



MSIDA

**MSIDA LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2017**

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**MSIDA LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2017**

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**MSIDA LOCAL COUNCIL
STATEMENT OF LOCAL COUNCIL MEMBERS' AND
EXECUTIVE SECRETARY'S RESPONSIBILITIES**

The Local Council (Financial) Regulations, 1993, require the Executive Secretary to prepare a detailed Annual Administrative Report, which includes a statement of the Local Council's comprehensive income for the year and of the Local Council's retained funds at the end of the year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, 1993, and the Local Council (Financial) Procedures, 1996 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, CAP 363, the Local Councils (Financial) Regulations, 1993, and the Local Councils (Financial) Procedures, 1996. 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.



Margaret Baldacchino Cefai
Mayor



Alan Vella
Executive Secretary

Date: 26 April 2018

MSIDA LOCAL COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017

		2017	2016
	Notes	Euro	Euro
INCOME			
Funds received from Government	3	660,805	608,118
Income raised under Law Enforcement system	4	24,785	12,763
Income raised under Local Council Bye-Laws	5	69,603	37,964
General income	6	14,721	21,013
		<hr/>	<hr/>
		769,914	679,858
		<hr/>	<hr/>
EXPENDITURE			
Personnel emoluments	7	155,468	131,937
Operations and maintenance	8	319,876	314,260
Administration and other expenditure	9	181,794	176,906
		<hr/>	<hr/>
		657,138	623,103
		<hr/>	<hr/>
OPERATING PROFIT FOR THE YEAR		112,776	56,755
Finance Cost	10	(4,387)	(5,462)
Finance Income	11	75	53
		<hr/>	<hr/>
PROFIT FOR THE YEAR		108,464	51,346
		<hr/>	<hr/>

The notes on page 8 to 27 form an integral part of these financial statements

MSIDA LOCAL COUNCIL
STATEMENT OF FINANCIAL POSITION
At 31 December 2017

	Notes	31 December 2017	31 December 2016
		Euro	Euro
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	<u>1,154,454</u>	<u>1,247,373</u>
Current Assets			
Trade and other receivables	13	40,982	91,238
Cash and cash equivalents	14	<u>217,724</u>	<u>144,240</u>
Total Current Assets		<u>258,706</u>	<u>235,478</u>
TOTAL ASSETS		<u>1,413,160</u>	<u>1,482,851</u>
RESERVES AND LIABILITIES			
Reserves			
Retained funds		<u>613,646</u>	<u>505,182</u>
Non-Current Liabilities			
Long-term borrowings	15	99,756	117,657
Trade and other payables	17	11,455	17,182
Deferred Income	16	<u>523,587</u>	<u>552,070</u>
		<u>634,798</u>	<u>686,909</u>
Current Liabilities			
Short-term borrowings	15	19,354	18,687
Trade and other payables	17	95,731	219,222
Deferred Income	16	<u>49,631</u>	<u>52,851</u>
Total Current Liabilities		<u>164,716</u>	<u>290,760</u>
TOTAL RESERVES AND LIABILITIES		<u>1,413,160</u>	<u>1,482,851</u>

The notes on pages 8 to 27 form an integral part of these financial statements

These Financial Statements were approved by the Local Council on 26 April 2018 and signed on its behalf by:



Margaret Baldacchino Cefai
Mayor



Alan Vella
Executive Secretary

MSIDA LOCAL COUNCIL
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

	Retained Funds Euro
At 1 January 2016	453,836
Profit for the year	<u>51,346</u>
At 31 December 2016	<u>505,182</u>
At 1 January 2017	505,182
Profit for the Year	<u>108,464</u>
At 31 December 2017	<u>613,646</u>

The notes on pages 8 to 27 form an integral part of these financial statements

MSIDA LOCAL COUNCIL
STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

	Notes	2017 Euro	2016 Euro
Profit for the year		108,464	51,346
Adjustments for:			
Depreciation		105,976	110,076
Provision for Bad Debts		6,446	0
Interest receivable		(75)	(53)
Interest payable		4,387	5,462
Loss/(gain) on disposal		689	(336)
Government Grant Released		<u>(55,205)</u>	<u>(65,205)</u>
Operating Profit before Working Capital changes		170,682	101,290
Movement in working capital			
(Increase)/Decrease in Trade and other receivables		(2,472)	1,664
Decrease in Trade and Other Payables		<u>(58,262)</u>	<u>(18,144)</u>
Net cash inflow from operating activities		<u>109,948</u>	<u>84,810</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment		(19,473)	(69,779)
Interest received		75	53
Receipts on disposal		<u>0</u>	<u>935</u>
Net cash outflow from investing activities		<u>(19,398)</u>	<u>(68,791)</u>
Cash flows from financing activities			
Grants received		69,784	17,423
Repayment of bank borrowings		(17,234)	(18,125)
Interest paid		<u>(4,387)</u>	<u>(5,462)</u>
Net cash (outflow)/inflow from financing activities		<u>48,163</u>	<u>(6,164)</u>
Net increase in cash and cash equivalents		138,713	9,855
Cash and cash equivalents at beginning of year		<u>74,463</u>	<u>64,608</u>
Cash and cash equivalents at end of year	14	<u>213,176</u>	<u>74,463</u>

The notes on page 8 to 27 form an integral part of these financial statements

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

1. GENERAL INFORMATION

Msida Local Council is the local authority of Msida incorporated in accordance with the Local Councils Act 1993. The office of the Council is at Msida Civic Centre, Pjazza Menqa, Msida. The Local Council's presentation as well as functional currency are denominated in €.

The financial statements were authorised for issue by the Council on the 26 April 2018.

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 terms 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).

New and amended standards adopted by the Local Council

During the year the Council has applied the following International Financial Reporting Standards as adopted by the EU which have become mandatorily effective for the year ending 31 December 2017:

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

New and revised IFRSs adopted by the EU that are not mandatorily effective for the year ending 31 December 2017:

Below is a list of amendments of IFRSs adopted by the EU that are not yet mandatorily effective (but allow early application) for the year ending 31 December 2017:

- IFRS 9 Financial Instruments – A finalized version of IFRS 9 was issued on 24 July 2014 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments:
- Recognition and Measurement. The standard becomes effective for annual periods beginning on or after 1 January 2018.
- IFRS 15 Revenue from Contracts with Customers – IFRS 15 was issued on 28 May 2014 and provides a single, principles based five-step model to be applied to all contracts with customers. The standard becomes applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2018. On 12 April 2016, the IASB also issued Clarifications to IFRS 15 'Revenue from Contracts with Customers' to amend IFRS 15 and clarify three aspects of the standard (namely identifying performance obligations, principal versus agent considerations and licensing) and to provide some transition relief for modified contracts and completed contracts.
- IFRS16 Leases – IFRS 16 was issued on 13 January 2016 to specify how an IFRS reporter will recognise, measure, present and disclose leases. The standard becomes applicable to an entity's first annual IFRS financial statements for a period 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 effective will have no material impact on the financial statements in the period of initial application.

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss 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	0.0
Trees	0.0
Buildings	3.33% (over term of lease)
Office Furniture and Fittings	7.5
Construction works	10.0
Urban Improvements (street furniture)	10.0
Special Programs (Projects)	10.0
Office Equipment	20.0
Motor Vehicles	20.0
Plant and Machinery	20.0
Computer Equipment	25.0
Plants	100.0
Litter Bins	Replacement Basis
Playground Furniture	100.0
Traffic Signs	Replacement Basis
Road Signs	Replacement Basis
Street Mirrors	100.0
Street Lights	100.0

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (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 each Statement of Financial Position 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 Council 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.

Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24. The paragraphs adopted from IAS 24 are paragraphs 25 – 27, being amendments to government related entities' disclosures.

Impairment of Assets

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

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. The Buildings of the Msida Local Council premises are leased for a period of 30 years.

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 receivable. The amount of the provision is the difference between the carrying amount of the asset in the present value of the estimated future cash flows,

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

discounted at the effective interest rate. The amount of the provision is recognized in the Statement of Income and Expenditure.

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

Revenue recognition

Revenue is recognised when the amount of revenue and the associated costs can be measured reliably. Interest income is recognised in the income statement as it accrues.

Payables and Borrowings

Payable and Borrowing Costs are recognised as an expense in the period in which they are incurred. Amounts payable comprise creditor payments, that is, the amounts payable for the procurement of supplies and services. When an invoice or request for payment is received from a supplier, this is checked to the purchase order previously issued or the services contract, before payment is release in favour of any vendor. All cheque payments are signed by the Mayor and Executive Secretary and then reconciled with the bank statements on a monthly basis.

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 income statemnt over the expected lives of the related assets.

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 €, which is the Council's functional and presentation currency.

Inventory

Inventory is calculated at lower of cost and net realisable value.

Profits and Losses

Only profits 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 at face value. For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash in hand and balances held with banks.

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

Local Enforcement System

Msida Local Council formed part of the Central Joint Committee from September 2002 until August 2011. The amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the Joint Committee after deducting the related expenses, together with penalties issued for Pre-Pooling Debtors. As from September 2011, the Msida Local Council formed part of the Central Region for Local Enforcement.

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 Executive Secretary, the accounting estimates and judgements made in the preparation of the Financial Statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS1 (revised) – 'Presentation of Financial Statements'.

Capital Management Policies and Procedures

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objective are to ensure that the Council's ability to continue as a going concern is still valid and that the Council maintains a positive working capital ratio. To achieve this, the Council carries out a quarterly review of the working capital ratio (Financial Situation Indicator). This ratio was positive at the reporting date. The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

Financial Instruments

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transaction 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:

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

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 counter party and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

Financial Liabilities

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

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

3. FUNDS RECEIVED FROM CENTRAL GOVERNMENT

	2017	2016
	Euro	Euro
In terms of Section 55 of the Local Councils Act, 1993	569,269	512,140
Other Supplementary Government Income	36,331	30,773
Other Government Income	<u>55,205</u>	<u>65,205</u>
	<u>660,805</u>	<u>608,118</u>

4. LOCAL ENFORCEMENT INCOME

	2017	2016
	Euro	Euro
LES contraventions	2,002	2,037
LESA surplus distribution	11,467	0
10% Admin fee	<u>11,316</u>	<u>10,726</u>
	<u>24,785</u>	<u>12,763</u>

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

5. INCOME RAISED UNDER LOCAL COUNCIL BYE-LAWS

	1 Jan 2017 - 31 Dec 2017 Euro	1 Jan 2016 - 31 Dec 2016 Euro
Income from use of crane	62,534	30,636
Income from building materials	2,969	4,875
Income from Kiosk	908	932
Income from chairs/tables permits	1,294	415
Income from functions	273	280
Income from hire of skips	1,553	756
Income from trenching	72	70
	<u>69,603</u>	<u>37,964</u>

6. GENERAL INCOME

	1 Jan 2017-31 Dec 2017 Euro	1 Jan 2016-31 Dec 2016 Euro
Local Library	800	589
Tender Documents	0	600
Advertising	9,441	14,371
Insurance claims	133	1,045
Rental income	0	2,556
Administrative Committee	871	612
General Income	3,476	1,240
	<u>14,721</u>	<u>21,013</u>

7. PERSONNEL EMOLUMENTS

	Year ended 2017 Euro	Year ended 2016 Euro
Personnel Emoluments include, <i>inter alia</i>		
Mayor's Honoraria	11,017	10,843
Mayor's and Councillors' Allowances	10,943	11,200
Executive Secretary Salary and Allowances	39,962	21,500
Employees' Salaries	83,715	81,022
Social Security Contributions	9,831	7,372
	<u>155,468</u>	<u>131,937</u>

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

8. OPERATIONS AND MAINTENANCE EXPENSES

	Year ended 2017 Euro	Year ended 2016 Euro
Operations and maintenance includes, <i>inter alia</i>		
REPAIRS AND UPKEEP		
Patching	2,538	1,348
Operating materials and supplies	4,846	3,233
Road/Street Pavements	212	0
Road signs and markings	7,862	2,636
Council property	165	4,282
Office furniture & equipment	3,952	634
Bins	662	0
Other repairs and upkeep	9,306	1,975
	<u>29,543</u>	<u>14,108</u>
CONTRACTUAL SERVICES		
Refuse collection	96,445	95,577
Tipping Fees	70,653	68,176
Bulky refuse collection	18,532	17,028
Road and street cleaning	52,531	55,140
Cleaning and maintenance public conveniences	5,840	7,610
Cleaning and maintenance parks and gardens	20,190	18,809
Cleaning and maintenance council premises	6,398	5,910
LES related expenditure	438	449
Contract Management Services	3,127	6,540
Street Lighting and security	16,179	24,913
	<u>290,333</u>	<u>300,152</u>
TOTAL OPERATIONS & MAINTENANCE EXPENSES	<u>319,876</u>	<u>314,260</u>

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

	Year ended 2017 Euro	Year ended 2016 Euro
9. ADMINISTRATIVE AND OTHER EXPENSES		
Loss on disposal	689	0
Depreciation	105,976	110,076
Accountancy services	3,581	3,540
Advertising and public relations expenses	4,034	4,061
Bank charges	39	86
Other office services	241	875
Community services	22,928	14,898
Conference and participation expenses	622	348
Documentation	0	0
Insurance	3,132	2,772
Engineering services	4,236	1,317
Other support service	2,384	9,307
Postages	99	340
Printing and stationery	9,325	6,316
Rent	4,309	4,251
Late Payment interest	744	0
Staff Training and Uniforms	1,000	0
Sundry minor expenses	959	5,147
Telecommunications	4,704	4,269
Transport expenses	2,464	1,510
Damages	0	2,794
Water and Electricity	3,882	4,999
Provision for bad debts	6,446	0
TOTAL ADMINISTRATIVE AND OTHER EXPENSES	181,794	176,906
	Year ended 2017 Euro	Year ended 2016 Euro
10. FINANCE COST		
Bank interest	<u>4,387</u>	<u>5,462</u>
11. FINANCE INCOME		
Bank Interest	<u>75</u>	<u>53</u>

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)
12a. PROPERTY, PLANT AND EQUIPMENT

	Trees €	Office Furniture & Fittings €	Computer & Office Equipment €	Urban Improvements €	Plant & Machinery €	Motor Vehicles €	Street Signs, Mirrors & Lights €	Construction Works €	Building €	Total €
Cost										
At 1st January 2017	20,417	71,351	53,976	186,327	2,798	13,860	50,440	1,880,093	465,835	2,745,097
Disposals	-	-	(1,403)	-	-	-	-	-	-	(1,403)
Additions	-	818	217	-	-	-	65	12,047	1,222	14,369
At 31st December 2017	20,417	72,169	52,790	186,327	2,798	13,860	50,505	1,892,140	467,057	2,758,063
Grants										
At 1st January 2017	-	28,411	-	-	-	-	-	439,985	-	468,396
At 31st December 2017	-	28,411	-	-	-	-	-	439,985	-	468,396
Depreciation										
At 1st January 2017	-	24,226	41,527	129,159	1,773	12,396	50,440	663,194	106,613	1,029,328
Released on disposal	-	-	(91)	-	-	-	-	-	-	(91)
	-	1,459	2,700	6,284	205	293	5	79,499	15,531	105,976
At 31st December 2017	-	25,685	44,136	135,443	1,978	12,689	50,445	742,693	122,144	1,135,213
Net Book Value										
At 31st December 2017	20,417	18,073	8,654	50,884	820	1,171	60	709,462	344,913	1,155,454

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)
12b. PROPERTY, PLANT AND EQUIPMENT(cont...)

	Trees €	Office Furniture & Fittings €	Computer & Office Equipment €	Urban Improvements €	Plant & Machinery €	Motor Vehicles €	Street Signs, Mirrors & Lights €	Construction Works €	Building €	Total €
Cost										
At 1st January 2016	20,417	72,286	52,573	185,690	2,798	13,860	50,440	1,818,081	465,835	2,681,980
Additions	-	-	1,403	637	-	-	-	62,012	-	64,052
Disposals during year	-	(935)	-	-	-	-	-	-	-	(935)
At 31st December 2016	20,417	71,351	53,976	186,327	2,798	13,860	50,440	1,880,093	465,835	2,745,097
Grants										
At 1st January 2016 and At 31st December 2016	-	28,411	-	-	-	-	-	439,985	-	468,396
Depreciation										
At 1st January 2016	-	23,047	38,862	122,853	1,516	12,030	50,440	579,755	91,085	919,588
Charge for the year	-	1,515	2,665	6,306	257	366	-	83,439	15,528	110,076
Released on Disposal	-	(336)	-	-	-	-	-	-	-	(336)
At 31st December 2016	-	24,226	41,527	129,159	1,773	12,396	50,440	663,194	106,613	1,029,328
Net Book Value										
At 31st December 2016	20,417	18,714	12,449	57,168	1,025	1,464	-	776,914	359,222	1,247,373

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

13. TRADE AND OTHER RECEIVABLES

	2017 Euro	2016 Euro
Trade receivables	18,763	11,330
Provision for Bad Debts	(15,776)	(9,330)
Other receivables	1,000	1,000
Due from other local councils and LTD	6,827	11,069
Prepayments	2,512	2,434
Accrued income	27,656	74,735
	<u>40,982</u>	<u>91,238</u>

Prepayments include prepayments of Local Council property rental and insurance premium.

Trade receivables and amounts due from other local councils and LTD are analysed as follows:

Within credit period	9,024	4,975
Exceeded credit period(past due) but not impaired	790	8,094
Exceeded credit period(past due) and impaired	15,776	9,330
	<u>25,590</u>	<u>22,399</u>

14. CASH AND CASH EQUIVALENT

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

	2017 Euro	2016 Euro
Petty cash	230	235
Cash held for deposit	0	1,268
Bank balances		
- BOV Grants account	47,740	660
- BOV Reserve account	0	2,321
- BOV LES account	0	9,411
- BOV savings accounts	169,754	130,345
Cash and Cash Equivalent in Statement of Financial Position	<u>217,724</u>	<u>144,240</u>
Less Bank Balance Overdrawn	(4,548)	(69,777)
Cash and Cash Equivalent in Statement of Cash Flows	<u>213,176</u>	<u>74,463</u>

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

15. BORROWINGS

	2017	2016
	€	€
Borrowings		
Non-current		
Bank borrowings	<u>99,756</u>	<u>117,657</u>
Current		
Bank borrowings	<u>19,354</u>	<u>18,687</u>
Borrowings		
Repayable between one and two years	20,104	19,410
Repayable between two and five years	65,095	62,859
Repayable in five years or more	<u>14,557</u>	<u>35,388</u>
	<u>99,756</u>	<u>117,657</u>
Repayable after five years or more:		
Bank loan	<u>14,557</u>	<u>35,388</u>

Note: The bank loan is secured by channelling through account of all and any funds which are received by the council from the Government of Malta. The loan bears interest at MIBOR plus 1.5% per annum (3.65%) (2016: 3.65%) and is repayable by monthly instalments of €1,962.50 (2016: €1,962.50) inclusive of interest and will be cleared within 20 years from drawdown, ie 30/05/2027.

16. DEFERRED INCOME

	2017	2016
	€	€
Government Grants		
At beginning of year	604,921	652,706
Reversal of deferred income	0	(3)
Increase in period	<u>23,502</u>	<u>17,423</u>
	628,423	670,126
Released in period	<u>(55,205)</u>	<u>(65,205)</u>
At end of year	<u>573,218</u>	<u>604,921</u>
Current Deferred Income	<u>49,631</u>	<u>52,851</u>
Non-Current Deferred Income	<u>523,587</u>	<u>552,070</u>

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

DEFERRED INCOME (continued)

Maturity Analysis of Non-Current Deferred Income

Between one and two years	44,869	47,778
Between two and five years	110,405	117,550
In five years or more	<u>368,313</u>	<u>386,742</u>
	<u>523,587</u>	<u>552,070</u>

17. TRADE AND OTHER PAYABLES

	2017 Euro	2016 Euro
Bank Balance Overdrawn	4,548	69,777
Payables	62,333	123,463
Other creditors	3,961	4,194
Accruals	<u>24,889</u>	<u>21,788</u>
	<u>95,731</u>	<u>219,222</u>

Provisions include estimates for goods and services received prior to 31 December 2017 and for which invoices have not yet been received by the Local Council.

Payable after more than one year:	2017 Euro	2016 Euro
Payables (PPP Scheme)	<u>11,455</u>	<u>17,182</u>

18. CONTINGENT LIABILITIES

At 31 December 2016, the Council had a guarantee facility of €1,100 and garnishee order of €1,470.84.

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

19. CAPITAL COMMITMENTS

	2017 Euro	2016 Euro
i- Capital expenditure that has been contracted for but not provided for in the financial statements	0	0
ii- Capital expenditure that has been approved but not yet contracted for.	470,349	35,335

The Council intends to finance €437,715 out of the capital commitments from the Development Planning Fund and €32,634 out of Government Allocation 2018.

20. 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.

21. GOING CONCERN

The Statement of Financial Position and the notes thereto, suggest that the going concern assumption used in the preparation of these financial statements is dependent on further sources of funds other than the annual financial allocation by Central Government, on the collection of debts due to the Council and on the continued support of the Council's creditors. Any adverse change in either of these assumptions above, would not let the Council to be able to meet its financial obligations as they fall due without curtailing its future commitments.

22. RELATED PARTY TRANSACTIONS

The Msida Local Council has the following related parties, exercising:

- i. Significant Control – The Department of Local Government
- ii. Joint Control – Central Regional Committee for Local Enforcement
- iii. No Control – Arms Ltd., Water Services Corporation, Enemalta Corporation, Inland Revenue Department, Malta Environment and Planning Authority, Malta Information Technology Agency, Bank of Valletta plc., Gozo Regional Committee, South Regional Committee, North Regional Committee, South Eastern Regional Committee, Police General Head Quarters, WasteServ Malta Limited., Northern Harbour District Joint Committee, Malta Tourism Authority, Local Councils' Association, Central Bank of Malta, Cleansing Services Department, Director General – Works Division, Department of Information, Department for Elderly and Community Care, Permanent Secretary – Ministry of Education, Commissioner for Data Protection, Airmalta plc, Malta Sports Council, Ministry of Finance and the Department of Lands.

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	2017	2016
	Euro	Euro
Annual Financial Allocation	569,269	512,140
<u>Key Management Emoluments</u>		
Executive Secretary	42,242	21,585
Mayor's Honoraria	11,017	10,843
Mayor & Councillors' Allowances	10,943	11,200

23. FINANCIAL RISK MANAGEMENT

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

Market Risk

The Council's interest rate risk arises from its deposits with financial institutions. The Council does not have any long term borrowings. In general, the Council's exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows are not deemed to be substantial by the Councillors and Executive Secretary in view of the nature of the assets and liabilities.

Credit Risk

Financial assets which potentially subject the Council to concentrations of credit risk which are principally made up of cash at bank and debtors. The Council's cash is placed with a quality financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Furthermore, credit risk is limited due to the fact that government-owned customers comprise a high percentage of the council's debtor base. LES Debtor balance has been provided for fully with an allowance for bad debts.

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

	2017	2016
	€	€
Classes of financial assets - carrying amounts		
Trade and other receivables	38,470	88,804
Cash and cash equivalents	217,724	144,240
	<u>256,194</u>	<u>233,044</u>

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

23. FINANCIAL RISK MANAGEMENT (continued)

The Council assesses the credit quality of its customers by taking into account their financial standing and past experience. The Council considers the credit quality of its financial assets as being acceptable.

Included in the council's trade receivables there is a balance of €790 (2016: €8,094) which is past due and which has been provided for.

	2017 Euro	2016 Euro
0-30 days	1,768	1,802
31-60 days	5,712	1,304
61-90 days	1,544	1,867
91-120 days	826	0
121-365 days	0	5,196
Over 365 days	<u>15,740</u>	<u>12,230</u>
	<u>25,590</u>	<u>22,399</u>

Foreign Currency Risk

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

Interest Rate Risk

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

Liquidity Risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments.

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

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

23. FINANCIAL RISK MANAGEMENT (continued)

	Current Within 1 year €	Non-Current 1 to 5 years €	Non-Current later than 5 years €
Payables	66,294	11,455	0
Bank Balance overdrawn	4,548	-	-
Borrowings	19,354	85,199	14,557
Accruals	<u>24,889</u>	<u>-</u>	<u>-</u>

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

	Current within 1 year €	Non-Current 1 to 5 years €	Non-Current later than 5 years €
Payables	127,657	17,182	0
Bank Balance overdrawn	69,777	-	-
Borrowings	18,687	82,269	35,388
Accruals	<u>21,788</u>	<u>-</u>	<u>-</u>

24. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of the council's financial assets and liabilities as recognized at the reporting dates under review are categorized as follows:

	2017 €	2016 €
Current assets		
Loans and receivables:		
Trade and other receivables	38,470	88,804
Cash and cash equivalents	<u>217,724</u>	<u>144,240</u>
	<u>256,194</u>	<u>233,044</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	66,294	127,657
Bank Balance overdrawn	4,548	69,777
Borrowings	19,354	18,687
Accruals	<u>24,889</u>	<u>21,788</u>
	<u>115,085</u>	<u>237,909</u>

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

24. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES (continued)

	2017 €	2016 €
Non-Current liabilities		
Financial liabilities measured at amortised cost:		
Long-term borrowings	99,756	117,657
Trade and other payables	<u>11,455</u>	<u>17,182</u>
	<u>111,211</u>	<u>134,839</u>

25. LEASE REQUIREMENTS

The Msida Local Council took on lease a site at Misrah tal-Menqa, Msida that is used as office premises. The lease is for a period of 15 years, as from January 2008. The lease is renewable for a further period of 15 years. The annual rent charge is €4,193. Non cancellable commitments on the lease are:

	2017 €	2016 €
Commitments due within 1 year	4,193	4,193
Commitments due after 1 year but less than 5 years	16,771	16,771
Commitments due after 5 years	<u>62,893</u>	<u>67,086</u>
	<u>83,857</u>	<u>88,050</u>

The Msida Local Council also leased a store in a playing field at €116 per annum.

Financial statements for the year ended 31 December 2017

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 Msida Local Council which comprise the statement of financial position as at 31 December 2017, 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 the Basis for Qualified section of our report, the accompanying financial statements give a true and fair view of the financial position of Msida Local Council as of 31 December 2017 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 8 to 14.

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 and because of the matters set out in paragraph 1 and 2 below, these financial do not comply with the requirements of 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. The information disclosed in note 2 in relation to new standards adopted by the council and other standards in issue but not yet effective does not capture all the changes since 31 December 2016 and as such, does not meet the requirements on IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.
2. The company's interest free non-current payable arising on the PPP project is accounted for at historical cost rather amortised cost as required by IAS 39, *Financial Instruments*.

Financial statements for the year ended 31 December 2017

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

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.

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.

Financial statements for the year ended 31 December 2017

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

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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

26 April 2018

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