



**KUNSILL LOKALI
IL-MUNXAR**

Rapport Annwali Amministrattiv 2018

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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 2018.

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, ħaddiema mislufa mill-Gvern Ċentrali u ħaddiema mill-iskema *Community Workers Scheme Enterprise Foundation*.

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. Fil-fatt, din is-sena l-Kunsill ġie infurmat illi din l-applikazzjoni ġiet magħżula. Għaldaqstant, ħarġet *tender* għall-perit li ser jieħu ħsieb il-proġett u issa dan il-perit qed jaħdem fuq il-*bill of quantities* għar-*restoration* halli joħorġu t-*tenders* għax-xogħlijiet.

Issa ser nagħtu ħarsa lura biex naraw x'wettaq il-Kunsill matul l-aħħar sena. Wettaqna diversi xogħlijiet utli għar-raġal tagħna. Nibdew 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 billi nieħdu sehem fil-quddiesa u wara ssir serata ta' talent lokali fejn jingħata l-premju 'Gieħ Il-Munxar'. Ġie organizzat il-Karnival tal-Munxar, saret serata ta' tifkira f'gieħ il-Professur Ġużè Aquilina, saret l-attività 'Festa Familja' fil-Munxar bħala parti mill-attivitajiet ta' 'Gozo Alive' u ngħata sehem il-Kunsill fil-festa tal-Munxar u l-Xlendi. 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*. Il-Kunsill jorganizza wkoll diversi ħarġiet, attivitajiet sportivi u *talks* interessanti. Il-Kunsill jieħu ħsieb ukoll it-tiżjin tal-Milied fil-Munxar u l-Xlendi.

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.

Iffirmata

Damien Spiteri
Sindku.

2.0 Il-Kunsill

Pożizzjoni**Attendenza tal-Laqgħat****Sindku**

Carmen Said (Jannar-April)	0%
Sonja Abela (Mejju-Diċembru)	100%

Viċi-Sindku

Robert Mallia (Jannar-Marzu)	100%
Sonja Abela (April-Mejju)	100%
Juliet Rose Attard (April-Diċembru)	100%

Kunsilliera

Damien Spiteri (Jannar-Diċembru)	100%
Paul Curmi (Jannar-Diċembru)	71%
Sonja Abela (Jannar-Marzu)	71%
Joseph Cauchi (Ġunju-Diċembru)	100%

Segretarju Eżekuttiv

Anthony Grech

3.0 Il-Finanzi u x-Xogħol tal-Kunsill

Is-sena finanzjarja 2018 kienet il-ħamsa u għoxrin sena finanzjarja għall-Kunsill Lokali Il-Munxar u r-raba' 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 €265,270 mingħand il-Gvern Ċentrali u fil-fatt daħħal €286,826.

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

Is-Salarji u Pagi kienu jammontaw għal €70,165 li tinkludi paga tas-Segretarju Eżekuttiv *full time*, Assistent Uffiċjal Prinċipali *full time*, onorarju tas-Sindku, kontribuzzjoni ta' Sigurtà Soċjali u *allowance* tal-Kunsilliera u s-Sindku.

Il-manutenzjoni u xogħlijiet oħra kienu jammontaw għal €184,941 filwaqt li kien hemm stima li jintefqu €180,301.

Taħt il-vot ta' Infiq Kapitali l-Kunsill nafaq €1,324. Il-maġġoranza ta' dan l-ammont kien bħala *grant* minn skemi ta' fondi speċjali.

F'Diċembru 2018, il-Kunsill spiċċa b'bilanċ ta' €31,720 u dawn ser jintefqu matul is-sena finanzjarja 2019.

Iffirmata

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
	2018 ATTWALI (€)	2018 STIMA (€)	2017 ATTWALI (€)	2018-18 STIMA VAR (€)	2018-17 ATTWALI VAR (€)
Dħul					
Tal-Gvern	267,609.00	261,270.00	254,436.00	6,339.00	13,173.00
Bye-laws	19,215.00	4,000.00	15,987.00	15,215.00	3,228.00
Investiment	2.00		2.00	2.00	
TOTAL	286,826.00	265,270.00	270,425.00	21,556.00	16,401.00
Nfiq					
Salarji u Pagi	70,165.00	83,184.00	78,671.00	13,019.00	8,506.00
Manutenzjoni u Xogħlijiet oħra	184,941.00	180,301.00	144,844.00	(4,640.00)	(40,097.00)
Nfiq Kapitali	1,324.00	10,000.00	9,781.00	8,676.00	8,457.00
TOTAL	256,430.00	273,485.00	233,296.00	17,055.00	(23,134.00)
Bilanċ	30,396.00	(8,215.00)	37,129.00	4,501.00	(6,733.00)

Varjazzjonijiet fid-Dhul u l-Infiq (ikompli)

4.2 Skeda ddettaljata ta' Varjazzjonijiet fid-Dhul

DESKRIZZJONI	a	b	c	a-b	a-c
	2018 ATTWALI (€)	2018 STIMA (€)	2017 ATTWALI (€)	2018-18 STIMA VAR (€)	2018-17 ATTWALI VAR (€)
Dhul					
Tal-Gvern					
Annwali	253,270.00	253,270.00	242,861.00		
Supplimentari					
Bżonnijiet Speċjali					
Entitajiet Pubbliċi/Governattivi					
Oġrajn	14,339.00	8,000.00	11,575.00	6,339.00	2,764.00
	267,609.00	261,270.00	254,436.00	6,339.00	2,764.00
Bye-Laws					
Servizzi Komunitarji					
Kontravvenzjonijiet ta' bye-laws	586.00	500.00	3,374.00	86.00	(2,788.00)
Insurance Claims			1,194.00		(1,194.00)
Generali	18,629.00	3,500.00	11,419.00	15,129.00	7,210.00
	19,215.00	4,000.00	15,987.00	15,215.00	3,228.00
Investiment					
Interess Bankarju	2.00		2.00	2.00	
Sigurtajiet tal-Gvern					
	2.00		2.00	2.00	
TOTAL	286,826.00	265,270.00	270,425.00	21,556.00	5,992.00

Varjazzjonijiet fid-Dhul u l-Infiq (ikompli)

4.3 Skeda ddettaljata ta' Varjazzjonijiet fl-Infiq

DESKRIZZJONI	a	b	c	b-a	c-a
	2018 ATTWALI (€)	2018 STIMA (€)	2017 ATTWALI (€)	2018-18 STIMA VAR (€)	2018-17 ATTWALI VAR (€)
Infiq					
Salarji u Pagi					
Onorarja tas-Sindku	6,842.00	7,500.00	7,345.00	658.00	503.00
Salarji u pagi tal-impjegati	53,235.00	55,000.00	59,814.00	1,765.00	6,579.00
Bonus		5,800.00		5,800.00	
Dhul Supplimentari		484.00		484.00	
Kontribuzzjonijiet ta' Sigurtà Soċjali	4,455.00	5,500.00	5,112.00	1,045.00	657.00
'Allowances'		3,267.00		3,267.00	
'Allowance Councillors'	5,633.00	5,633.00	6,400.00		767.00
	70,165.00	83,184.00	78,671.00	13,019.00	8,506.00
Manutenzjoni u Xogħlijiet oħra					
Dawl, ilma, telefon, eċċ.	4,072.00	2,500.00	2,779.00	(1,572.00)	(1,293.00)
Xiri ta' Materjal (Materials & Supplies)	893.00	2,000.00	1,315.00	1,107.00	422.00
Tiswijiet u Manutenzjoni	19,392.00	25,000.00	14,155.00	5,608.00	(5,237.00)
Kera	4,645.00	3,700.00	2,816.00	(945.00)	(1,829.00)
Safar barra minn Malta					
Spejjeż tal-Uffiċċju	3,528.00	10,550.00	2,390.00	7,022.00	(1,138.00)
Trasport	1,102.00	1,500.00	1,160.00	398.00	58.00
Training		900.00		900.00	
Informazzjoni għall-Pubbliku	75.00	900.00	19.00	825.00	(56.00)
Servizzi b'Kuntratt	72,072.00	72,565.00	59,117.00	493.00	(12,955.00)
Servizzi Professionali	19,851.00	13,500.00	9,312.00	(6,351.00)	(10,539.00)
Depreciation	24,307.00	23,886.00	25,514.00	(421.00)	1,207.00
Ospitalità u servizzi lill-Komunita'	32,592.00	21,000.00	20,103.00	(11,592.00)	(12,489.00)
Spejjeż Inċidentali / (Adj in PPE Dir 1/2017)	2,412.00	1,000.00	6,164.00	(1,412.00)	3,752.00
Wardens		1,300.00			
Xogħlijiet ta' Restawr - Miżna					
	184,941.00	180,301.00	144,844.00	(5,940.00)	(40,097.00)
Infiq Kapitali					
Għodod u Tabelli					
Bini u Titjib		10,000.00	124.00	10,000.00	124.00
Proġetti Speċjali			9,657.00		9,657.00
Makkinarju u Apparat	1,324.00			(1,324.00)	(1,324.00)
Office furniture					
	1,324.00	10,000.00	9,781.00	8,676.00	8,457.00
TOTAL	256,430.00	273,485.00	233,296.00	15,755.00	(23,134.00)

5.0 Dikjarazzjoni ta' Rikonċiljazzjoni mal-Bank**5.1 Kont Savings Bank of Valletta 124-1529702-7**

Bilanċ fuq id-Dikjarazzjoni tal-Bank	6,938.64
Għodd id-depositi li saru sal-31/12/2018 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	6,938.64

Bilanċ fil-Ktieb tal-Bank fil-31/12/2018	6,938.64
Għodd id-depositi li saru sal-31/12/2018 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	6,938.64

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

Bilanċ fuq id-Dikjarazzjoni tal-Bank	23.78
Għodd id-depositi li saru sal-31/12/2018 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	23.78

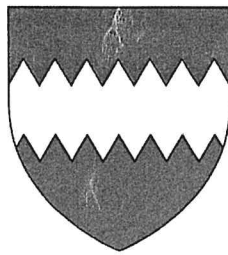
Bilanċ fil-Ktieb tal-Bank fil-31/12/2018	23.78
Għodd id-depositi li saru sal-31/12/2018 li ma jidhrux fil-Ktieb tal-Bank	-
Naqqas il- <i>withdrawals</i> li saru li ma jidhrux fil-Ktieb tal-Bank	-
Bilanċ Nett tal-Bank	23.78

5.3 Kont Kurrenti HSBC 071-115034-001

Bilanċ fuq id-Dikjarazzjoni tal-Bank	618,336.53
Għodd id-depositi li saru sal-31/12/2018 li ma jidhrux fuq id-Dikjarazzjoni tal-Bank	-
Naqqas il- <i>withdrawals</i> li saru li ma jidhrux fuq id-Dikjarazzjoni tal-Bank	12,290.73
Bilanċ Nett tal-Bank	606,045.80

Bilanċ fil-Ktieb tal-Bank fil-31/12/2018	606,045.80
Għodd id-depositi li saru sal-31/12/2018 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	606,045.80

Ir-Rapport tal-Awditur u l-*Financial Statements*



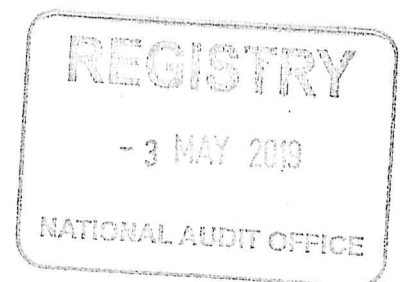
IL-MUNXAR LOCAL COUNCIL

Annual Report

and

Financial Statements

for the year ended 31 December 2018



Prepared by

Daniel Galea B. Accty. (Hons.) CPA

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2018

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Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2018

The Local Councils (Financial) Regulations require the Executive Secretary 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, the 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 25th April 2019 and signed on its behalf by

Signed

Sonya Abela
Mayor

Signed

Anthony Grech
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

		2018 €	2017 €
	<i>Notes</i>		
Income			
Funds received from Central Government	4	267,609	254,436
Income raised under Local Enforcement System	5	586	3,374
General Income	6	18,629	12,613
		<u>286,824</u>	<u>270,423</u>
 Expenditure			
Personal emoluments	8	(70,165)	(78,671)
Operations and maintenance	9	(91,464)	(73,272)
Administrative and other expenditure	10	(93,477)	(71,572)
		<u>(255,106)</u>	<u>(223,515)</u>
 Operating Surplus for the year		31,718	46,908
 Finance income	11	2	2
 Surplus for the year		<u>31,720</u>	<u>46,910</u>

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

		2018 €	2017 €
	<i>Notes</i>		
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	219,115	244,510
		<u>219,115</u>	<u>244,510</u>
Current Assets			
Receivables	13	10,201	12,563
Cash and Cash Equivalents	14	613,336	243,227
		<u>623,537</u>	<u>255,790</u>
Total Assets		<u><u>842,652</u></u>	<u><u>500,300</u></u>
EQUITY AND LIABILITIES			
Reserves			
Retained Fund		469,913	438,193
		<u>469,913</u>	<u>438,193</u>
Non-Current Liabilities			
Deferred income	16	-	-
		<u>-</u>	<u>-</u>
Current Liabilities			
Payables	15	372,739	62,107
		<u>372,739</u>	<u>62,107</u>
Total Equity and Liabilities		<u><u>842,652</u></u>	<u><u>500,300</u></u>

These financial statements were approved by the Local Council on the 25th April 2019 and signed on its behalf by:

Signed

 Sonya Abela
 Mayor

Signed

 Anthony Grech
 Executive Secretary

The notes on pages 8 to 23 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Retained Funds €
At 1 January 2017	391,283
Surplus for the year 2017	46,910
	<hr/>
At 31 December 2017	438,193
	<hr/> <hr/>
At 1 January 2018	438,193
Surplus for the year 2018	31,720
	<hr/>
At 31 December 2018	469,913
	<hr/> <hr/>

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 €	2017 €
Cash flows from Operating Activities			
Surplus for the year		31,720	46,910
Reconciliation to cash generated from operations:			
Depreciation		24,307	25,515
Provision for bad debts		-	6,164
Reduction in value of PPE in line with Directive 1/2017		2,412	
Interest receivable		(2)	(2)
Operating Profit before Working Capital Changes		58,437	78,587
Decrease in receivables		2,362	5,197
Increase/(Decrease) in payables		29,384	(33,682)
Cash generated from operating activities		90,183	50,102
Cash flows from Investing Activities			
Interest received		2	2
Purchase of property, plant & equipment		(1,324)	(9,781)
Net receipt of grant		281,248	7,280
Cash generated from / (used in) investing activities		279,926	(2,499)
Net Increase in Cash and Cash Equivalents		370,109	47,603
Cash and Cash Equivalents at the Beginning of the year		243,227	195,624
Cash and Cash Equivalents at the End of the year	14	613,336	243,227

The notes on pages 8 to 23 form an integral part of these financial statements

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

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 the 25th April 2019. 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 2018.

IFRS 9 Financial Instruments

The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

IFRS 15 Revenue from Contracts with Customers

The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Notes to the Financial Statements for the year ended 31 December 2018**2. Accounting Policies and Reporting Procedures***New Standards and amendments not yet effective:*

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

IFRS 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces IAS 17 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset and an interest expense on the recognised lease liability. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

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 straight line method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

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

The change in the depreciation method from reducing balance to straight line method took place as of January 2018 and has been effected according to the instructions in the DLG Directive 1/2017.

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.

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

2. Accounting Policies and Reporting Procedures (cont.)

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.

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.

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

2. Accounting Policies and Reporting Procedures (cont.)

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.

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 in the Statement of Comprehensive Income was derived from the administrative fees from the five Regional Committees and Local Enforcement System Agency.

Government grants

Government grants relating to operating expenditure are recognized 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 year ended 31st December 2017, government grants were accounted for using the income approach according to IAS20 *Accounting for Government Grants and Disclosure of Government Assistance*. On 1st January 2018, the capital approach, according to IAS20, has been adopted, in line with the Directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting policy, and according to IAS8 *Accounting Policies, Changes in Accounting Estimates and Errors*, it 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.

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.

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)**2. Accounting Policies and Reporting Procedures (cont.)***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.

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

	2018	2017
	€	€
In terms of section 55 of the Local Councils Act	253,270	242,861
Other Government Income	14,339	11,575
	<u>267,609</u>	<u>254,436</u>

5. Local Enforcement system

	2018	2017
	€	€
Administration fees to Regional Committees/LESA	516	580
Income from Contraventions	70	2,794
	<u>586</u>	<u>3,374</u>

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)
6. General Income

	2018	2017
	€	€
Rent Receivable	2,950	2,950
Insurance claim	-	1,194
Tender Documents/Info Charges	72	46
Income from Permits	5,285	3,759
Organic waste collection	10,296	4,605
Other income	26	59
	<u>18,629</u>	<u>12,613</u>

7. Surplus for the year

	2018	2017
	€	€
Surplus for the year is stated after charging		
Staff salaries	70,165	78,671
Depreciation of property, plant & equipment	<u>24,307</u>	<u>25,514</u>

8. Personal Emoluments

	2018	2017
	€	€
Mayor's Remuneration	6,842	7,345
Mayor's and Councillors' Allowances	5,633	6,400
Executive Secretary Salary and Allowances	31,503	30,626
Employees' Salaries	21,732	29,188
Social Security Contributions	4,455	5,112
	<u>70,165</u>	<u>78,671</u>

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)**9. Operations and Maintenance**

	2018	2017
	€	€
<i>Repairs and Upkeep:</i>		
Road/Street Pavements (patching works)	5,710	1,685
Signs and Road Markings	4,927	3,320
Council premises	1,416	-
Xlendi maintenance and upkeep	4,011	4,306
Other repairs and Upkeep	2,880	3,135
Public Property	448	1,709
	<u>19,392</u>	<u>14,155</u>
<i>Contractual Services:</i>		
Refuse Collection	34,794	27,558
Bulky Refuse Collection	3,428	1,380
Road & Street Cleaning	4,183	4,597
Cleaning - Public Conveniences	7,179	6,710
Cleaning & Maintaining Parks & Gardens	1,464	1,276
Cleaning & Maintenance of verges	6,530	1,550
Cleaning & Maintenance of Council premises	1,518	1,257
Tipping fees	8,513	9,570
Insurance	1,932	1,869
Local Enforcement System expenses	1,150	928
Street Lighting	1,381	2,422
	<u>72,072</u>	<u>59,117</u>
Total Operations and Maintenance Costs	<u>91,464</u>	<u>73,272</u>

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)**10. Administrative and other expenditure**

	2018	2017
	€	€
Utilities	4,072	2,779
Materials and supplies	893	1,315
Rent	4,645	2,816
Office repair and upkeep	477	63
National and International Membership	500	555
Office Services	2,551	1,772
Transport	1,102	1,160
Information Services	75	19
Professional Services	19,851	9,312
Community services and events	32,592	20,103
Loss on disposal of property, plant & equipment	-	6,164
Adjustment in PPE in line with Directive 1/2017	2,412	-
Depreciation	24,307	25,514
	<u>93,477</u>	<u>71,572</u>

11. Finance Income

	2018	2017
	€	€
Bank Interest Receivable	<u>2</u>	<u>2</u>
	<u>2</u>	<u>2</u>

IL-MUNXAR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2018 (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 2018	3,641	16,610	30,483	1,113	3,785	118,429	171,025	1,635,860	1,980,946
Additions	-	-	725	599	-	-	-	-	1,324
At 31 December 2018	3,641	16,610	31,208	1,712	3,785	118,429	171,025	1,635,860	1,982,270
Depreciation									
At 1 January 2018	639	10,910	23,791	950	3,785	26,823	98,643	374,506	540,047
Charge for the year Adjustment Directive 1/2017	178	283	879	112	-	23,349	(14,623)	14,129	24,307
	-	1,916	496	-	-	-	-	-	2,412
At 31 December 2018	817	13,109	25,166	1,062	3,785	50,172	84,020	388,635	566,766
Grants									
At 1 January 2018			2,242				22,682	1,171,465	1,196,389
At 31 December 2018	-	-	2,242	-	-	-	22,682	1,171,465	1,196,389
Net Book values									
At 31 December 2018	2,824	3,501	3,800	650	-	68,257	64,323	75,760	219,115

IL-MUNXAR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

12. Property, plant and equipment (cont.)

	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	-	5,292	7,647	10,666	25,514
Adjusted	-	-	(1,207)	-	-	(17,595)	-	(155,074)	(173,876)
Released on disposal	(19)	(23)	(15,396)	(71)	-	(7,991)	-	(5,605)	(29,105)
At 31 December 2017	639	10,910	23,791	950	3,785	26,823	98,643	374,506	540,047
Grants									
At 1 January 2017	-	-	2,242	-	-	-	22,682	202,470	202,470
Government grants prior years	-	-	2,242	-	-	-	22,682	968,995	993,919
At 31 December 2017	-	-	2,242	-	-	-	22,682	1,171,465	1,196,389
Net Book values									
At 31 December 2017	3,002	5,700	4,450	163	-	91,606	49,700	89,889	244,510

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)**13. Receivables**

	2018	2017
	€	€
Accounts receivables	4,956	4,105
Prepayments and accrued income	5,245	8,458
	<u>10,201</u>	<u>12,563</u>

Receivables

General receivables are analysed as follows:

	2018	2017
	€	€
Within credit period	8,564	9,265
Exceeded credit period but not impaired	1,637	3,298
Impaired and provided for	24,506	24,622
Provision for doubtful debts	(24,506)	(24,622)
	<u>10,201</u>	<u>12,563</u>

Included in the accounts receivable are amounts due from related parties amounting to €4,956 (2017 : €543). 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.

	2018	2017
	€	€
Cash at Bank	613,009	242,910
Cash in Hand	327	317
	<u>613,336</u>	<u>243,227</u>

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)**15. Payables**

	2018	2017
	€	€
Accounts payable	28,896	5,723
Deferred Income	284,198	2,950
Accruals	59,645	53,434
	<u>372,739</u>	<u>62,107</u>

Included in the accounts payable are amounts due to related parties amounting to €4,165 (2017 : €4,483). These amounts are unsecured, interest free and repayable on demand.

16. Deferred Income – Government Grants

	2018	2017
	€	€
At 1 January	-	812,758
Increase in year	281,248	9,649
Refunds paid	-	(2,369)
	<u>281,248</u>	<u>820,038</u>
Released in year	-	(78,906)
Adjustment in line with Directive 1/2017	-	(741,132)
	<u>281,248</u>	<u>-</u>
At 31 December	<u>281,248</u>	<u>-</u>
 Current Deferred Income	 <u>281,248</u>	 <u>-</u>

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)**17. Capital Commitments**

	2018	2017
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	250,000	120,000
- Contracted for but not provided in the financial statements	-	-
(i) Approved but not yet contracted for:		
Pjazza tal-Munxar (shelters and pavement)	55,000	55,000
Ix-Xlendi Tower restoration and access	174,825	25,000
Decorative luminaries	40,000	30,000
Resurfacing Triq il-Munxar	227,555	-
Set up of a new front office	13,000	5,000
Computer software	2,000	-
Office furniture	5,000	5,000
	<u>517,380</u>	<u>120,000</u>
(i) Contracted for but not provided in the Financial Statements:	-	-

The Council had received a payment from Ministry for Gozo to be able to pay for the resurfacing of Triq il-Munxar. Furthermore, the Council has Grant Agreements signed for the funding on Ix-Xlendi Tower restoration and access.

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.

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)**19. Financial Risk Management (cont.)***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.

Summary of financial assets and liabilities by category:

	2018	2017
	€	€
Current Assets		
Loans and receivables:		
Accounts and other receivables	10,201	12,563
Cash and Cash Equivalents	613,336	243,227
	<u>623,537</u>	<u>255,790</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	<u>88,541</u>	<u>59,157</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 613,336. 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 250,798 (2017: €193,683) 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 2018 (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:

	2018			2017		
	Related party activity	Total activity	%	Related party activity	Total activity	%
	€	€		€	€	
<i>Income</i>						
Transactions with central government	277,905			254,436		
Transactions with regions	586			3,374		
	<u>278,491</u>	<u>286,824</u>	<u>97</u>	<u>257,810</u>	<u>270,423</u>	<u>95</u>
<i>Expenditure</i>						
Transactions with government entities	8,513			9,570		
Key personnel remuneration	43,101			44,371		
	<u>51,614</u>	<u>255,106</u>	<u>20</u>	<u>53,941</u>	<u>223,515</u>	<u>24</u>

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

21. Fair values estimation

At 31 December 2018 and at 31 December 2017, 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.

22. Prior year figures

The comparative figures in these financial statements have been changed as per the instructions of DLG Directive 1/2017

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IL-MUNXAR LOCAL COUNCIL

REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL

Qualified Opinion

We have audited the accompanying financial statements of Il-Munxar Local Council, which comprise the statement of financial position as at 31 December 2018, 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 - 23.

In our opinion, except for the matters described in the Basis for Qualified Opinion section of our report, the financial statements give a true and fair view of the financial position of the Local Council as of 31 December 2018, 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 Qualified Opinion

Following Directive 01/2017 issued by the Department for Local Government, the Local Council changed its accounting policies on depreciation, whereby the straight line method is now to be applied instead of the reducing balance method and the accounting policy on government grants, whereby the capital approach is to be applied instead of the income approach. These changes became effective as from 1 January 2018. We were provided with limited information to ensure that the changes in the accounting policies were properly applied. From checks that we could carry out, it seems that the items of property, plant and equipment whose useful life expired, were not written off upon the adoption of the straight-line method and that the depreciation is not being worked out on the remaining useful life of the assets. Given the above limitations, we could not satisfy ourselves as to whether the application of the changes in the accounting policies was properly carried out in all respects. This would impact the carrying amounts of property, plant and equipment as well as the depreciation charge for the year.

With respect to the disclosures in the financial statements, we have noticed the following:

- IAS 1 – Presentation of Financial Statements, requires an entity to present a third statement of financial position when an entity applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements and the effect is material. The effect of the change in the accounting policies in accordance with Directive 01/2017 is deemed to be material. These financial statements do not include a third statement of financial position.
- The financial statements do not contain the disclosure requirements emanating from paragraph 29 of IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors.
- Whilst Note 2 is stating that the Local Council has adopted IFRS 9, other disclosures such as the accounting policy on amounts receivable in Note 2 and the credit risk in Note 19, are still in line with the old IAS 39 – Financial Instruments: Recognition and Measurement.

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

Basis for Qualified Opinion - continued

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 qualified 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.

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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.
- 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 OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL - continued

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.

Signed

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

RSM Malta
Certified Public Accountants

Date: 25th April 2019

Il-Management Letter

RSM Malta

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Malta.

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25th April 2019**Munxar Local Council**
Profs. Guze Aquilina Street,
Munxar VCT 114
Gozo

Dear Mayor

RE: MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

We have completed our audit of the financial statements of the Munxar Local Council for the year ended 31 December 2018. 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.


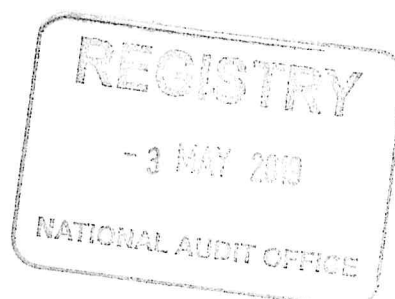
This report has been prepared on the basis of the limitations set out in the Responsibility Statement as presented on page 6 of this report.

During the course of our audit for the year ended 31 December 2018, 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.

Signed


Conrad Borg (Partner)
for and on behalf of
RSM Malta**THE POWER OF BEING UNDERSTOOD**
AUDIT | TAX | CONSULTING

Munxar Local Council

Management Report for the year ended 31 December 2018

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1.0 FOLLOW-UP TO LAST YEAR'S REPORT

1.1 Property, plant and equipment

When carrying out the reconciliation between the fixed assets register and the accounts, we noticed that these were not agreeing, before passing any audit adjustments. This issue has not been resolved during the year under review.

1.2 Receivables

When scrutinizing the receivables aging analysis report, we noted that there was a balance older than 2 years that was not provided for. A similar instance was encountered during the current year audit.

1.3 Payables

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 instead of as accruals. This also meant that certain invoices were posted with wrong dates. No such weaknesses were identified during 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. This matter was rectified during 2018.

During last year's audit, it was pointed out that the Council has exceeded the budgeted expenditure in certain categories. This was also encountered during the 2018 audit.

2.0 PROPERTY, PLANT AND EQUIPMENT

2.1 Following Directive 01/2017 issued by the Department for Local Government to Local Councils on the change in the accounting policies on depreciation, whereby the straight line method is now to be applied instead of the reducing balance method and the accounting policy on government grants, whereby the capital approach is to be applied instead of the income approach, we noticed from the limited procedures that we could carry out that:

2.1.1 Items of property, plant and equipment whose useful life expired were not written off. We could not quantify the value of such assets as we were not provided with the dates of acquisition of all the items of property, plant and equipment.

2.1.2 Depreciation for the year seems to have been applied on the carrying values as at 1 January 2018 at the applicable depreciation rates as if the assets' useful life started in 2018.

2.1.3 The fixed assets register showed a cost of Euro 1,729,732, an accumulated depreciation of Euro 694,002 and a net book value of Euro 1,035,730. These figures could not be reconciled to the figures shown in the notes to the unaudited financial statements that showed a cost of Euro 988,351, an accumulated depreciation of Euro 566,766, grants of Euro 202,470 and a net book value of Euro 219,115.

2.2 We highly suggest that the exercise of applying the changes in the accounting policies is redone diligently and the necessary corrections made to the accounts through a prior year adjustment. Once the exercise is completed, the fixed assets register would need to be updated as well. When doing such an exercise, it is important to keep all the necessary workings to be able to reconcile the costs and accumulated depreciation as per updated fixed assets register to the figures shown in the note to the financial statements on property, plant and equipment.

3.0 RECEIVABLES

3.1 When scrutinizing the receivables aging analysis report, we noted a balance of Euro 1,637 receivable from the Gozo Regional Committee which relates to invoices that are older than 2 years and 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.

3.3 Whilst checking the movements in the accrued income account, we noticed that an opening accrued income of Euro 6,000, which income was received during 2018, was mistakenly reversed against another income account rather than the income account where those funds received were posted. An adjustment was passed to properly allocate the reversal of the opening accrued income.

3.4 Care should be taken when reversing the opening accrued income to ensure that the reversal is made in the nominal account where the funds received have been posted to ensure that the analysis of the income for the year disclosed in the financial statements is correct.

4.0 CASH AND BANK

4.1 When carrying the cash counts, we were provided with 3 cash boxes. In the nominal ledger, only 2 cash accounts were traced that matched with the cash counted after working back the movements that occurred since the end of the financial year. The third box with a balance as on the date of counting of Euro 372 and a year-end balance of Euro 27, seems not to be reflected in the accounts.

4.2 Kindly note that all cash balances held by the Local Council should be properly reflected in the accounts, with the transactions therein being regularly updated.

5.0 PAYABLES

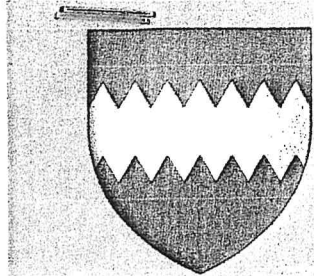
- 5.1 During our testing on the payables, statements were obtained from the sample of suppliers chosen. A discrepancy was found in the balance shown on one of the statements obtained. From further investigation, it was noted that one of the supplier's invoices for 2018 services, amounting to Euro 968, was not accounted for. In this regard, it was agreed to pass an audit adjustment to reflect the correct year end payable balance.
- 5.2 We recommend that each statement received from the suppliers is immediately reconciled. In cases where the suppliers do not send statements, the Council should ask for one especially at the end of the year. Any variances resulting from this exercise should be investigated immediately and appropriate action taken. This would ensure that the Local Council has a more accurate picture of its liabilities at any point in time which would help it in monitoring better its cash flows and monitor its debts.

6.0 EXPENDITURE AND TENDERS

- 6.1 The Council has exceeded the budgeted expenditure under the following headings:
- 6.1.1 Public utilities (Category 2100) by Euro 1,572
 - 6.1.2 Rent (Category 2400) by Euro 945
 - 6.1.3 Contractual services (Category 3000) by Euro 2,447
 - 6.1.4 Professional services (Category 3100) by Euro 6,351
 - 6.1.5 Community and hospitality (Category 3300) by Euro 11,597;
 - 6.1.6 Incidental expenses (Category 3400) by Euro 1,412.
- 6.2 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.
- 6.3 We recommend that the Council makes use of the reporting tools in hand to take corrective measures in the budget every quarter, such that by the end of the accounting period such discrepancies would not materialise.
- 6.4 When testing a sample of the expenditure for the year, we noticed that from the sample chosen, expenditure amounting in total to Euro 3,107 was not covered by a VAT fiscal receipt.
- 6.5 The above issue goes against the Local Councils Financial Procedures that the Council should abide with. Therefore, we strongly recommend that the Council takes immediate action to regularize itself on this matter and to ensure that such occurrences are not repeated in the future.
- 6.6 Following Directive 03/2017 issued by the Department for Local Government to Local Councils on the change in the public procurement regulations, we noticed instances where the Council did not abide with the new regulations where expenditure up to the value of Euro 5,000 was concerned.
- 6.7 We understand that the bureaucratic requirements of the public procurement regulations may be cumbersome, however we highly suggest that the Council adopts these regulations to full effect.

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/03/2019.

21st May 2019.

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 2018

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. The Council has embarked on the project to reconcile and update its Fixed Asset Register in line with Direttiva 1/2017 from DLG. However, upon reconciliation it was noted that the current accounting packaging does not support the export and the import of its data into Excel and thus the matter had to be postponed till after the Council's accounting package is upgraded. This is being tackled during the current year and the Council plans to reconcile and update its FAR in line with DLG Direttiva 1/2017 during 2019. 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 CASH AND BANK

Noted. Mentioned cash box represents the cash collected on behalf of Third Parties such a LESA and Lands Authority payments. Since such balances are collected from Local Council on behalf of Third Parties and are held by Local Council in transit until funds are deposited at their respective bank accounts, such funds are not recorded in the Council's books.

5.0 PAYABLES

Noted. The Council regularly reconciles supplier statements with the Council's records. Mentioned case was an isolated case resulting from a human error and audit adjustment was reflected in the updated financial statements.

6.0 EXPENDITURE AND TENDERS

Noted. The increase in administrative expenses is in line with the increase in the operations of the Council, especially when one notes that during 2018 the Council had a missing employee and also the previous Mayor had been seriously sick and in fact a new Mayor was appointed in June 2018. The new Mayor also had different plans for Community and Hospitality Expenditure.

Comment about the fiscal receipt noted. The Council regularly chases the suppliers to issue fiscal receipts upon receipt of payment and the fact that only one occurrence of a missing receipt was noted confirms the effort made by the Council to obtain the fiscal receipts.

Signed

Anthony Grech
Executive Secretary

Signed

Sonja Abela
Mayor

Copies: National Audit Office, Malta
RSM Malta