



**KUNSILL LOKALI
IL-MUNXAR**

Rapport Annwali Amministrattiv 2017

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1.0 Introduzzjoni tas-Sindku

Dan ir-rapport ser ikopri x-xogħlijiet u attivitajiet li saru mill-Kunsill Lokali Il-Munxar matul is-sena 2017.

Il-Kunsill Lokali Il-Munxar huwa organizzat b'tali mod li jkun jista' jiffunzjona tajjeb sabiex jaqdi l-bżonnijiet tar-residenti ta' dan ir-raġal. Għalkemm il-poplu dejjem jistenna aktar milli aħna nistgħu nagħtu, ninsabu sodisfatti li bl-isforzi tagħna l-Kunsill wettaq diversi xogħlijiet ta' ġid għar-raġal tagħna.

Din is-sena bħas-snin ta' qabel kienet sena impenjattiva ħafna.

Komplejna fejn ħallejna fis-snin ta' qabel – jiġifieri li ntejbu lill-Munxar u l-Xlendi. Ħafna xogħol ta' manutenzjoni sar billi l-Kunsill ħallas għall-materjal u l-ħaddiema kienu pprovduti mill-Ministeru għal Għawdex jew ħaddiema mislufa mill-Gvern Ċentrali.

Il-Kunsill applika għall-fondi mill-ERDF Priority Axis 5 tal-Unjoni Ewropea sabiex isir xogħol ta' manutenzjoni fit-Torri tax-Xlendi sabiex dan jitranga u jinfetaħ għall-pubbliku.

Issa ser nagħtu ħarsa lura biex naraw x'wettaq il-Kunsill matul l-aħħar sena. Wettaqna diversi xogħlijiet utli għar-raġal tagħna. Nibdw billi nsemmu x-xogħol li jsir permezz tal-kuntratti. Lx-xogħol isir minn diversi Dipartimenti tal-Gvern, Koperattivi u kuntratturi privati.

Il-Kunsill jieħu ħsieb li jorganizza wkoll attivitajiet kulturali matul is-sena. Ta' kull sena l-Kunsill qed ifakkar Jum Il-Munxar iżda, b'rispett lejn is-Sindku Carmen Said li kienet tinsab indisposta minħabba mard, għal din is-sena ma saritx is-serata ta' Jum Il-Munxar. Fix-Xlendi ġie organizzat kalendarju ta' attivitajiet imqassma matul is-sajf kollu bl-għajnuna tal-iskema maħruġa mid-Dipartiment għall-Gvern Lokali u kontribuzzjoni mill-Ministeru għal Għawdex u l-Malta Tourism Authority.

Nittama li matul din l-aħħar sena nkunu ħdimna u tajna s-servizz tagħna sabiex nagħtu lil-lokalitajiet tagħna dak kollu li jixirqilhom fil-limitazzjonijiet finanzjarja tagħna.



Sonja Abela
Sindku.

2.0 Il-Kunsill

PożizzjoniAttendenza tal-Laqgħat**Sindku**

Carmen Said

63%

Viċi-Sindku

Robert Mallia

94%

Kunsilliera

Damien Spiteri

81%

Paul Curmi

88%

Sonja Abela

69%

Segretarju Eżekuttiv

Anthony Grech

3.0 Il-Finanzi u x-Xogħol tal-Kunsill

Is-sena finanzjarja 2017 kienet l-erbgħa u għoxrin sena finanzjarja għall-Kunsill Lokali Il-Munxar u t-tielet sena finanzjarja tas-seba' leġislatura.

Matul din is-sena l-Kunsill għamel xogħol ta' tiswijiet ta' bankini u toroq.

Il-Kunsill għamel stima li ser idaħħal €336,361 mingħand il-Gvern Ċentrali u fil-fatt daħħal €349,331.

L-infiq kien jikkonsisti f'Salarji u Pagi, Manutenzjoni u Xogħlijiet oħra u Infiq Kapitali.

Is-Salarji u Pagi kienu jammontaw għal €78,671 li tinkludi paga tas-Segretarju Eżekuttiv *full time*, Assistent Uffiċjal Prinċipali *full time*, Skrivan/Uffiċjal Eżekuttiv, onorarju tas-Sindku, kontribuzzjoni ta' Sigurtà Soċjali u *allowance* tal-Kunsilliera u s-Sindku.

Il-manutenzjoni u xogħlijiet oħra kienu jammontaw għal €223,750 filwaqt li kien hemm stima li jintefqu €240,981.

Taħt il-vot ta' Infiq Kapitali l-Kunsill nafaq €9,781. Il-maġġoranza ta' dan l-ammont kien bħala *grant* minn skemi ta' fondi speċjali.

F'Diċembru 2017, il-Kunsill spiċċa b'bilanċ ta' €46,910 u dawn ser jintefqu matul is-sena finanzjarja 2018.



Anthony Grech
Segretarju Eżekuttiv.

4.0 Varjazzjonijiet konsolidati ta' Dħul u Nfiq

4.1 Skeda ta' Varjazzjonijiet konsolidati ta' Dħul u Nfiq

DESKRIZZJONI	a	b	c	a-b/b-a	a-c/c-a
	2017 ACTUAL (€)	2017 BUDGET (€)	2016 ACTUAL (€)	2017-17 BUDGET VAR (€)	2017-16 ACTUAL VAR (€)
Dħul					
Tal-Gvern	333,342.00	332,861.00	317,329.00	481.00	16,013.00
Bye-laws	15,987.00	3,500.00	11,174.00	12,487.00	4,813.00
Investiment	2.00		18.00	2.00	(16.00)
TOTAL	349,331.00	336,361.00	328,521.00	12,970.00	20,810.00
Nfiq					
Salarji u Pagi	78,671.00	93,082.00	77,339.00	14,411.00	(1,332.00)
Manutenzjoni u Xoghijiet oħra	223,750.00	240,981.00	224,381.00	17,231.00	631.00
Nfiq Kapitali	9,781.00	24,000.00	5,052.00	14,219.00	(4,729.00)
TOTAL	312,202.00	358,063.00	306,772.00	45,861.00	(5,430.00)
Bilanċ	37,129.00	(21,702.00)	21,749.00	(32,891.00)	15,380.00

Varjazzjonijiet fid-Dhul u l-Infiq (ikompli)

4.2 Skeda ddettaljata ta' Varjazzjonijiet fid-Dhul

DESKRIZZJONI	a	b	c	a-b	a-c
	2017 ATTWALI (€)	2017 STIMA (€)	2016 ATTWALI (€)	2017-17 BUDGET VAR (€)	2017-16 ACTUAL VAR (€)
Dhul					
Tal-Gvern					
Annwali	242,861.00	242,861.00	223,884.00		
Supplimentari					
Bżonnijiet Speċjali					
Entitajiet Pubbliċi/Governattivi					
Oħrajn	90,481.00	90,000.00	93,445.00	481.00	(2,964.00)
	333,342.00	332,861.00	317,329.00	481.00	(2,964.00)
Bye-Laws					
Servizzi Komunitarji					
Kontravvenzjonijiet ta' bye-laws	3,374.00	500.00	703.00	2,874.00	2,671.00
Insurance Claims	1,194.00		4,001.00	1,194.00	(2,807.00)
Generali	11,419.00	3,000.00	6,470.00	8,419.00	4,949.00
	15,987.00	3,500.00	11,174.00	12,487.00	4,813.00
Investiment					
Interest Bankarju	2.00		18.00	2.00	(16.00)
Sigurtajiet tal-Gvern					
	2.00		18.00	2.00	(16.00)
TOTAL	349,331.00	336,361.00	328,521.00	12,970.00	1,833.00

Varjazzjonijiet fid-Dhul u l-Infiq (ikompli)

4.3 Skeda ddettaljata ta' Varjazzjonijiet fl-Infiq

DESKRIZZJONI	a	b	c	b-a	c-a
	2017 ACTUAL (€)	2017 BUDGET (€)	2016 ACTUAL (€)	2017-17 BUDGET VAR (€)	2017-16 ACTUAL VAR (€)
Infiq					
Salarji u Pagi					
Onorarja tas-Sindku	7,345.00	7,244.00	7,228.00	(101.00)	(117.00)
Salarji u pagi tal-impjegati	59,814.00	66,000.00	58,752.00	6,186.00	(1,062.00)
Bonus		6,100.00		6,100.00	
Dhul Supplementari					
Kontribuzzjonijiet ta' Sigurtà Soċjali	5,112.00	5,000.00	4,959.00	(112.00)	(153.00)
'Allowances'		2,338.00		2,338.00	
'Allowance Councillors'	6,400.00	6,400.00	6,400.00		
	78,671.00	93,082.00	77,339.00	14,411.00	(1,332.00)
Manutenzjoni u Xogħlijiet oħra					
Dawl, ilma, telefon, eċċ.	2,779.00	8,800.00	5,469.00	6,021.00	2,690.00
Xiri ta' Materjal (Materials & Supplies)	1,315.00	1,500.00	430.00	185.00	(885.00)
Tiswijiet u Manutenzjoni	14,155.00	28,900.00	20,692.00	14,745.00	6,537.00
Kera	2,816.00	3,700.00	2,816.00	884.00	
Safar barra minn Malta					
Spejjeż tal-Uffiċċju	2,390.00	4,850.00	3,060.00	2,460.00	670.00
Trasport	1,160.00	1,400.00	736.00	240.00	(424.00)
Training		900.00		900.00	
Informazzjoni għall-Pubbliku	19.00	900.00	113.00	881.00	94.00
Servizzi b'Kuntratt	59,117.00	69,394.00	49,343.00	10,277.00	(9,774.00)
Servizzi Professionali	9,311.00	12,000.00	7,401.00	2,689.00	(1,910.00)
Depreciation	104,423.00	91,337.00	114,993.00	(13,086.00)	10,570.00
Ospitalità u servizzi lill-Komunita'	20,101.00	16,000.00	18,480.00	(4,101.00)	(1,621.00)
Spejjeż Incidentali	6,164.00		848.00	(6,164.00)	(5,316.00)
Wardens		1,300.00			
Xogħlijiet ta' Restawr - Miżna					
	223,750.00	240,981.00	224,381.00	15,931.00	631.00
Infiq Kapitali					
Għodod u Tabelli					
Bini u Tiġib	124.00	20,000.00	2,141.00	19,876.00	2,017.00
Proġetti Speċjali	9,657.00			(9,657.00)	(9,657.00)
Makkinarju u Apparat			1,852.00		1,852.00
Office furniture		4,000.00	1,059.00	4,000.00	1,059.00
	9,781.00	24,000.00	5,052.00	14,219.00	(4,729.00)
TOTAL	312,202.00	358,063.00	306,772.00	44,561.00	(5,430.00)

5.0 Dikjarazzjoni ta' Rikonċiljazzjoni mal-Bank

5.1 Kont Savings Bank of Valletta 124-1529702-7

Bilanċ fuq id-Dikjarazzjoni tal-Bank	6,969.21
Għodd id-depositi li saru sal-31/12/2017 li ma jidhrux fuq id-Dikjarazzjoni tal-Bank	-
Naqqas il- <i>withdrawals</i> li saru li ma jidhrux fuq id-Dikjarazzjoni tal-Bank	-
Bilanċ Nett tal-Bank	6,969.21
Bilanċ fil-Ktieb tal-Bank fil-31/12/2017	6,969.21
Għodd id-depositi li saru sal-31/12/2017 li ma jidhrux fil-Ktieb tal-Bank	-
Naqqas il- <i>withdrawals</i> li saru li ma jidhrux fil-Ktieb tal-Bank	-
Bilanċ Nett tal-Bank	6,969.21

5.2 Kont Measure 323 Bank of Valletta 400-1958870-6

Bilanċ fuq id-Dikjarazzjoni tal-Bank	8.44
Għodd id-depositi li saru sal-31/12/2017 li ma jidhrux fuq id-Dikjarazzjoni tal-Bank	-
Naqqas il- <i>withdrawals</i> li saru li ma jidhrux fuq id-Dikjarazzjoni tal-Bank	-
Bilanċ Nett tal-Bank	8.44
Bilanċ fil-Ktieb tal-Bank fil-31/12/2017	8.44
Għodd id-depositi li saru sal-31/12/2017 li ma jidhrux fil-Ktieb tal-Bank	-
Naqqas il- <i>withdrawals</i> li saru li ma jidhrux fil-Ktieb tal-Bank	-
Bilanċ Nett tal-Bank	8.44

5.3 Kont Measure 313 Bank of Valletta 400-1958867-0

Bilanċ fuq id-Dikjarazzjoni tal-Bank	141.06
Għodd id-depositi li saru sal-31/12/2017 li ma jidhrux fuq id-Dikjarazzjoni tal-Bank	-
Naqqas il- <i>withdrawals</i> li saru li ma jidhrux fuq id-Dikjarazzjoni tal-Bank	-
Bilanċ Nett tal-Bank	141.06
Bilanċ fil-Ktieb tal-Bank fil-31/12/2017	141.06
Għodd id-depositi li saru sal-31/12/2017 li ma jidhrux fil-Ktieb tal-Bank	-
Naqqas il- <i>withdrawals</i> li saru li ma jidhrux fil-Ktieb tal-Bank	-
Bilanċ Nett tal-Bank	141.06

5.4 Kont Measure 313 2nd Call Bank of Valletta 400-2309808-8

Bilanċ fuq id-Dikjarazzjoni tal-Bank	5.28
Għodd id-depositi li saru sal-31/12/2017 li ma jidhrux fuq id-Dikjarazzjoni tal-Bank	-
Naqqas il- <i>withdrawals</i> li saru li ma jidhrux fuq id-Dikjarazzjoni tal-Bank	-
Bilanċ Nett tal-Bank	5.28

Bilanċ fil-Ktieb tal-Bank fil-31/12/2017	5.28
Għodd id-depositi li saru sal-31/12/2017 li ma jidhrux fil-Ktieb tal-Bank	-
Naqqas il- <i>withdrawals</i> li saru li ma jidhrux fil-Ktieb tal-Bank	-
Bilanċ Nett tal-Bank	5.28

5.5 Kont Measure 413.4 Landscaping Bank of Valletta 400-2245373-4

Bilanċ fuq id-Dikjarazzjoni tal-Bank	10.41
Għodd id-depositi li saru sal-31/12/2017 li ma jidhrux fuq id-Dikjarazzjoni tal-Bank	-
Naqqas il- <i>withdrawals</i> li saru li ma jidhrux fuq id-Dikjarazzjoni tal-Bank	-
Bilanċ Nett tal-Bank	10.41

Bilanċ fil-Ktieb tal-Bank fil-31/12/2017	10.41
Għodd id-depositi li saru sal-31/12/2017 li ma jidhrux fil-Ktieb tal-Bank	-
Naqqas il- <i>withdrawals</i> li saru li ma jidhrux fil-Ktieb tal-Bank	-
Bilanċ Nett tal-Bank	10.41

5.6 Kont Kurrenti HSBC 071-115034-001

Bilanċ fuq id-Dikjarazzjoni tal-Bank	264,782.77
Għodd id-depositi li saru sal-31/12/2017 li ma jidhrux fuq id-Dikjarazzjoni tal-Bank	-
Naqqas il- <i>withdrawals</i> li saru li ma jidhrux fuq id-Dikjarazzjoni tal-Bank	29,006.12
Bilanċ Nett tal-Bank	235,776.65

Bilanċ fil-Ktieb tal-Bank fil-31/12/2017	235,776.65
Għodd id-depositi li saru sal-31/12/2017 li ma jidhrux fil-Ktieb tal-Bank	-
Naqqas il- <i>withdrawals</i> li saru li ma jidhrux fil-Ktieb tal-Bank	-
Bilanċ Nett tal-Bank	235,776.65



IL-MUNXAR LOCAL COUNCIL

Annual Report
and
Financial Statements

for the year ended 31 December 2017

Prepared by

Daniel Galea B.Accty. (Hons.) CPA



ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2017

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

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's statement of comprehensive income for the year and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to 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, and the Local Councils (Financial) Procedures issued in terms of the said Act.

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

This statement was approved by the Local Council on the 18 April 2018 and signed on its behalf by



Sonja Abela
Vice-Mayor

Anthony Grech
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

		2017 €	2016 €
	<i>Notes</i>		
Income			
Funds received from Central Government	4	333,342	317,329
Income raised under Local Enforcement System	5	3,374	703
General Income	6	12,613	10,471
		<u>349,329</u>	<u>328,503</u>
 Expenditure			
Personal emoluments	8	(78,671)	(77,339)
Operations and maintenance	9	(73,272)	(70,035)
Administrative and other expenditure	10	(150,478)	(154,346)
		<u>(302,421)</u>	<u>(301,720)</u>
 Operating Surplus for the year		46,908	26,783
 Finance income	11	2	18
 Surplus for the year		<u>46,910</u>	<u>26,801</u>

The notes on pages 8 to 24 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

		2017 €	2016 €
	<i>Notes</i>		
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	985,644	1,086,450
		<u>985,644</u>	<u>1,086,450</u>
Current Assets			
Receivables	13	12,563	17,760
Cash and Cash Equivalents	14	243,227	195,624
		<u>255,790</u>	<u>213,384</u>
Total Assets		<u><u>1,241,434</u></u>	<u><u>1,299,834</u></u>
EQUITY AND LIABILITIES			
Reserves			
Retained Fund		438,193	391,283
		<u>438,193</u>	<u>391,283</u>
Non-Current Liabilities			
Deferred income	16	669,436	734,006
		<u>669,436</u>	<u>734,006</u>
Current Liabilities			
Payables	15	133,805	174,545
		<u>133,805</u>	<u>174,545</u>
Total Equity and Liabilities		<u><u>1,241,434</u></u>	<u><u>1,299,834</u></u>

These financial statements were approved by the Local Council on 13 April 2018 and signed on its behalf by:


 Sonia Abela
 Vice-Mayor


 Anthony Grech
 Executive Secretary

The notes on pages 8 to 24 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Retained Funds €
At 1 January 2016	364,482
Surplus for the year 2016	26,801
	<hr/>
At 31 December 2016	391,283
	<hr/> <hr/>
At 1 January 2017	391,283
Surplus for the year 2017	46,910
	<hr/>
At 31 December 2017	438,193
	<hr/> <hr/>

The notes on pages 8 to 24 form an integral part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

		2017 €	2016 €
	Note		
Cash flows from Operating Activities			
Surplus for the year		46,910	26,801
Reconciliation to cash generated from operations:			
Depreciation		104,423	114,993
Loss on disposal of property, plant and equipment		6,164	-
Interest receivable		(2)	(18)
Grant released		(78,906)	(85,162)
Operating Profit before Working Capital Changes		<u>78,589</u>	<u>56,614</u>
Decrease in receivables		5,197	29,594
Decrease in payables		(33,684)	(72,880)
Cash generated from operating activities		<u>50,102</u>	<u>13,328</u>
Cash flows from Investing Activities			
Interest received		2	18
Purchase of property, plant & equipment		(9,781)	(5,052)
Net receipts of grant		<u>7,280</u>	<u>3,133</u>
Cash used in investing activities		<u>(2,499)</u>	<u>(1,901)</u>
Net Increase in Cash and Cash Equivalents		47,603	11,427
Cash and Cash Equivalents at the Beginning of the year		<u>195,624</u>	<u>184,197</u>
Cash and Cash Equivalents at the End of the year	14	<u>243,227</u>	<u>195,624</u>

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

1. General Information

The Il-Munxar Local Council is the local Authority of Malta set up in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at Triq Profs Guze Aquilina, Il-Munxar. These financial statements were approved for issue by the Council Members on 1st April 2018. The Local Council's presentation as well as functional currency is denominated in €.

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 as adopted by the EU.

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

In the current year, the Local Council has applied a number of amendments to IFRS issued by the International Accounting Standards Boards (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017.

Amendments to IAS 7 Disclosure Initiative. Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. Effective for annual periods beginning on or after 1 January 2017.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses. The Local Council has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

Improvements in Annual Improvements 2012-2014 Cycle makes amendments to the following standards: IFRS 5 — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

New Standards and amendments not yet adopted:

A number of new International Financial Reporting Standards and amendments and revisions thereto were in issue but not yet adopted by the EU during the financial period under review. These include the following:

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows: Debt instruments meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortised cost (the use of fair value is optional in some limited circumstances). Investments in equity instruments can be designated as 'fair value through other comprehensive income' with only dividends being recognised in profit or loss. All other instruments (including all derivatives) are measured at fair value with changes recognised in the profit or loss. The concept of 'embedded derivatives' does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines. The standard remains available for application if the relevant date of initial application is before 1 February 2015 and is not yet endorsed for use in the EU.

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)

2. Accounting Policies and Reporting Procedures

A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement. The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. The standard remains available for application if the relevant date of initial application is before 1 February 2015 and is not yet endorsed for use in the EU.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

Impairment. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and nonfinancial risk exposures.

Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. These standards remain available for application if the relevant date of initial application is before 1 February 2015. It's effective for annual periods beginning on or after 1 January 2018 and is not yet endorsed for use in the EU.

IFRS 15 provides a single, principles based five step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2018.

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. Applicable to annual reporting periods beginning on or after 1 January 2019.

Amendments to IAS 40 Transfers of Investment Property. The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction. Annual Improvements in Annual Improvements 2012-2014 Cycle include amendments to IFRS 1 and IAS 28 which are not yet mandatorily effective for the Local Council. The package also includes amendments to IFRS 12 which is mandatorily effective for the Local Council in the current year. Both the amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018.

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)**2. Accounting Policies and Reporting Procedures**

IFRIC 22 Foreign Currency Transactions and Advance Consideration. Addresses how to determine the date of transaction for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.

The Councillors and Executive Secretary 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 Council anticipates 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.

Property, plant and equipment

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

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

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each 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.

Impairment of Assets

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

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)

2. Accounting Policies and Reporting Procedures (cont.)

Amounts receivable

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Comprehensive Income.

Borrowings

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

Borrowings are classified as current liabilities unless the Local Council has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Other payables

Other payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material in which case other payables are measured at amortised cost using the effective interest method.

Financial instruments

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of a 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 transactions costs. They are measured subsequently as described below.

Financial assets

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

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

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

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

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

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)

2. Accounting Policies and Reporting Procedures (cont.)

Financial liabilities

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

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

Related parties

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

Revenue

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

Income from central government is not recognised until there is reasonable assurance that the Council will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross and any deductions made for non-compliance are to be disclosed separately with expenses.

Local Enforcement System

The income recognised from the Local Enforcement System in the Statement of Comprehensive Income was derived from the five Regional Committees and Local Enforcement System Agency.

Government grants

Government grants relating to costs are deferred and recognised in the statement of comprehensive income 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 statement 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.

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

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Profits and losses

Only surpluses 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.

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)**2. Accounting Policies and Reporting Procedures (cont.)***Cash and cash equivalents*

Cash and Cash Equivalents are carried in the Statement of Financial Position at face value. For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash in hand and balances held with banks.

Capital Management

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

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

To achieve the above, the Council carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was positive at the reporting date and has not changed significantly from the previous year. 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.

3. Judgments in applying accounting policies and key sources of estimation

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

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

4. Funds received from central government

	2017	2016
	€	€
In terms of section 55 of the Local Councils Act	242,861	223,884
Other Government Income	11,575	8,283
Grants Released	78,906	85,162
	<u>333,342</u>	<u>317,329</u>

5. Local Enforcement system

	2017	2016
	€	€
Administration fees from Regional Committees/LESA	580	681
Income from Contraventions	2,794	22
	<u>3,374</u>	<u>703</u>

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)**6. General Income**

	2017	2016
	€	€
Rent Receivable	2,950	2,950
Insurance claim	1,194	4,001
Tender Documents/Info Charges	46	85
Income from Permits	3,759	3,435
Other income	4,664	-
	<u>12,613</u>	<u>10,471</u>

7. Surplus for the year

	2017	2016
	€	€
Surplus for the year is stated after charging		
Staff salaries	78,671	77,339
Depreciation of property, plant & equipment	<u>104,423</u>	<u>114,993</u>

8. Personal Emoluments

	2017	2016
	€	€
Mayor's Remuneration	7,345	7,228
Mayor's and Councillors' Allowances	6,400	6,400
Executive Secretary Salary and Allowances	30,626	29,867
Employees' Salaries	29,188	28,885
Social Security Contributions	5,112	4,959
	<u>78,671</u>	<u>77,339</u>

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)**9. Operations and Maintenance**

	2017	2016
	€	€
<i>Repairs and Upkeep:</i>		
Road/Street Pavements (patching works)	1,685	6,262
Signs and Road Markings	3,320	3,562
Council premises	-	2,235
Xlendi maintenance and upkeep	4,306	5,414
Other repairs and Upkeep	3,135	1,402
Public Property	1,709	1,817
	<u>14,155</u>	<u>20,692</u>
<i>Contractual Services:</i>		
Refuse Collection	27,558	21,948
Bulky Refuse Collection	1,380	1,347
Road & Street Cleaning	4,597	4,229
Cleaning - Public Conveniences	6,710	6,729
Cleaning & Maintaining Parks & Gardens	1,276	1,800
Cleaning & Maintenance of verges	1,550	146
Cleaning & Maintenance of Council premises	1,257	1,517
Tipping fees	9,570	8,761
Insurance	1,869	1,569
Local Enforcement System expenses	928	-
Street Lighting	2,422	1,297
	<u>59,117</u>	<u>49,343</u>
 Total Operations and Maintenance Costs	 <u>73,272</u>	 <u>70,035</u>

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)**10. Administrative and other expenditure**

	2017	2016
	€	€
Utilities	2,779	5,469
Materials and supplies	1,315	430
Rent	2,816	2,816
Office repair and upkeep	63	397
National and International Membership	555	550
Office Services	1,772	2,113
Transport	1,160	736
Information Services	19	113
Professional Services	9,311	7,401
Community services and events	20,101	18,481
Loss on disposal of property, plant & equipment	6,164	-
Bad Debts written off	-	50
Sundry expenses	-	797
Depreciation	104,423	114,993
	<u>150,478</u>	<u>154,346</u>

11. Finance Income

	2017	2016
	€	€
Bank Interest Receivable	2	18
	<u>2</u>	<u>18</u>

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)

12. Property, plant and equipment

	Buildings & Improvements	Office Furniture & Fittings	Computer & Office Equipment	Plant & Machinery	New Street Signs	Urban Improvements	Construction	Special Programmes	Total
	€	€	€	€	€	€	€	€	€
Cost									
At 1 January 2017	3,736	16,642	46,308	1,210	3,785	130,908	171,025	1,632,820	2,006,434
Additions	-	-	-	-	-	124	-	9,657	9,781
Disposals	(95)	(32)	(15,825)	(97)	-	(12,603)	-	(6,617)	(35,269)
At 31 December 2017	3,641	16,610	30,483	1,113	3,785	118,429	171,025	1,635,860	1,980,946
Depreciation									
At 1 January 2017	628	10,487	38,997	985	3,785	47,117	90,996	524,519	717,514
Charge for the year	30	446	1,397	36	-	7,570	7,647	87,297	104,423
Released on disposal	(19)	(23)	(15,396)	(71)	-	(7,991)	-	(5,605)	(29,105)
At 31 December 2017	639	10,910	24,998	950	3,785	46,696	98,643	606,211	792,832
Grants									
At 1 January 2017	-	-	-	-	-	-	-	202,470	202,470
At 31 December 2017	-	-	-	-	-	-	-	-	-
Net Book values									
At 31 December 2017	3,002	5,700	5,485	163	-	71,733	72,382	827,179	985,644

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)

12. Property, plant and equipment (cont.)

Cost	Buildings & Improvements €	Office Furniture & Fittings €	Computer & Office Equipment €	Plant & Machinery €	New Street Signs €	Urban Improvements €	Construction €	Assets under construction €	Special Programmes €	Total €
At 1 January 2016	3,736	15,583	44,456	1,210	3,785	128,767	171,025	187,088	1,445,732	2,001,382
Additions	-	1,059	1,852	-	-	2,141	-	-	-	5,052
Disposals	-	-	-	-	-	-	-	(187,088)	187,088	-
At 31 December 2016	3,736	16,642	46,308	1,210	3,785	130,908	171,025	-	1,632,820	2,006,434
Depreciation										
At 1 January 2016	597	10,066	37,412	934	3,785	38,351	82,543	-	428,833	602,521
Charge for the year	31	421	1,585	51	-	8,766	8,453	-	95,686	114,993
On disposal	-	-	-	-	-	-	-	-	-	-
At 31 December 2016	628	10,487	38,997	985	3,785	47,117	90,996	-	524,519	717,514
Grants										
At 1 January 2016	-	-	-	-	-	-	-	-	-	-
At 31 December 2016	-	-	-	-	-	-	-	-	202,470	202,470
Net Book values										
At 31 December 2016	3,108	6,155	7,311	225	-	83,791	80,029	-	905,831	1,086,450

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)**13. Receivables**

	2017	2016
	€	€
Accounts receivables	4,105	2,998
Prepayments and accrued income	8,458	14,762
	<u>12,563</u>	<u>17,760</u>

Receivables

General receivables are analysed as follows:

	2017	2016
	€	€
Within credit period	9,265	7,267
Exceeded credit period but not impaired	3,298	10,493
Impaired and provided for	24,622	24,622
Provision for doubtful debts	<u>(24,622)</u>	<u>(24,622)</u>
	<u>12,563</u>	<u>17,760</u>

Included in the accounts receivable are amounts due from related parties amounting to €543 (2016 : €1,831). These amounts are unsecured, interest free and repayable on demand.

14. Cash & cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts.

	2017	2016
	€	€
Cash at Bank	242,910	195,311
Cash in Hand	317	313
	<u>243,227</u>	<u>195,624</u>

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)**15. Payables**

	2017	2016
	€	€
Accounts payables	5,723	13,990
Other payables	-	24,050
Deferred Income	74,646	81,702
Accruals	53,436	54,803
	<u>133,805</u>	<u>174,545</u>

Included in the accounts payable are amounts due to related parties amounting to €4,483 (2016 : €5,507). These amounts are unsecured, interest free and repayable on demand.

16. Deferred Income

	2017	2016
	€	€
Government grants		
At 1 January	812,758	894,787
Increase in year	9,649	34,533
Refunds paid	(2,369)	(31,400)
	<u>820,038</u>	<u>897,920</u>
Released in year	(78,906)	(85,162)
At 31 December	<u>741,132</u>	<u>812,758</u>
 Current Deferred Income	 <u>71,696</u>	 <u>78,752</u>
 Non-Current Deferred Income	 <u>669,436</u>	 <u>734,006</u>
 Deferred Government Grants		
Deferred between one and two years	64,684	71,029
Deferred between two and five years	158,622	174,101
Deferred in five years or more	446,130	488,876
	<u>669,436</u>	<u>734,006</u>
 Deferred after five years or more	 <u>446,130</u>	 <u>488,876</u>

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)**17. Capital Commitments**

	2017	2016
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	10,000	110,000
- Contracted for but not provided in the financial statements	-	-
(i) Approved but not yet contracted for:		
Pjazza tal-Munxar (shelters and pavement)	-	55,000
Ix-Xlendi Tower restoration	-	25,000
Decorative luminaries	-	30,000
Computer equipment	5,000	-
Office furniture	5,000	-
	<u>10,000</u>	<u>110,000</u>

18. Ultimate controlling party

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

19. Financial Risk Management

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

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

Credit risk

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)

19. Financial Risk Management (cont.)

Summary of financial assets and liabilities by category:

	2017	2016
	€	€
Current Assets		
Loans and receivables:		
Accounts and other receivables	12,563	17,760
Cash and Cash Equivalents	243,227	195,624
	<u>255,790</u>	<u>213,384</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	<u>59,159</u>	<u>92,843</u>

Liquidity Risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact at year end, the Council has as cash and cash equivalents the amount of Euro 243,227. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net current asset position of Euro 121,985 (2016: €38,839) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

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

The Council operates bank accounts without any financing facilities. As a result, the Council is not exposed to cash flow interest rate risk on bank balances.

Other risks

Borrowings issued at variable rates expose the Council to cash flow interest rate risk. 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.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)**20. Related party transactions**

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Government	Significant control
North Joint Committee (Local Enforcement)	Joint Control
North Regional Committee	Joint Control
Central Regional Committee	No control
Gozo Regional Committee	No control
South Eastern Regional Committee	No control
South Regional Committee	No control
Local Enforcement System Agency	No control
Malta Environment and Planning Authority	No control
Malta Information Technology Agency	No control
Water Services Corporation	No control
Enemalta Corporation	No control
ARMS Limited	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Police General Headquarters	No control
Department of Lands	No control
Airmalta plc	No control
Bank of Valletta plc	No control
Malta Tourism Authority	No control
Office of the Prime Minister	No control
Office of the Commissioner for Data Protection	No control

The amounts due from / to related parties at year-end are disclosed in notes 13 and 15. The terms and conditions do not specify the nature of the consideration to be provided in settlement. These amounts are unsecured, interest free and repayable on demand.

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

	2017			2016		
	Related party activity €	Total activity €	%	Related party activity €	Total activity €	%
<i>Income</i>						
Transactions with central government	333,342			317,329		
Transactions with regions	3,374			703		
	<u>336,716</u>	<u>349,329</u>	<u>96</u>	<u>318,032</u>	<u>328,503</u>	<u>97</u>
<i>Expenditure</i>						
Transactions with government entities	9,570			8,769		
Key personnel remuneration	44,371			43,495		
	<u>53,941</u>	<u>302,421</u>	<u>18</u>	<u>52,264</u>	<u>301,720</u>	<u>17</u>

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)

21. Fair values estimation

At 31 December 2017 and at 31 December 2016, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively, approximated their fair values due to the short term maturities of these assets and liabilities. The fair values of non-current financial assets and non-current financial liabilities are not materially different from their carrying amount.

IL-MUNXAR LOCAL COUNCIL**REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL****Opinion**

We have audited the accompanying financial statements of Il-Munxar Local Council, which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 4 - 24.

In our opinion, the financial statements give a true and fair view of the financial position of the Local Council as of 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Local 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 opinion.

Other Information

The Executive Secretary and the Local Council Members are responsible for the other information. The other information comprises the Statement of Local Council Members' and Executive Secretary's Responsibilities. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL - continued

Council Responsibilities for the Financial Statements

As described on page 3, the Executive Secretary and the Local Council Members are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Executive Secretary and the Local Council Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Secretary and the Local Council Members are responsible for assessing the Local 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 it is inappropriate to presume that the Local Council will continue as a going concern.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Local Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Secretary and the Local Council Members.

REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL - continued

Auditor's Responsibilities for the Audit of the Financial Statements - continued

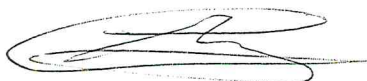
- Conclude on the appropriateness of the Executive Secretary's and the Local Council Members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Local Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Local 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 Executive Secretary and the Local Council Members 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

In our opinion, the financial statements have been properly prepared in accordance with the Local Councils Act (Cap. 363), the Financial Regulations issued in terms of the said Act and the Local Councils (Financial) Procedures.



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

RSM Malta
Certified Public Accountants

Date: 18th April 2018

II-Management Letter

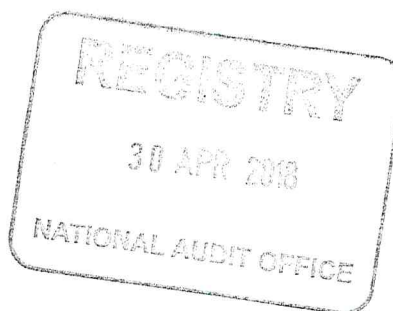
RSM Malta

Mdina Road,
Zebbug ZBG 9015,
Malta.

T+356 2278 7000

F+356 2149 3318

www.rsm.com.mt

18th April 2018**Munxar Local Council**Profs. Guze Aquilina Street,
Munxar VCT 114
Gozo

Dear Mayor

RE: MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

We have completed our audit of the financial statements of the Munxar Local Council for the year ended 31 December 2017. The purpose of this report is to summarise our principal findings arising from this work.

Our audit was primarily based on verifying balances in the financial statements to ensure that they are free from material error and comply with relevant legislation. Consequently, the matters raised in this report cannot be regarded as a comprehensive statement of all weaknesses that exist or all improvements that might be made. Our aim is to offer guidance to the Local Council such that it would be in a better position to improve its internal controls, enhance its book keeping function and consolidate its overall governance.

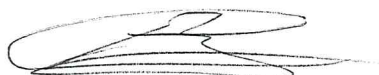
Our engagement obliges us to distribute copies of this report to (a) your Council; (b) the National Audit Office; and (c) the Local Councils' Department. Consequently, this report may not be distributed used or quoted, in part or in full, except for the scope it is prepared, without our prior written consent.

This report has been prepared on the basis of the limitations set out in the Responsibility Statement as presented on page 6 of this report.

During the course of our audit for the year ended 31 December 2017, we examined the principal documents, systems and controls used by the Council, to help it ensure, as far as possible, the accuracy of these documents and to assess how much can one rely on these documents to safeguard the assets of the Council. We also examined, whether or not your Council abided by the procedures as they are provided for in the Local Councils Act, 1993, the Financial Procedures and various Legal Notices issued to your Council.

The objective of this letter is to bring to your attention those divergences in the system that were noticed during our audit work and suggest ways of how these can be remedied.

We would like to take this opportunity to thank the Executive Secretary and the clerk for their assistance during the course of our audit.



Conrad Borg (Partner)
For and on behalf of
RSM Malta



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Munxar Local Council

Management Report for the year ended 31 December 2017

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1.0 FOLLOW-UP TO LAST YEAR'S REPORT

1.1 Property, plant and equipment

During the prior year audit, it was noted that an exercise should be carried out to write off items of property, plant and equipment that were no longer in use. The Local Council has carried out an exercise as suggested and declared that several items identified as having become obsolete and unserviceable, and recommended to be written off on 25th January 2017.

It was also pointed out that it is important that the fixed assets register is kept continuously updated and in agreement with the accounts. No action was taken during 2017 on this matter. The Local Council stated that this will now be resolved following guidance issued through Directive 01/2017 – Accounting treatment of non-current assets.

1.2 Bank and Cash

Last year, it was noted that all cheques need to be approved before sent to the suppliers. We did not observe any similar occurrences during current year audit.

1.3 Payables

During the testing on payables, it was noted that the wrong accounting treatment was applied to some of the movements in the deferred income and errors were found in the calculation of the amortisation thereof. Such weaknesses were not identified in the current year audit.

1.4 Expenditure and Tenders

The Local Council was still using the services of the Director for Tourism and Economic Development for the cleaning of the public conveniences despite the contract expired. These services were still being used during 2017.

During last prior year audit, it was pointed out that the Council has exceeded the budgeted expenditure in certain categories. This was also encountered during 2017. However, it is noted that the Council is still within the overall budget.

2.0 PROPERTY, PLANT AND EQUIPMENT

- 2.1 When carrying out the reconciliation between the fixed assets register and the accounts, it was noticed that these were not agreeing, before passing any audit adjustments. The net book value in the accounts was Euro 985,644, the cost was Euro 1,980,946 and the accumulated depreciation plus grants was Euro 995,302. On the other hand, the fixed assets register had a net book value of Euro 1,035,730, a cost of Euro 1,729,732 and an accumulated depreciation of Euro 694,002.
- 2.2 It is recommended that the Council updates its fixed assets register so that the totals of each asset category match those in the nominal ledger in all respects, that is, cost, accumulated depreciation, grants and net book value. The more time is allowed to pass the more complex the exercise will become. Reference should be made to the guidance issued through Directive 01/2017 – Accounting treatment of non-current assets.

3.0 RECEIVABLES

- 3.1 When scrutinizing the receivables aging analysis report, it was observed that a balance of Euro 1,627 relates to invoices older than 2 years and that a provision was not made against such balances as instructed by the Department.
- 3.2 It is recommended that the Local Council makes a provision for doubtful debts for any balances that are older than 2 years so that the balance reported in the statement of financial position reflects the amounts that are deemed to be recoverable.

4.0 PAYABLES

- 4.1 During our testing on the payables, it was noted that there were some invoices dated in 2018, relating to 2017 services, that the Local Council erroneously included as trade payables as at 31st December 2017. Apart from the wrong presentation as these should have been classified under the accruals, it also means that certain invoices were posted with wrong dates.
- 4.2 It is recommended that the Local Council clearly distinguishes between trade payable and accruals as per the International Financial Reporting Standards.

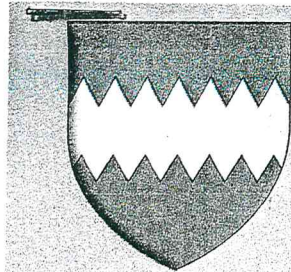
5.0 EXPENDITURE AND TENDERS

- 5.1 The Council has exceeded the budgeted expenditure under the following headings:
- 5.1.1 Refuse collection (Category 3041) by Euro 1,262;
 - 5.1.2 Bring in sites (Category 3045) by Euro 9,570;
 - 5.1.3 Cleaning of public conveniences (Category 3053) by Euro 210;
 - 5.1.4 Cleaning & maintenance of soft areas (Category 3061) by Euro 1,276;
 - 5.1.5 Cleaning & maintenance of beaches (Category 3062) by Euro 1,550;
 - 5.1.6 Contract and project management (Category 3100 - 3139) by Euro 5,481;
 - 5.1.7 Community (Category 3380 - 3389) by Euro 8,430;
 - 5.1.8 EU Projects (Category 3700 - 3799) by Euro 749;
 - 5.1.9 Office utilities (Category 2150 - 2199) by Euro 1,275;
 - 5.1.10 Incidental expenses (Category 3400 - 3499) by Euro 6,162; and
 - 5.1.11 Depreciation (Category 8000 - 8099) by Euro 13,084.

- 5.2 The Financial Procedures applicable for Local Councils require Councils to draw up twelve (12) months budgets, three (3) year business plans, quarterly reports and eventually yearly administrative reports at the end of the year. The Council is also allowed to revise budgets in line with actual requirements and there are enough reporting tools to help the Council revise the budgets in line with actual expenditure.
- 5.3 While testing a sample of expenses, we noticed that the Local Council was still using the services of the Director for Tourism and Economic Development for the cleaning of the public conveniences under an expired contract. The contract which was entered into way back in 1994 was valid for 3 years. The total amount invoiced to the Local Council for this service during 2017 was Euro 11,307. The Executive Secretary told us that if a new call for tender is issued; the cost for the cleaning of the public conveniences would be almost five times more than which the Council is currently paying which does not make sense.
- 5.4 We recommend that when a contract is about to expire and the contract does not have provisions for any further extensions, then a new tender should be issued immediately as stipulated in the regulations. We can understand that at times the Council keeps using expired contracts since the rates charged would be definitely lower than the rates that would be quoted under a new contract. In such cases, the Local Council should seek guidance and approval from the Local Government Department rather than just extend the contracts without any approval.

Responsibility Statement

While our report includes suggestions for improving accounting procedures, internal controls and other aspects of the Local Council arising out of our audit, we emphasise that our consideration of the Local Council's system of internal financial control was conducted solely for the purpose of our audit having regard to our responsibilities under International Standards on Auditing. We make these suggestions in the context of our audit, but they do not in any way modify our audit opinion which relates to the financial statements as a whole. Equally, we would need to perform a more extensive study if you wanted us to make a comprehensive review for weaknesses in existing systems and present detailed recommendations to improve them.



Kunsill Lokali
IL-MUNXAR
Local Council

parvulus sed munitus

Triq Profs. Ġużè Aquilina, Il-Munxar MXR1012, Għawdex ◦ **T.** 2155 8755 ◦ **F.** 2155 8787 ◦ **E.** munxar.lc@gov.mt

Our Ref.: DGL/03/2018.

30th May 2018.

Director (Local Government)
Department for Local Government - Monitoring and Support
26, Archbishop Street,
Valletta VLT2000
Malta.

RE: REPLY TO REPORT BY AUDITOR GENERAL FOR THE PERIOD ENDED 31 DECEMBER 2017

1.0 FOLLOW UP TO LAST YEAR'S REPORT

Noted and currently action is being taken to, as much as possible, address any pending issues.

2.0 PROPERTY, PLANT AND EQUIPMENT

The issue about Property, Plant and Equipment has been with the Council for a couple of years. It's the intention of the Council to tackle the Fixed Asset Register problem, to compile, reconcile and update the Fixed Asset Register. As discussed also in the management report itself, this is not an easy and straight forward task, however, the Council will be doing its utmost to reconcile and update the Fixed Asset Register. This also in line the latest Circular to this matter as issued from the Department for Local Government.

3.0 RECEIVABLES

Comment noted. Since amount is receivable from Regional Committees and the amounts were not deemed material, it was decided not to provide for them. Council is chasing these Regional Committees to collect payment for these balances to close this position.

4.0 PAYABLES

Noted. Mentioned invoices related to services received during 2017 and thus such costs were to be incurred in the financial statements of 2017. Invoices were received by the Council prior to the finalisation of the financial statements and such invoices would be normally dated at the end of the month. For consistency, such invoices were recorded in the month when the service was received.

5.0 EXPENDITURE AND TENDERS

Noted. The increase in the cost of refuse collection can be explained by the fact that we are doing an additional collection as instructed by Wasteserv, which cost of collection is being reimbursed by the same Wasteserv. NC 3045 is tipping fees and not cost of the bring-in sites. The transactions recorded under this NC represent the cost of tipping fees as charged by Wasteserv for the waste deposited at the Landfill. The Council experienced a decrease in cost in Cleaning and maintenance of soft areas and managed to control the Community expenses which amount to Eur20,000, which amount is relatively very low when one considers the vast activities which take place in the village and also in Ix-Xlendi, which expenses are mainly reimbursed through DLG schemes. The one off incidental cost of Eur6,162 is the cost of the fixed assets written off during 2017.

The council does its utmost to stick to the budget, however one has to keep in mind that it's the priority of the Council to keep the locality well maintained. Overall the Council experienced a slight increase in operation and maintenance expenses while managed to decrease the administration and other expenditure.

Comment about the tender for the cleaning of the public convenience noted. However, as stated during the audit, the Council is acting very diligently by using the services of a Government Entity and saving considerable amount of money since the cost of a new tender is expected to be five times the current cost of the Council.



Anthony Grech
Executive Secretary

Sonja Abela
Mayor

Copies: National Audit Office, Malta
RSM Malta