



Local Council Naxxar

Report & Financial Statements

for the year ended 31 December 2017

REGISTRY

18 MAY 2018

NATIONAL AUDIT OFFICE

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

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

This statement was approved by the Council on 25/4/18 and signed on its behalf by:



Ms Anne Marie Muscat Fenech Adami
Mayor



Mr Paul Gatt
Executive Secretary

LOCAL COUNCIL NAXXAR
Report of the Local Government Auditors to the Auditor General

Report on the Audit of the Financial Statements

We have audited the financial statements of LOCAL COUNCIL NAXXAR, set out on pages 4 to 26, which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of LOCAL COUNCIL NAXXAR as at 31 December 2017, and its financial performance for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis for Qualified Opinion

In accordance with the Local Enforcement System (LES) issued by the Ministry by virtue of Article 72 of the Local Councils Act, 1993, the income relating to contraventions was delegated to the local councils through Legal Notice 32 of 2000. The Council entered into a pooling agreement with a number of local councils within the Local Enforcement System and formed a Joint Committee to manage and administer this function up to September 2011, when this was delegated to Regional Committees. In view that no proper audited financial statements have been prepared by the Joint Committee, we could not obtain reasonable assurance on the completeness of the share of income, which amounted to €856 for the year under review, which has been recorded in the financial statements as well as on any possible accrued income or liabilities present as at end of the current financial year.

The Council maintains a fixed asset register to record fixed assets acquired by it. However, a number of assets have been incorrectly categorized with the consequence that an incorrect depreciation rate has been applied and recognised in the financial statements. Whilst we believe that there may be material misstatements in the depreciation provision and charge for the year, there were no practicable procedures to arrive to the exact amount of misstatement in the depreciation provision and depreciation charge for the year.

The Council received a number of government grants with respect of various capital projects. The Council's policy in this respect is to apply IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance using the income approach in relation to such grants. The amount recognised by the Council as deferred income liability at year end amounted to €371,100. In view of a substantial number of errors and inconsistencies in the workings provided by the Council, we could not reconcile and agree with the deferred income and release to income statement reflected in the financial statements. For example, during the year, the Council received an amount of €87,000 as a grant for road resurfacing to be carried out in V. Boron Street. However, the Council reflected this whole grant as income rather than deferred income without any plausible explanation. Based on this and other findings, we believe there may be material misstatements in the deferred income liability recognised by the Council but there were no practicable procedures to arrive to the exact amount of misstatement in relation to the deferred income liability and release to comprehensive income statement for the year.

International Financial Reporting Standards require that all applicable standards and their disclosure requirements are complied with in the preparation of financial statements. These financial statements lack proper disclosures emanating from IAS 38-Intangible Assets in relation to the proper recognition and disclosure of the mobile application amounting to €227,000. Furthermore, there is also a lack disclosure emanating from IAS 1 – Presentation of Financial Statements in relation to the full disclosures of accounting policies, new and revised standards applicable from 2017 and those issued but not yet applicable as well as disclosure arising from IAS 24-Related Parties in view that note 18 to the financial statements does not reflect the requirement of articles 18, 25 and 26 of the said standard. These financial statements also have omitted disclosures with respect to capital commitments of the Council amounting

to €423,000 in line with the requirements of IAS 16-Property, Plant and Equipment and contingent liabilities in line with the requirements of IAS 37-Provisions, Contingent Liabilities and Contingent Assets.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Council in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Information

The Council is 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 this information, including the Statement of Local Council Members' and Executive Secretary's Responsibilities. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. We have nothing to report in this regard.

Council's Responsibility for the Financial Statements

The Council Members and the Executive Secretary 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 EU and for internal controls as management determines 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 management are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intend to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

Report on Other Legal and Regulatory Requirements

The Local Council (Financial) Procedures, 1996, require that the financial statements should be prepared in accordance with the International Financial Reporting Standards as adopted by the European Union. In view of the matters set out in this report, these financial statements have not been prepared in line with the requirements of International Financial Reporting Standards as adopted by the European Union.


This copy of the audit report has been signed by
Mr. Neville Cutajar (Audit Partner) for and on behalf of
3aCertified Public Accountants
Level 2, Palazzo Ca Brugnera',
Valley Road, Birkirkara

Date: 25th April 2018

Local Council Naxxar

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2017

	Notes	2017 €	2016 €
Revenue			
Funds received from Central Government	3	1,211,064	1,047,766
Income raised under Local Council Bye-Laws	4	53,297	50,911
Income raised under Local Enforcement System	5	23,759	14,650
General Income	6	5,224	8,993
		1,293,344	1,122,319
Expenditure			
Personal Emoluments	7	(182,044)	(166,212)
Operations and maintenance	8	(409,108)	(387,503)
Administration and other expenditure	9	(333,597)	(372,390)
		(924,749)	(926,105)
Operating profit for the year		368,595	196,214
Finance income	10	1,727	1,749
Profit for the year	7	370,322	197,963
Total comprehensive income for the year		370,322	197,963

The notes on pages 8 to 31 form an integral part of these financial statements.

Statement of Financial Position
as at 31 December 2017

		2017	2016
	Notes	€	€
ASSETS			
Non-Current Assets			
Intangible Assets		151,453	179,174
Property, plant and equipment	11	1,277,565	1,286,713
		1,429,018	1,465,887
Current Assets			
Inventories	12	1,510	864
Receivables	13	52,616	53,512
Cash at bank and in hand	14	1,164,794	830,060
		1,218,920	884,436
Total Assets		2,647,938	2,350,323
RESERVES			
Retained earnings		2,130,824	1,760,503
Total reserves		2,130,824	1,760,503
Non-Current Liabilities			
Deferred income	16	250,421	299,600
		250,421	299,600
Current Liabilities			
Payables	15	218,372	231,241
Deferred Income		48,320	58,979
		266,692	290,220
Total Liabilities		517,113	589,820
Total reserves and liabilities		2,647,938	2,350,323

These financial statements were approved by the Local Council on 25/4/18 and signed on its behalf by:

Ms Anne Marie Muscat Fenech Adami
Mayor

Mr Paul Gatt
Executive Secretary

The notes on pages 8 to 31 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	1,562,540
Profit for the year	197,963
At 31 December 2016	<u>1,760,503</u>
At 1 January 2017	1,760,503
Profit for the year	370,322
Total comprehensive income for the year	370,322
At 31 December 2017	<u>2,130,824</u>

Statement of Cash Flows
for the year ended 31 December 2017

	2017		2016	
	€	€	€	€
Net profit / (loss) for the year	370,322		197,963	
Reconciliation to cash generated from operations:				
Depreciation	164,458		177,592	
Movement in Provision for Doubtful Debts	-		1,341	
Movement in Provision for Court Case	-		392	
Interest receivable	(1,727)		(1,749)	
Operating profit before working capital changes	533,053		375,539	
(Decrease)/Increase in inventories	(646)		54	
(Decrease)/Increase in receivables	3,577		(46,440)	
Decrease/(Increase) in payables	(15,550)		8,247	
Government grant released	(59,839)		(72,928)	
Cash generated in operating activities		460,595		264,472
Cash flow from investing activities				
Interest received	1,727		1,749	
Purchase of property, plant & equipment	(127,588)		(197,225)	
Cash (used in) investing activities		(125,861)		(195,476)
Net Increase in cash in the year		334,734		69,772
Cash at bank and in hand at beginning of year		830,060		760,288
Cash at bank and in hand at end of year		1,164,794		830,060

1. General Information

The Naxxar 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 Civic Centre, 21st September Avenue Street, Naxxar. These financial statements were approved for issue by the Council Members on _____. The Local Council's presentation as well as functional currency are 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.

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

New and amended standards adopted by the Local Council

During the year under review, the Council has applied the following International Financial Reporting Standards as adopted by the EU:

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) was issued in December 2011. The amendments clarify (a) the meaning of 'currently has a legally enforceable right of set-off'; and (b) that some gross settlement systems would be considered equivalent to net settlement if they eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle. The amendment is required to be applied for annual periods beginning on or after 1 January 2014.

New important standards and amendments not yet adopted by EU

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 year under review. These include the following:

IFRS 9 Financial Instruments is applicable for annual periods beginning on or after 1 January 2018. This Standard represents the completion of the classification and measurement part of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This Standard addresses the classification and measurement of certain financial assets and financial liabilities. IFRS 9 requires financial assets that fall within its scope to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Standard requires financial assets to be subsequently measured at amortised cost or at fair value. The new requirements in relation to financial liabilities address the problem of volatility in profit or loss arising from an issuer to measure its own debt at fair value. With the new requirements, any entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss.

In December 2013, the IASB issued Annual Improvements to IFRSs 2010-2012 Cycle, a collection of amendments to IFRSs, in response to eight issues addressed during the 2010-2012 cycle. The amendments reflect issues discussed by the IASB during the project cycle that began in 2010, and that were subsequently included in the exposure draft of proposed amendments to IFRSs Annual Improvements to IFRSs 2010-2012 Cycle (published in May 2012). The issues included in this cycle are: Short term receivables and payables (IFRS 13); Interest paid that is capitalised (IAS 7); Revaluation method - proportionate restatement of accumulated depreciation (IAS 16 and IAS 38); an Key management personnel services (IAS 24). The amendments are effective for annual periods beginning on or after 1 July 2014.

In September 2014, the IASB issued Annual Improvements to IFRSs 2012-2014 Cycle. The issues included in this cycle are: Changes in methods of disposal (IFRS 5), Servicing Contracts and the Applicability of the amendments to IFRS 7, the amendments are effective from 1 January 2016.

On 12 May 2014 the IASB published amendments to IAS 16 and IAS 38. These amendments clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. Furthermore, it clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. These amendments are effective for annual periods beginning on or after 1 January 2016.

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

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 company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Impairment of Assets

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

Leases

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

Inventories

Inventories are valued at the lower of cost and net realisable value.

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.

Related parties

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

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.

Revenue

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. 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.

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 profits that were realised at the date of the Statement of Financial Position are recognised in these financial statements. All foreseeable liabilities and potential losses arising up to the said date are accounted for even if they become apparent between the said date and the date on which the financial statements are approved.

Cash and 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.

Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Executive Secretary, the accounting estimates and judgements made in the preparation of the Financial Statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS1 (revised) - 'Presentation of Financial Statements'.

Capital Management

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.

Financial instruments

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

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

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

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'.

3. Funds received from central government

	2017 €	2016 €
In terms of section 55 of the Local Councils Act	958,003	878,622
Supplementary Government Income	104,999	72,359
Other Government Income	148,062	96,785
	<u>1,211,064</u>	<u>1,047,766</u>

4. Income raised from Bye-Laws

	2017 €	2016 €
Media Advertising	-	5,546
Income from Permits	47,703	39,918
Community Services incl. organization of courses	5,594	5,447
	<u>53,297</u>	<u>50,911</u>

5. Local Enforcement System

	2017 €	2016 €
Contraventions	11,979	2,856
Admin Fee re Regional Committees	11,780	11,794
	<u>23,759</u>	<u>14,650</u>

6. General Income

	2017 €	2016 €
Library Services	800	598
Bye-Law – Signs	-	(36,486)
Cultural Events	-	-
Penalties from Contactor Guarantees	-	-
Hire of Council Hall	628	512
General Income	1,778	40,126
Tables & Chairs	1,776	2,451
Tender Documents / Info Charges	65	82
Contributions & Donations	177	1,710
	<u>5,224</u>	<u>8,993</u>

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

7. Profit/(loss) for the year

		2017	2016
		€	€
Profit/(loss) for the year is stated after charging:			
Staff salaries	Note	182,044	166,212
Depreciation of assets		<u>164,458</u>	<u>177,592</u>

Staff salaries

	2017	2016
	€	€
Mayor's Remuneration	11,018	10,875
Councillors' Allowances	11,211	11,114
Bonuses	10,279	-
Income Supplements	1,775	-
Executive Salary	35,163	34,164
Overtime	4,526	-
Allowances	2,032	-
Employees' Salaries	93,556	99,059
Social Security Contributions	12,484	11,001
	<u>182,044</u>	<u>166,212</u>

Average number of people employed

Employees	7	7
Mayor & Councillors	9	10

8. Operations and Maintenance

	2017	2016
	€	€
<i>Repairs and Upkeep:</i>		
Repairs to Public Property	3,155	2,580
Road / Street Pavements	25,791	2,646
Signs	10,758	5,829
Road Markings	2,658	2,794
Office Furniture & Equipment	286	1,283
Bus Shelters	-	-
Council Property	1,583	1,495
Repairs & Upkeep	212	354
Litter Bins	3,140	2,000
	<u>47,583</u>	<u>18,981</u>

8. Operation & Maintenance (Continued)*Contractual Services:*

Refuse Collection	79,836	80,293
Bulky Refuse Collection	41,517	39,929
Separated Waste Collection	100,598	107,822
Open Skips	325	478
Road & Street Cleaning	56,141	60,404
Cleaning & Maint. Non-Urban	16,910	16,641
Cleaning & Maint - Public Conveniences	5,595	5,595
Cleaning - Council Premises	4,116	5,060
Clean. & Maint. Parks & Gardens	37,837	37,275
Street Lighting	18,579	13,254
Lease of Equipment	71	-
Bring in sites	-	448
Local Enforcement Expenses	-	1,323
	<u>361,525</u>	<u>368,522</u>
 Total Operations and Maintenance Costs	 <u>409,108</u>	 <u>387,503</u>

9. Administration and other expenditure

	2017 €	2016 €
Utilities	17,071	19,422
Other repairs and upkeep	6,644	3,067
Rent	1,789	1,780
National and International Memberships	-	4,757
Office Services	5,577	5,182
Transport	2,601	3,606
Settlement of Court Disputes	-	42,461
Information Services	7,427	5,293
Insurance Coverage	1,527	1,665
Bank Charges	167	83
Professional Services	69,501	57,114
Tuition for Courses & Expenses	5,722	6,933
Conference Expenses	2,413	984
Entertainment	-	-
Visits Foreign Delegations	2,378	2,363
Social Events	2,055	445
Twinning Expenses	-	594
Cultural Events	28,711	26,567
Christmas Lightening & Decorations	6,525	5,994
Community Services	-	-
Travelling Expenses	6,751	-
Sundry Minor Expenses	5,041	3,672
Other Hospitality Costs	479	79
Provision for Court case	-	392
Annual General Meeting	-	1,004
Provision for Doubtful Debtors	(3,241)	1,341
Loss on Disposal of Assets	-	-
Depreciation	164,458	177,592
	<u>333,597</u>	<u>372,390</u>

10. Finance Income

	2017	2016
	€	€
Bank Interest Receivable	1,727	1,749
	<u>1,727</u>	<u>1,749</u>

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

1.1. Property, plant and equipment

	Property	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & equipment	Office Furniture & fittings	Trees	Special Programmes	Total
	€	€	€	€	€	€	€	€	€
Cost									
At 1 January 2017	23,296	52,754	11,138	519,664	286,401	47,186	47,806	3,215,619	4,203,864
Additions / Capitalisations	-	-	-	9,577	4,336	2,325	12,954	98,397	127,589
Reclassification	-	-	-	-	-	-	-	-	-
Disposals / Capitalisations	-	-	-	-	-	-	-	-	-
At 31 December 2017	23,296	52,754	11,138	529,241	290,737	49,511	60,760	3,314,016	4,331,453
Depreciation									
At 1 January 2017	2,116	-	11,138	366,419	93,754	27,906	-	1,339,817	1,841,150
Reclassification	-	-	-	-	-	-	-	-	-
Charge for the year	212	-	-	16,398	37,770	1,546	-	108,532	164,458
Released on Disposals	-	-	-	-	-	-	-	-	-
At 31 December 2017	2,328	-	11,138	382,817	131,524	29,452	-	1,448,349	2,005,608
Grants									
At 1 January 2017	-	-	-	-	-	-	-	(896,827)	(896,827)
At 31 December 2017	-	-	-	-	-	-	-	(896,827)	(896,827)
Net book values									
At 31 December 2017	20,968	52,754	-	146,424	159,213	20,059	60,760	968,840	1,429,018

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

11. Property, plant and equipment

	Property	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, Machinery & equipment	Office Furniture & fittings	Trees	Special Programmes	Total
	€	€	€	€	€	€	€	€	€
Cost									
At 1 January 2016	23,296	52,754	11,138	517,998	283,788	46,220	47,806	3,023,639	4,006,639
Additions / Capitalisations	-	-	-	1,666	2,613	996	-	191,980	197,225
Reclassification	-	-	-	-	-	-	-	-	-
Disposals / Capitalisations	-	-	-	-	-	-	-	-	-
At 31 December 2016	23,296	52,754	11,138	519,664	286,401	47,186	47,806	3,215,619	4,203,864
Depreciation									
At 1 January 2016	1,901	-	11,138	348,182	44,956	26,410	-	1,230,970	1,663,557
Reclassifications	-	-	-	-	-	-	-	-	-
Charge for the year	215	-	-	18,237	48,798	1,496	-	108,847	177,593
Released on Disposal	-	-	-	-	-	-	-	-	-
At 31 December 2016	2,116	-	11,138	366,419	93,754	27,906	-	1,339,817	1,841,150
Grants									
At 1 January 2016	-	-	-	-	-	-	-	(896,827)	(896,827)
At 31 December 2016	-	-	-	-	-	-	-	(896,827)	(896,827)
Net book values									
At 31 December 2016	21,180	52,754	-	153,245	192,647	19,280	47,806	978,975	1,465,887

12. Inventories

	2017 €	2016 €
Books	1,510	864
	<u>1,510</u>	<u>864</u>

13. Receivables

	2017 €	2016 €
Receivables	20,810	22,075
Provision for Bad Debts	(18,210)	(20,892)
Provision for Court Case	(3,000)	(3,000)
Prepayments & Accrued income	53,016	55,329
Financial assets	<u>52,616</u>	<u>53,512</u>

Receivables

General receivables are analysed as follows:

	2017 €	2016 €
Within credit period	2,155	2,201
Exceeded credit period but not impaired	445	1,664
Provision for doubtful debts	18,210	18,210
	<u>20,810</u>	<u>22,075</u>

14. Cash at bank and in hand

	2017	2016
	€	€
Bank Balances	1,164,706	829,954
Cash in Hand	87	106
	<u>1,164,794</u>	<u>830,060</u>

15. Payables

	2017	2016
	€	€
Payables	148,720	128,577
Other creditors	36,913	62,036
Accruals	31,216	40,628
Prepaid/Deferred Income	<u>1,522</u>	
Financial liabilities	218,372	231,241

16.	Deferred income Government Grants	2017 €	2016
	Government grants		
	At 1 January 2017	430,079	499,690
	Increase in year	-	2,748
		430,079	502,348
	Released in year	(58,979)	(72,359)
	At 31 December 2017	<u>371,100</u>	<u>430,079</u>
	Current Deferred Income	<u>48,320</u>	<u>73,928</u>
	Non-Current Deferred Income	<u>250,421</u>	<u>356,151</u>
	Deferred Government Grants		
	Deferred between one and two years	58,120	107,299
	Deferred between two and five years	43,662	100,213
	Deferred in five years or more	148,639	148,639
		<u>250,421</u>	<u>356,151</u>
	Deferred after five years or more: Government Grants	<u>148,639</u>	<u>148,639</u>

17. Provision for Court Case

The Council is currently involved in a court cases and the local council lawyer together with the Executive Secretary advised to take a provision of €3,000.

18. 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 Councils	Significant control
Central Joint Committee	No control
Environmental Landscapes Consortium	No control
Koperattiva Tabelli u Sinjali	No Control
Land Department	No Control
Maltapost Plc	No Control
Gozo Regional Committee	No control
North Regional Committee	No control
South Eastern Regional Committee	No control
Central Regional Committee	No control
Police General Head Quarters	No control
Local Councils' Association	No control
Central Bank of Malta	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Commissioner for Data Protection	No control
Bank of Valletta plc	No control
Wasteserv Malta Limited	No control
Malta Information Technology Agency	No control
ARMS Ltd	No control
South Region	No
control	
LESA	No
control	

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

	2017	2016
	€	€
Annual Financial Allocation	958,003	878,622

Key management compensation

Transactions with key management personnel are disclosed in note 7.

19. Financial Risk Management

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

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.

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

	2017 €	2016 €
Classes of financial assets - carrying amounts		
Trade and other receivables	2,614	1,183
Cash and cash equivalents	1,164,794	830,060
	<u>1,167,408</u>	<u>831,243</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 in bank and in hand the amount of € 1,164,794. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net asset position of € 2,130,824 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

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

	Current within 1 year €	Non-current 1 to 5 years €	later than 5 years €
Payables	148,720	-	-
Other creditors	36,913	-	-
	<u> </u>	<u> </u>	<u> </u>

This compares to the maturity of the council's financial liabilities in the previous reporting period as follows:
31 December 2016

	Current within 1 year €	Non-current 1 to 5 years €	later than 5 years €
Payables	128,577	-	-
Other creditors	62,036	-	-
	<u> </u>	<u> </u>	<u> </u>

Foreign currency risk

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

Interest rate risk

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

20. Summary of financial assets and liabilities

The carrying amounts of the council's financial assets and liabilities as recognised at the reporting dates under review are categorised as follows.

	2017 €	2016 €
Current assets		
Loans and receivables:		
Trade and other receivables	-	1,183
Cash and cash equivalents	1,164,794	830,060
	<u>1,164,794</u>	<u>831,243</u>
Non-current liabilities		
Deferred income	250,421	356,151
	<u>250,421</u>	<u>356,151</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	148,720	128,577
Other Creditors	36,913	62,036
Deferred Income	48,320	73,928
	<u>233,953</u>	<u>264,541</u>

21. Fair values estimation

The nominal values less estimated credit adjustments of receivables and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair values.

22. Comparative Figures

Certain amounts have been re-classified to conform with the current year's presentation.

