799	5,929	-	-	57,858
At 31 December 2016	18,717	763	418,478	14,554	99,187	22,763	29,322	22,210	417	-	626,411
Net book values											
At 31 December 2016	14,901	56,872	301,787	-	41,401	11,171	46,630	77,397	1,026	-	551,185

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

10. Property, plant and equipment

	Motor Vehicle	Property	Construction Works	New Street Signs	Urban Improvements	Plant and machinery	Office & Computer Equipment	Office Furniture & fittings	Special Programmes	Assets under construction	Total
	€	€	€	€	€	€	€	€	€	€	€
Cost											
At 1 January 2017	33,618	57,635	911,998	14,554	319,002	33,934	75,952	99,607	570,520	-	2,116,820
Additions	-	-	-	-	1,653	-	1,297	2,673	-	-	5,623
Disposals	(12,811)	-	-	-	-	-	(3,059)	(421)	-	-	(16,291)
At 31 December 2017	20,807	57,635	911,998	14,554	320,655	33,934	74,190	101,859	570,520	-	2,106,152
Grants											
At 1 January 2017	-	-	191,733	-	178,414	-	-	-	569,077	-	939,224
At 31 December 2017	-	-	191,733	-	178,414	-	-	-	569,077	-	939,224
Depreciation											
At 1 January 2017	18,717	763	418,478	14,554	99,187	22,763	29,322	22,210	417	-	626,411
On disposals	(12,067)	-	-	-	-	-	(2,999)	(304)	-	-	(15,370)
Charge for the year	2,980	569	26,555	-	4,332	1,123	10,325	5,732	-	-	51,616
At 31 December 2017	9,630	1,332	445,033	14,554	103,519	23,886	36,648	27,638	417	-	662,657
Net book values											
At 31 December 2017	11,177	56,303	275,232	-	38,722	10,048	37,542	74,221	1,026	-	504,271

11. Receivables

		2017 €	2016 €
Receivables	<i>Note</i>	4,880	5,865
Other receivables		2,808	2,956
Accrued income		9,728	16,258
Financial assets		17,416	25,079
Prepayments		2,145	4,907
		19,561	29,986

Receivables

General receivables are analysed as follows:

	2017 €	2016 €
Within credit period	3,758	983
Exceeded credit period but not impaired	1,122	4,882
	4,880	5,865

LES Debtors

LES debtors are stated after a specific provision for doubtful debts amounting to € 50,253 (2016: € 50,637).

The movement in the provision for doubtful debts is as follows:

	2017 €	2016 €
Balance at 1 January	50,637	51,056
(Decrease) in provision for LES Debtors	(384)	(419)
Balance at 31 December	50,253	50,637

12. Cash and equivalents

	2017 €	2016 €
Bank Balances		
Cash in Hand	109,551	54,308
	226	62
Cash and cash equivalent	<u>109,777</u>	<u>54,370</u>

13. Payables

	2017 €	2016 €
Payables		
Accruals	28,129	31,829
	19,145	13,501
Financial Liabilities	<u>47,274</u>	<u>45,330</u>
Deferred income	17,121	19,771
Indirect taxes and social security	3,292	2,714
	<u>67,687</u>	<u>67,815</u>

14. Deferred Income

	2017 €	2016 €
Government grants		
Balance at the beginning of the year	204,069	215,501
Increase during year	1,317	10,870
Released during year	(19,820)	(22,302)
	<u>185,566</u>	<u>204,069</u>
Current Deferred Income	<u>17,121</u>	<u>19,771</u>
Non-Current Deferred Income	<u>168,445</u>	<u>184,298</u>
Deferred Government Grants		
Deferred within one year	17,121	19,771
Deferred between one and five years	47,516	53,954
Deferred after more than five years	120,929	130,344
	<u>185,566</u>	<u>204,069</u>

15. Capital commitments

	2017 €	2016 €
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	<u>102,000</u>	<u>24,000</u>
These could be analysed as follows:		
(i) <i>Approved but not yet contracted for:</i>		
Construction	100,000	4,000
Computer equipment	2,000	-
Urban improvement	-	20,000
	<u>102,000</u>	<u>24,000</u>



16. Related party transactions

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Government	Significant control
Regional Committee (Local Enforcement)	Joint control
Fgura Joint Committee (Local Enforcement)	Joint control
Local Enforcement System Agency	No control
Gozo Regional Committee	No control
North Regional Committee	No control
South Regional Committee	No control
South Eastern Regional Committee	No control
Central Regional Committee	No control
Public General Head Quarters	No control
Local Councils' Association	No control
Malta Information Technology Agency	No control
Malta Communication Authority	No control
Malta Tourism Authority	No control
Malta Transport Authority	No control
Department of Lands	No control
Department of Inland Revenue	No control
Permanent Secretary - Ministry of Education	No control
Permanent Secretary - Ministry for Family & Social Solidarity	No control
Bank of Valletta plc	No control
Airmalta plc	No control
Jobs plus	No control
Arms Limited	No control
Planning Authority	No control
Environment and Resources Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Cleansing Services Department	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Commissioner for Data Protection	No control

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

	2017 €	2016 €
Annual Financial Allocation	325,280	346,941

Key management compensation

Transactions with key management personnel are disclosed in note 7.

17. Financial Risk Management

The exposure to risk and the way risks arise, together with the Local Council's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below.

The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development.

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

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

<i>Categories of financial instruments</i>	2017	2016
<i>Financial assets</i>	€	€
<i>Loans and Receivables</i>		
Cash and bank balances	109,777	54,370
Receivables	17,416	25,079
	<u>127,193</u>	<u>79,449</u>
<i>Financial liabilities</i>		
Trade payables and other payables	47,274	45,330
	<u>47,274</u>	<u>45,330</u>

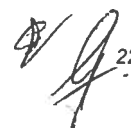
The Council is exposed to credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Council is not exposed to any market risk. The Council's risk management is coordinated by the Council members and focuses on actively securing the Council's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

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

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:

<i>Classes of financial assets - carrying amounts</i>	2017	2016
<i>At amortised cost</i>	€	€
Receivables	17,416	25,079
Cash and cash equivalents	109,777	54,370
	<u>127,193</u>	<u>79,449</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 only with creditworthy counterparties. Receivables are presented net of provision for doubtful debts. A provision for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

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.

Liquid funds are placed with reputable banks with high quality external credit ratings, therefore credit risk is considered negligible.

Liquidity risk

The Council's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funding 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. At the end of the reporting period, the Local Council's net asset position /current (liability) amounted to € 61,651 (2016 : € (16,541)). However the Council's liquidity risk is not deemed to be significant in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments.

At 31 December 2017 the Council's financial liabilities have contractual maturities which are summarised below:

	Current Payable within 1 year	Non- Current Payable within 2 & 5 years	Payable after more than 5 years
	€	€	€
31 December 2017			
Payables	28,129	-	-
Accruals	19,145	-	-
	<u>47,274</u>	<u>-</u>	<u>-</u>
31 December 2016			
Payables	31,829	-	-
Accruals	13,501	-	-
	<u>45,330</u>	<u>-</u>	<u>-</u>

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.

Report of the Local Government Auditor

To the Auditor General

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Marsaxlokk Local Council set out on pages 2 to 24 which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Council as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act, the Local Councils (Financial) Procedures 1996 (the "Legislation").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the 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 of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of those charged with governance for the financial statements

As described on page 1 the Executive Secretary and the members of the Local Council are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Legislation, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Secretary and the members of the Local Council are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is the intention to liquidate the Council or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

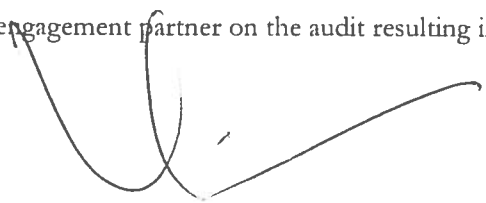
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 the ISAs, we exercise professional judgement 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 management.
- Conclude on the appropriateness of management'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 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 those charged with governance 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.

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



Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

Fort Business Centre
Mrieħel Bypass
Birkirkara BKR 3000
Malta

12 April 2018