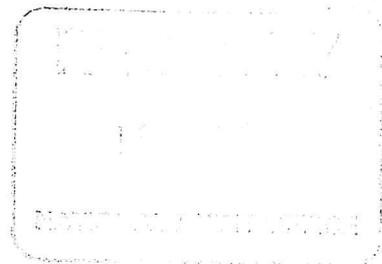




MSIDA

**MSIDA LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2018**

*Prepared by Romina Perici Ferrante B. Com, B.A. Hons (Mgt), F.I.A., C.P.A.
Certified Public Accountant
16, Triq San Ġwann,
Mosta MST 3603*



**MSIDA LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2018**

CONTENTS	PAGE
Statement of Local Council Members' and Executive Secretary's Responsibilities	3
Statement of Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 30
Report of the Independent Government Auditor to the Auditor General	

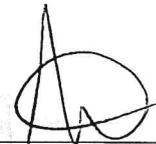
**MSIDA LOCAL COUNCIL
STATEMENT OF LOCAL COUNCIL MEMBERS' AND
EXECUTIVE SECRETARY'S RESPONSIBILITIES**

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: 17/05 2019

MSIDA LOCAL COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Notes	2018 Euro	2017 As restated Euro
INCOME			
Funds received from Government	3	635,209	605,600
Income raised under Law Enforcement system	4	12,665	24,785
Income raised under Local Council Bye-Laws	5	74,451	69,603
General income	6	39,916	14,721
		<hr/>	<hr/>
		762,241	714,709
		<hr/>	<hr/>
EXPENDITURE			
Personnel emoluments	7	169,745	155,468
Operations and maintenance	8	381,871	319,876
Administration and other expenditure	9	236,196	126,589
		<hr/>	<hr/>
		787,812	601,933
		<hr/>	<hr/>
OPERATING PROFIT FOR THE YEAR		(25,571)	112,776
Finance Cost	10	(4,394)	(4,387)
Finance Income	11	40	75
		<hr/>	<hr/>
(LOSS)/PROFIT FOR THE YEAR		(29,925)	108,464
		<hr/>	<hr/>

The notes on page 8 to 30 form an integral part of these financial statements

**MSIDA LOCAL COUNCIL
STATEMENT OF FINANCIAL POSITION
At 31 December 2018**

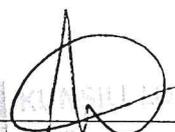
	Notes	31 December 2018 Euro	31 December 2017 As restated Euro
ASSETS			
Non-Current Assets			
Intangible Assets	12a	3,556	1,003
Property, plant and equipment	12b	<u>503,160</u>	<u>635,123</u>
		<u>506,716</u>	<u>636,126</u>
Current Assets			
Trade and other receivables	13	73,503	40,982
Cash and cash equivalents	14	<u>266,688</u>	<u>217,724</u>
Total Current Assets		<u>340,191</u>	<u>258,706</u>
TOTAL ASSETS		<u>846,907</u>	<u>894,832</u>
RESERVES AND LIABILITIES			
Reserves			
Retained funds		<u>583,721</u>	<u>613,646</u>
Non-Current Liabilities			
Long-term borrowings	15	77,819	99,756
Trade and other payables	17	<u>5,727</u>	<u>11,455</u>
		<u>83,546</u>	<u>111,211</u>
Current Liabilities			
Short-term borrowings	15	20,172	19,354
Trade and other payables	17	159,468	95,731
Deferred Income	16	0	<u>54,890</u>
Total Current Liabilities		<u>179,640</u>	<u>169,975</u>
TOTAL RESERVES AND LIABILITIES		<u>846,907</u>	<u>894,832</u>

The notes on pages 8 to 30 form an integral part of these financial statements

These Financial Statements were approved by the Local Council on 17/05/ 2019 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 2018**

	Retained Funds Euro
At 1 January 2017	505,182
Profit for the year	<u>108,464</u>
At 31 December 2017	<u>613,646</u>
At 1 January 2018	613,646
Loss for the Year	<u>(29,925)</u>
At 31 December 2018	<u>583,721</u>

The notes on pages 8 to 30 form an integral part of these financial statements

MSIDA LOCAL COUNCIL
STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	Notes	2018 Euro	2017 Euro
(Loss)/Profit for the year		(29,925)	108,464
Adjustments for:			
Depreciation		174,354	50,771
Provision for Bad Debts		(8,154)	6,446
Bad Debts written off		2,258	2,600
Interest receivable		(40)	(75)
Interest payable		4,394	4,387
Loss/(gain) on disposal		0	689
Operating Profit before Working Capital changes		142,887	173,282
Movement in working capital			
(Increase) in Trade and other receivables		(14,377)	(2,472)
Increase/(Decrease) in Trade and Other Payables		61,580	(60,862)
Grants recognized in income		(16,500)	0
Net cash inflow from operating activities		<u>173,590</u>	<u>109,948</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment		(104,149)	(19,473)
Interest received		40	75
Net cash outflow from investing activities		<u>(104,109)</u>	<u>(19,398)</u>
Cash flows from financing activities			
Grants received		2,839	69,784
Repayment of bank borrowings		(21,119)	(17,234)
Interest paid		(4,394)	(4,387)
Net cash (outflow)/inflow from financing activities		<u>(22,674)</u>	<u>48,163</u>
Net increase in cash and cash equivalents		46,807	138,713
Cash and cash equivalents at beginning of year		<u>213,176</u>	<u>74,463</u>
Cash and cash equivalents at end of year	14	<u>259,983</u>	<u>213,176</u>

The notes on page 8 to 30 form an integral part of these financial statements

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

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 17/05/ 2019.

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 Standard issued by IASB that is mandatorily effective for the financial year commencing 1 January 2018:

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 is effective for financial periods beginning on, or after, 1 January 2018.

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

Standards and Interpretations issued by the IASB but not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Local Council.

IAS 1 and IAS 8 Definition of Material include amendments to its definition of material to make it easier for companies to make materiality judgements. Subject to adoption by EU, IAS 1 and IAS 8 Definition of Material, will be effective for financial periods beginning on, or after, 1 January 2020.

IFRS 9 Prepayment Features with Negative Compensation allow instruments with symmetric prepayment options to qualify for amortised cost or fair value through other comprehensive income measurement. It will be effective for financial periods beginning on, or after, 1 January 2019.

Amendments to references to the Conceptual Framework in IFRS standards include some important issues which were not covered or were unclear or out of date. It contains a new chapter on measurement: guidance on reporting financial performance; improved definitions of an asset and a liability and clarifications in important areas. Subject to adoption by EU, it will be effective for financial periods beginning on, or after, 1 January 2020.

Annual improvements to IFRS Standards 2015-2017. Subject to adoption by EU, it will be effective for financial periods beginning on, or after, 1 January 2019.

IFRS 16, 'Leases', introduces a single lessee accounting model and requires a lessee to recognise assets and liability for all leases with a term of more than 1 year, 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 PPE) and lease liabilities similarly to other financial liabilities. Thus, a lessee recognised 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 impact that leases have on the financial position, financial performance and cash flows of the lessee. 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.

**MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

Change in Accounting Policy for Fixed Assets depreciation

During 2018, a change in Depreciation method has been affected according to the instructions in DLG Directive 1/2017, whereby from reducing balance method, depreciation is now being calculated on the straight-line method. Adjusted net book values as at 01/01/2017 and 31/12/2017 are reflected in the PPE Schedule on page 21.

Intangible Fixed Assets

Computer Software

Computer software is valued at cost less accumulated depreciation and impairment losses to date. Depreciation to write off the cost is calculated on a monthly basis using the straight-line method at 25% per annum.

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 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	0.0
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.

Up to the year ended 31 December 2017, depreciation was accounted for using the reducing balance method according to IAS 16 – Property, Plant and Equipment. On 1 January 2018, the straight-line method, according to IAS 16 has been adopted, in line with the Directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting estimate, which according to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, has been accounted for prospectively.

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 trade and other receivables

Trade and other assets are measured at fair value, with changes in fair value subsequently recognised in profit and loss. The Council applies the simplified approach for all trade receivables and contract assets. Accordingly, the assessment to determine whether there is a significant increase in credit risk is not applicable for such financial assets.

Where the council does not have reasonable and supportable information that is available without undue cost or effort to measure life time expected credit loss on an individual instrument basis and in order to ensure the life time expected credit losses are recognised before an asset becomes credit-impaired or an actual default occurs, life time expected credit losses on the remaining financial assets are measured on a collective basis. In such instances and where appropriate, the financial instruments are grouped on the basis of shared credit risk characteristics and the life time expected credit losses are estimated using a provision matrix based on actual credit loss experience over past years, which is adjusted to reflect current conditions and the Council's view of economic conditions over the expected lives of the receivables.

**MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

Impairment of trade and other receivables (continued)

Such adjustments are based on factors that are specific to the debtors and economic and industry indicators such as GDP, unemployment rates and/or industry projections, where applicable, unless the effect is considered to be immaterial.

The Council's trade receivables are of a short-term nature as they are based on credit terms of less than one year and, thus, do not include a significant financing component.

For the purpose of the provision matrix, loss rates are calculated using a 'roll rate' method based on the probability a receivable progressing through successive stages of delinquency over a selected period, taking into consideration the applicable credit terms for such debtors and the past due status. Unless the effect is immaterial, for receivables after 360 days, the loss rate was adjusted to take into consideration the proportion of actual recoveries over the selected period.

Impairment of cash and cash equivalents

Cash and cash equivalents are demand deposits, a 1-day probability of default has been applied, based on the respective external ratings of the counterparty banks and an adequate loss given default rate to the carrying amount at the measurement date.

The Council banks only with local financial institution with high quality standing or rating. At 31 December 2018, cash and cash equivalents are held with counterparty with a credit rating of BBB and are callable on demand. Council consider the probability of default to be close to zero as the counterparty has a strong capacity to meet its contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Council.

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.

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.

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

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

Up to the year ended 31 December 2017, government grants were accounted for using the income approach according to IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance. On 1 January 2018, the capital approach, according to IAS 20, has been adopted, in line with Directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting policy, and according to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, has been accounted for retrospectively.

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.

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

	2018	2017
	Euro	As restated Euro
In terms of Section 55 of the Local Councils Act, 1993	593,666	569,269
Other Supplementary Government Income	<u>41,543</u>	<u>36,331</u>
	<u>635,209</u>	<u>605,600</u>

4. LOCAL ENFORCEMENT INCOME

	2018	2017
	Euro	Euro
LES contraventions	3,203	2,002
LESA surplus distribution	0	11,467
10% Admin fee	<u>9,462</u>	<u>11,316</u>
	<u>12,665</u>	<u>24,785</u>

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

5. INCOME RAISED UNDER LOCAL COUNCIL BYE-LAWS

	2018 Euro	2017 Euro
Income from use of crane	61,014	62,534
Income from building materials	1,452	2,969
Income from Kiosk	769	908
Income from chairs/tables permits	1,942	1,294
Income from functions	352	273
Income from hire of skips	819	1,553
Income from trenching	38	72
Other permits	<u>8,065</u>	<u>0</u>
	<u>74,451</u>	<u>69,603</u>

6. GENERAL INCOME

	2018 Euro	2017 Euro
Local Library	0	800
Advertising	3,673	9,441
Insurance claims	0	133
Rental income	10,000	0
Administrative Committee	14,294	871
General Income	<u>11,949</u>	<u>3,476</u>
	<u>39,916</u>	<u>14,721</u>

7. PERSONNEL EMOLUMENTS

	2018 Euro	2017 Euro
Personnel Emoluments include, <i>inter alia</i>		
Mayor's Honoraria	11,196	11,017
Mayor's and Councillors' Allowances	10,943	10,943
Executive Secretary Salary and Allowances	33,661	39,962
Employees' Salaries	101,431	83,715
Social Security Contributions	12,514	9,831
	<u>169,745</u>	<u>155,468</u>

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

8. OPERATIONS AND MAINTENANCE EXPENSES

Operations and maintenance includes, <i>inter alia</i>	2018 Euro	2017 Euro
REPAIRS AND UPKEEP		
Patching	1,634	2,538
Operating materials and supplies	5,237	4,846
Road/Street Pavements	10,344	212
Road signs and markings	11,513	7,862
Council property	18,619	165
Office furniture & equipment	1,363	3,952
Bins	3,391	662
Other repairs and upkeep	3,653	9,306
	<u>55,754</u>	<u>29,543</u>
CONTRACTUAL SERVICES		
Refuse collection	112,550	96,445
Tipping Fees	72,224	70,653
Bulky refuse collection	21,657	18,532
Road and street cleaning	57,301	52,531
Cleaning and maintenance public conveniences	7,858	5,840
Cleaning and maintenance parks and gardens	19,011	20,190
Cleaning and maintenance council premises	6,914	6,398
LES related expenditure	4,366	438
Lease of Equipment	120	0
Contract Management Services	5,272	3,127
Street Lighting and security	18,844	16,179
	<u>326,117</u>	<u>290,333</u>
TOTAL OPERATIONS & MAINTENANCE EXPENSES	<u>381,871</u>	<u>319,876</u>

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

	2018 Euro	2017 Euro
9. ADMINISTRATIVE AND OTHER EXPENSES		
Bad Debts written off	2,258	0
Loss on disposal	0	689
Depreciation	174,354	50,770
Accountancy services	3,540	3,581
Advertising and public relations expenses	2,502	4,034
Bank charges	34	40
Other office services	2,394	241
Community services	19,327	22,928
Conference and participation expenses	812	622
Documentation	225	0
Insurance	3,454	3,132
Engineering services	2,678	4,236
Other support service	6,739	2,384
Postages	126	99
Printing and stationery	5,541	9,325
Rent	4,309	4,309
Late Payment interest	1,883	744
Staff Training and Uniforms	83	1,000
Sundry minor expenses	1,023	959
Telecommunications	3,392	4,704
Transport expenses	4,652	2,464
Travel expenses	195	0
Water and Electricity	4,829	3,882
Provision for bad debts	(8,154)	6,446
	<hr/>	<hr/>
TOTAL ADMINISTRATIVE AND OTHER EXPENSES	236,196	126,589
	<hr/>	<hr/>
	2018 Euro	2017 Euro
10. FINANCE COST		
Bank interest	<u>4,394</u>	<u>4,387</u>
11. FINANCE INCOME		
Bank Interest	<u>40</u>	<u>75</u>

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

12a. INTANGIBLE ASSET

	Software
	€
Cost	
At 1 January 2017	6,533
Additions	<u>0</u>
At 31st December 2017	<u>6,533</u>
Grants	
At 1 January 2017	0
Adjusted	<u>0</u>
At 31st December 2017	<u>0</u>
Depreciation	
At 1 January 2017	4,224
Adjusted	0
Charge for the period	1,306
Adjusted	<u>0</u>
At 31st December 2017	<u>5,530</u>
Net Book Value	
At 31st December 2017	<u>1,003</u>
	Software
	€
Cost	
At 1 January 2018	6,533
Additions	<u>3,622</u>
At 31st December 2018	<u>10,155</u>
Grants	
At 1 January 2018	0
Adjusted	<u>0</u>
At 31st December 2018	<u>0</u>
Depreciation	
At 1 January 2018	5,530
Charge for the period	<u>1,069</u>
At 31st December 2018	<u>6,599</u>
Net Book Value	
At 31st December 2018	<u>3,556</u>

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

	Trees €	Office Furniture & Fittings €	Computer & Office Equipment €	Urban Improvements €	Plant & Machinery €	Motor Vehicles €	Street Signs, Mirrors & Lights €	Construction Works €	Building €	Assets not yet utilized €	Total €
Cost											
At 1st January 2018	20,417	72,169	46,257	186,327	2,798	13,860	50,505	1,892,140	467,057	0	2,751,530
Additions	0	9,019	8,949	16,018	400	0	779	46,945	0	12,689	94,799
At 31st December 2018	20,417	81,188	55,206	202,345	3,198	13,860	51,284	1,939,085	467,057	12,689	2,846,329
Grants											
At 1st January 2018	6,690	28,411	2,300	25,538	0	0	0	1,204,957	0	0	1,267,896
Additions	0	0	0	8,735	0	0	0	44,742	0	0	53,477
At 31st December 2018	6,690	28,411	2,300	34,273	0	0	0	1,249,699	0	0	1,321,373
Depreciation											
At 1st January 2018	0	25,685	37,562	125,408	1,978	12,689	50,445	472,600	122,144	0	848,511
Charge for the year	0	7,390	5,745	34,653	848	1,171	839	105,393	17,246	0	173,285
At 31st December 2018	0	33,075	43,307	160,061	2,826	13,860	51,284	577,993	139,390	0	1,021,796
Net Book Value											
At 31st December 2018	13,727	19,702	9,599	8,011	372	0	0	111,393	327,667	12,689	503,160

**MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

Cost	Trees €	Furniture & Fittings €	Comp & Office Equipment €	Urban Improvements €	Plant & Machinery €	Motor Vehicles €	Street Signs, Mirrors & Lights €	Construction Works €	Building €	Total €
At 1st January 2017	20,417	71,351	47,443	186,327	2,798	13,860	50,440	1,880,093	465,835	2,738,564
Additions	0	818	217	0	0	0	65	12,047	1,222	14,369
Disposals	0	0	(1,403)	0	0	0	0	0	0	(1,403)
At 31st December 2017	20,417	72,169	46,257	186,327	2,798	13,860	50,505	1,892,140	467,057	2,751,530
Grants										
At 1st January 2017	0	28,411	0	0	0	0	0	439,985	0	468,396
Adoption of capital approach	6,690	0	2,300	25,538	0	0	0	764,972	0	799,500
At 31st December 2017	6,690	28,411	2,300	25,538	0	0	0	1,204,957	0	1,267,896
Depreciation										
At 1st January 2017	0	24,226	37,303	129,159	1,773	12,396	50,440	663,195	106,613	1,025,105
Released on Disposal	0	0	(91)	0	0	0	0	0	0	(91)
Adoption of capital approach	0	0	(763)	(7,691)	0	0	0	(217,513)	0	(225,967)
Charge for the year	0	1,459	1,113	3,940	205	293	5	26,918	15,531	49,464
At 31st December 2017	-	25,685	37,562	125,408	1,978	12,689	50,445	472,600	122,144	848,511
NBV at 31st December 2017	13,727	18,073	6,395	35,381	820	1,171	60	214,583	344,913	635,123

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

13. TRADE AND OTHER RECEIVABLES

	2018 Euro	2017 Euro
Trade receivables	23,836	18,763
Provision for Bad Debts	(7,622)	(15,776)
Other receivables	1,042	1,000
Due from other local councils and LTD	5,297	6,827
Prepayments	4,054	2,512
Accrued income	46,896	27,656
	<u>73,503</u>	<u>40,982</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	5,558	9,024
Exceeded credit period (past due) but not impaired	15,953	790
Exceeded credit period (past due) and impaired	7,622	15,776
	<u>29,133</u>	<u>25,590</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:

	2018 Euro	2017 Euro
Petty cash	230	230
Cash held for deposit	4,098	0
Bank balances		
- BOV Grants account	60,018	47,740
- BOV Regional Committees account	66,394	88,123
- BOV Current account	135,948	0
- BOV savings accounts	0	81,631
Cash and Cash Equivalent in Statement of Financial Position	<u>266,688</u>	<u>217,724</u>
Less Bank Balance Overdrawn	(6,705)	(4,548)
Cash and Cash Equivalent in Statement of Cash Flows	<u>259,983</u>	<u>213,176</u>

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

15. BORROWINGS

	2018	2017
	€	€
Borrowings		
Non-current		
Bank borrowings	<u>77,819</u>	<u>99,756</u>
Current		
Bank borrowings	<u>20,172</u>	<u>19,354</u>
Borrowings		
Repayable between one and two years	20,945	20,104
Repayable between two and five years	56,874	65,095
Repayable in five years or more	<u>0</u>	<u>14,557</u>
	<u>77,819</u>	<u>99,756</u>
Repayable after five years or more:		
Bank loan	<u>0</u>	<u>14,557</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%) (2017: 3.65%) and is repayable by monthly instalments of €1,962.50 (2017: €1,962.50) inclusive of interest and will be cleared within 20 years from drawdown, ie 30/05/2027.

16. DEFERRED INCOME

	2018	2017
	€	As restated €
At beginning of year	54,890	604,921
Increase in period	<u>15,087</u>	<u>23,502</u>
	69,977	628,423
Adoption of capital approach	<u>(53,477)</u>	<u>(573,533)</u>
Recognised in income	<u>(16,500)</u>	<u>0</u>
At end of year	<u>0</u>	<u>54,890</u>

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

17. TRADE AND OTHER PAYABLES

	2018 Euro	2017 Euro
Bank Balance Overdrawn	6,705	4,548
Payables	120,643	62,333
Other creditors	3,495	3,961
Accruals	<u>28,625</u>	<u>24,889</u>
	<u>159,468</u>	<u>95,731</u>

Provisions include estimates for goods and services received prior to 31 December 2018 and for which invoices have not yet been received by the Local Council.

Payable after more than one year:	2018 Euro	2017 Euro
Payables (PPP Scheme)	<u>5,727</u>	<u>11,455</u>

18. CONTINGENT LIABILITIES

At 31 December 2018, the Council had a guarantee facility of €1,100 and garnishee order of €1,470.84.

19. CAPITAL COMMITMENTS

	2018 Euro	2017 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.	1,447,987	470,349

The Council intends to finance €1,321,203 out of the capital commitments from the Development Planning Fund and €126,784 out of Government Allocation 2019 and reserved funds.

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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)

22. RELATED PARTY TRANSACTIONS (continued)

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

	2018	2017
	Euro	Euro
Annual Financial Allocation	593,666	569,269
<u>Key Management Emoluments</u>		
Executive Secretary	36,077	42,242
Mayor's Honoraria	11,196	11,017
Mayor & Councillors' Allowances	10,943	10,943

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:

	2018	2017
	€	€
Classes of financial assets - carrying amounts		
Trade and other receivables	69,449	38,470
Cash and cash equivalents	<u>266,688</u>	<u>217,724</u>
	<u>336,137</u>	<u>256,194</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.

	2018 Euro	2017 Euro
0-30 days	2,297	1,768
31-60 days	863	5,712
61-90 days	1,865	1,544
91-120 days	534	826
121-365 days	0	0
Over 365 days	<u>23,574</u>	<u>15,740</u>
	<u>29,133</u>	<u>25,590</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 2018, 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	124,138	5,727	0
Bank Balance overdrawn	6,705	0	0
Borrowings	20,172	77,819	0
Accruals	<u>28,625</u>	<u>0</u>	<u>0</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	66,294	11,455	0
Bank Balance overdrawn	4,548	0	0
Borrowings	19,354	85,199	14,557
Accruals	<u>24,889</u>	<u>0</u>	<u>0</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:

	2018 €	2017 €
Current assets		
Loans and receivables:		
Trade and other receivables	69,449	38,470
Cash and cash equivalents	<u>266,688</u>	<u>217,724</u>
	<u>336,137</u>	<u>256,194</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	120,643	66,294
Bank Balance overdrawn	6,705	4,548
Borrowings	20,172	19,354
Accruals	<u>28,625</u>	<u>24,889</u>
	<u>176,145</u>	<u>115,085</u>

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

24. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES (continued)

	2018 €	2017 €
Non-Current liabilities		
Financial liabilities measured at amortised cost:		
Long-term borrowings	77,819	99,756
Trade and other payables	<u>5,727</u>	<u>11,455</u>
	<u><u>83,546</u></u>	<u><u>111,211</u></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:

	2018 €	2017 €
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>58,700</u>	<u>62,893</u>
	<u><u>79,664</u></u>	<u><u>83,857</u></u>

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

26. COMPARATIVE INFORMATION

Certain comparative information has been reclassified to conform to the current year's disclosure for the purpose of fairer presentation.

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

27. EFFECT OF CHANGE IN ACCOUNTING POLICY

On 1 January 2018, the capital approach, according to IAS 20, has been adopted, in line with Directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting policy, and according to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, has been accounted for retrospectively.

The effect of the restatement on these financial statements is summarized below:

	Notes	2017 Originally reported €	Adjustment €	2017 Restated €
Funds received from Central Government	3	(660,805)	55,205	(605,600)
Administration and other expenditure	9	181,794	(55,205)	126,589
Non-current assets	12	1,154,454	(518,328)	636,126
Non-current deferred income		(523,587)	523,587	0
Current deferred income	16	(49,631)	(5,259)	(54,890)

The effect of the restatement on each financial statement line item is summarized below:

	Notes	2017 Originally reported €	Adjustment €	2017 Restated €
Other Government Income	3	(55,205)	55,205	0
Depreciation	9	105,975	(55,205)	50,770
Non-current assets	12	1,154,454	(518,328)	636,126
Non-current deferred income		(523,587)	523,587	0
Current deferred income	16	(49,631)	(5,259)	(54,890)

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 Msida 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 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 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 8 to 15.

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, 2, 3 and 4 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 and related impacts since 31 December 2017 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 2018

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

Basis for Qualified Opinion (continued)

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 EUR336,137 at 31 December 2018.
4. As required by Directive 1/2017 and as disclosed in note 27, 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*. The impact of the adoption is disclosed in note 27, however, the note does not highlight the changes in line items of the Statement of Cash Flows.

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:

32, SOVEREIGN BUILDING, ZAGHERAN ROAD - ATTARD ATD9012, MALTA
TEL: (+356) 213 45 760 - FAX: (+356) 213 45 759 - www.mazars.com.mt

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 (continued)

- 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.

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

17 May 2019

32, SOVEREIGN BUILDING, ZAGHFRAN ROAD - ATTARD ATD9012, MALTA
TEL: (+356) 213 45 760 - FAX: (+356) 213 45 759 - www.mazars.com.mt

MAZARS MALTA
CERTIFIED PUBLIC ACCOUNTANTS
VAT REG No. MT15296002

