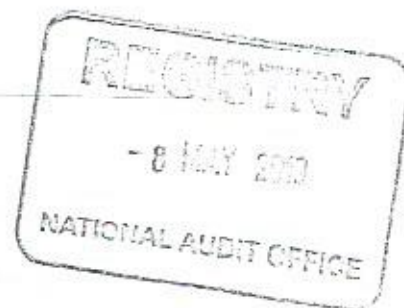


QALA LOCAL COUNCIL

**Report and financial statements
For the year ended 31 December 2018**



Prepared by:

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QALA LOCAL COUNCIL

Annual report and financial statements for the year ended 31 December 2018

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QALA LOCAL COUNCIL

**Annual report and financial statements
for the year ended 31 December 2018**

Statement of Local Council Members' and Executive Secretary's Responsibilities

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 Local Council's retained funds at the end of the year. By virtue of the same regulations it is duty of the Council and the Executive Secretary to ensure that the Financial Statements forming part of the report present fairly, in accordance with accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, 1993, and the Local Councils (Financial) Procedures, 1996 issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, 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.

Approved by the Council and signed on its behalf on 29 April 2019 by:


Paul Buttigieg
Mayor


Marcia Borg
Executive Secretary

QALA LOCAL COUNCIL

Statement of Comprehensive Income for the year ended 31 December 2018

	Note	2018 €	2017 €
Income			
Funds received from central government	3	339,146	307,413
Law Enforcement income	4	578	3,090
General income	5	18,931	8,375
		<u>358,655</u>	<u>318,878</u>
Expenditure			
Personal emoluments	6	62,889	60,290
Operations and maintenance	7	84,996	62,607
Administration and other expenditure	8	190,346	70,274
		<u>338,231</u>	<u>193,171</u>
Operating income for the year		€ 20,424	€ 125,707
Finance income	9	117	119
Finance cost	10	(43)	(72)
Total comprehensive income for the year		<u>€ 20,498</u>	<u>€ 125,754</u>

QALA LOCAL COUNCIL

Statement of Financial Position at 31 December 2018

		31 Dec 2018	31 Dec 2017 As Restated	31 Dec 2017 As previously stated
Assets	Note	€	€	€
Non-current assets				
Property, plant and equipment	11	202,309	284,777	674,577
Current Assets				
Receivables	12	20,041	12,770	12,770
Cash and cash equivalents	13	719,257	646,653	646,653
		739,298	659,423	659,423
Total assets		€ 941,607	€ 944,200	€ 1,334,000
Reserves and liabilities				
Reserves				
Retained funds		694,676	674,178	674,178
Non Current liabilities				
Deferred Income	14	-	32,754	452,722
		-	32,754	452,722
Current liabilities				
Payables and accruals	15	246,931	237,268	207,100
		246,931	237,268	207,100
Total Reserves and Liabilities		€ 941,607	€ 944,200	€ 1,334,000

These Financial Statements were approved by the Local Council on 29 April 2019 and signed on its behalf by:


Paul Buttigieg
Mayor


Ms. Marcia Borg
Executive Secretary

QALA LOCAL COUNCIL

Statement of changes in equity for the year ended 31 December 2018

	Retained funds
	€
Balance at 01 January 2017	587,241
Total comprehensive income for the year	<u>86,937</u>
Balance at 31 December 2017	€ <u>674,178</u>
Balance at 01 January 2018	674,178
Total comprehensive income for the year	<u>20,498</u>
Balance at 31 December 2018	€ <u>694,676</u>

QALA LOCAL COUNCIL

Statement of Cash Flows for the year ended 31 December 2018

	2018	2017
Note	€	€
<i>Cash flows from operating activities</i>		
Total comprehensive income for the year	20,498	86,937
<i>Adjustment for:</i>		
Depreciation	94,577	6,324
Interest receivable	(117)	(119)
Interest payable	43	72
<i>Operating surplus before working capital movements</i>	<u>115,001</u>	<u>80,566</u>
(Increase)/decrease in receivables	(7,271)	70,197
Increase/(decrease) in payables	52,948	(26,914)
<i>Net cash generated from operating activities</i>	<u>160,678</u>	<u>123,849</u>
<i>Cash flows from investing activities</i>		
Purchase of property, plant and equipment	(88,148)	(9,314)
Grants received	-	91,009
Interest received	117	119
<i>Net cash flows (used for)/ generated from investing activities</i>	<u>(88,031)</u>	<u>81,814</u>
Interest paid	(43)	(72)
<i>Net cash used for financing activities</i>	<u>(43)</u>	<u>(72)</u>
<i>Net increase in cash and cash equivalents</i>	72,604	205,591
Cash and cash equivalents at the beginning of the year	<u>646,653</u>	<u>402,245</u>
Cash and cash equivalents at the end of the year	13 € <u>719,257</u> €	<u>646,653</u>

QALA LOCAL COUNCIL

Notes to the financial statement
for the year ended 31 December 2018

1. General Information

Qala Local Council is the local authority of Qala setup in accordance with the Local Councils Act. The office of the Local Council is situated at :

'Civil Centre' Bishop Buttigieg Street, Qala.

The Qala Local Council forms part of the Gozo Regional Committee.

2. Accounting policies and reporting procedures

The 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 the Local Government in terms of section 67 of the Local Councils Act, (CAP 363). The Financial Statements are prepared under the historical cost convention as modified to include fair values stated in the accounting policies below. These Financial Statements are prepared in accordance to the requirements of International Financial Reporting Standards as adopted by the EU and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

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.

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2018

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.

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.

a. Revenue recognition

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.

b. Local Enforcement Systems

The Local Council forms part of the Gozo Regional Committee. During the year, the amount disclosed in the financial statements under Local Enforcement System income represents the administrative fee of 10% that is now chargeable to the Regional Committees and the Law Enforcement System Agency for contraventions paid at the Council. During 2017, there were distributions from contraventions income from LESA.

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2018

c. Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss to date. With effect from the year under review, depreciation is calculated on a monthly basis using the straight line method. The change in the depreciation method has been effected according to the instructions in the DLG Directive 1/2017.

The depreciation rates are the following:

Land	%
Trees	0
Buildings	0
Office furniture and fittings	1
Construction works	7.5
Urban Improvements	10
Special programmes	10
Office equipment	10
Motor vehicles	20
Plant and machinery	20
Computer equipment	20
Plants	25
Litter bins	100
Playground equipment	replacement basis
Road and Traffic signs	100
Street mirrors	replacement basis
Street lights	replacement basis
	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 financial reporting 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 benefit associated with the item will flow to the Local 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.

d. Government Grants

Government grants relating to operating expenditure are recognised in the Statement of Comprehensive Income in the same period that the related expenditure is incurred.

Government grants relating to the purchase of property, plant and equipment are accounted for using the capital approach, and are thus deducted from the carrying amount of the relative non-current asset. Up to the year ended 31 December 2017, government grants were accounted for using the income approach according to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. On 01 January 2018, the capital approach, according to IAS 20, 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 IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, it has been accounted for retrospectively.

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2018

e. Impairment of Assets

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

f. 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 in 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.

g. Payables

Amounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

Liabilities for trade and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Council.

h. 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 Euro (€) which is the Council's functional and presentation currency.

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

i. Profit 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.

j. Cash and Equivalents

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

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2018

k. Related parties

Related parties are those persons or bodies having relationship with the Council as defined in IAS 24.

Related parties to the Local Council comprise the Department for Local Government, the Regional Committee and other Government entities.

The related party that exercises a significant control is the Department for Local Government. Those that exercise no control are the Regional Committee and other Government entities such as Water Service Corp. and Wasteserve.

l. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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 (revised).

m. 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
- the the Council's 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). 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.

n. Borrowings

Borrowings are initially recognised at cost, being the fair value of the consideration received and including acquisition charges associated with the borrowing.

Subsequent to initial recognition all interest-bearing borrowings, other than liabilities held for trading, are subsequently measured at amortised cost, using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on settlement. Borrowing costs are recognised as an expense in the period in which they are incurred.

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2018

o. Financial Instruments

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

Financial assets and financial liabilities are measured initially at fair value plus transaction costs. They are measured subsequently as described below.

Financial assets

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

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

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

Loans and receivables are non-derivating 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 aren't considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of 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'.

QALA LOCAL COUNCIL

Notes to the financial statement
for the year ended 31 December 2018

3. Funds received from Central Government

	2018 €	2017 €
In terms of Section 55 of the Local Councils Act (CAP 363)	311,351	298,557
Other Government Funds	27,795	8,856
Total funds received from central government	€ 339,146	€ 307,413

4. Local Enforcement Income

	2018 €	2017 €
Administrative fees from regional committees and LESA	578	737
Distributions by LESA	-	2,353
	€ 578	€ 3,090

5. General Income

	2018 €	2017 €
Income from Permits	4,034	5,305
Contributions and donations	-	1,500
Other income	14,897	1,570
	€ 18,931	€ 8,375

6. Personal emoluments

	2018 €	2017 €
Mayor's honoraria	7,464	6,870
Executive Secretary Salary and allowance	30,171	29,384
Employees' Salaries	14,963	14,073
Social Security Contributions	3,891	3,636
Allowances for Councilors and Mayor	6,400	6,327
	€ 62,889	€ 60,290

QALA LOCAL COUNCIL

Notes to the financial statement
for the year ended 31 December 2018

7. Operations and maintenance

	2018	2017
	€	€
Signs	1,456	1,030
Road and street pavements (patching work)	14,031	1,209
Refuse collection	26,891	22,664
Bulky refuse collection	14,052	11,787
Road and street cleaning	15,955	14,965
Cleaning and maintenance of Public Conveniences	4,825	3,636
Waste Disposal fees	7,786	7,316
	<u>€ 84,996</u>	<u>€ 62,607</u>

8. Administration and other expenses

	2018	2017
	€	€
Utilities	4,828	4,207
Sundry material & supplies	12,901	6,113
Rent	4,174	5,565
National /International memberships	708	575
Office services	2,139	2,449
Transport	2,075	937
Travel	232	182
Advertising	143	549
Information services	2,414	2,218
Other contractual services	18,832	15,222
Staff training	250	-
Professional services	1,957	1,587
Community services and events	45,044	36,994
Uniforms	72	-
Depreciation	94,577	32,493
	<u>€ 190,346</u>	<u>€ 109,091</u>

9. Investment income

Bank interest received

	2018	2017
	€	€
Bank interest received	<u>117</u>	<u>119</u>

10. Finance cost

Bank charges

	2018	2017
	€	€
Bank charges	<u>43</u>	<u>72</u>

Notes to the financial statements
for the year ended 31 December 2018

11 a. Property, Plant and Equipment

<u>Cost</u>	Trees €	Office Furn. & fittings €	Plant & Machinery €	Computer Equipment €	Office Equipment €	New Street Signs €	Urban Improvements €	Construction programmes €	Special programmes €	Total €
At 01 January 2018	2,264	23,422	13,398	15,092	9,899	11,537	42,242	677,259	952,800	1,747,913
Additions	-	-	-	1,551	-	-	4,786	5,772	76,039	88,148
At 31 December 2018	2,264	23,422	13,398	16,643	9,899	11,537	47,028	683,031	1,028,839	1,836,061
<u>Grants and other reimbursements</u>										
At 01 January 2018	-	-	6,700	-	1,327	-	-	161,252	615,630	784,909
Additions	-	-	-	-	-	-	-	-	76,039	76,039
At 31 December 2018	-	-	6,700	-	1,327	-	-	161,252	691,669	860,948
<u>Depreciation</u>										
At 01 January 2018	-	14,702	6,698	13,935	7,370	11,537	33,038	365,939	225,008	678,227
Released on disposal	-	-	-	-	-	-	-	-	-	-
Charge for the year	-	1,757	-	1,577	1,202	-	4,328	51,996	33,717	94,577
At 31 December 2018	-	16,459	6,698	15,512	8,572	11,537	37,366	417,935	258,725	772,804
<u>Net book value</u>										
At 31 December 2018	€ 2,264	6,963	-	1,131	-	-	9,662	103,844	81,862	202,309
At 31 December 2017	€ 2,264	8,720	6,700	1,157	2,529	-	9,204	150,068	112,162	284,777

QALA LOCAL COUNCIL

Notes to the financial statements
for the year ended 31 December 2018

11 b. Property, Plant and Equipment (adjusted workings for 2017)

	Trees	Office Furn. & fittings	Plant & Machinery	Computer Equipment	Office Equipment	New Street Signs	Urban Improvements	Construction programmes	Special programmes	Total
<u>Cost</u>	€	€	€	€	€	€	€	€	€	€
At 01 January 2017	2,264	22,347	13,398	14,997	9,899	11,537	42,242	672,299	949,616	1,738,599
Additions	-	1,075	-	95	-	-	-	4,960	3,184	9,314
At 31 December 2017	2,264	23,422	13,398	15,092	9,899	11,537	42,242	677,259	952,800	1,747,913
<u>Grants and other reimbursements</u>										
At 01 January 2017	-	-	-	-	-	-	-	117,841	81,862	199,703
Adjusted for change in policy	-	-	6,700	-	1,327	-	-	43,411	533,768	585,206
Additions	-	-	-	-	-	-	-	-	-	-
At 31 December 2017	-	-	6,700	-	1,327	-	-	161,252	615,630	784,909
<u>Depreciation</u>										
At 01 January 2017	-	14,055	8,362	13,617	7,634	11,537	32,066	364,791	350,261	802,323
Adjusted for prev years	-	-	(2,029)	-	(527)	-	-	(14,361)	(139,672)	(156,589)
Charge for the year	-	647	365	318	263	-	972	15,509	14,419	32,493
At 31 December 2017	-	14,702	6,698	13,935	7,370	11,537	33,038	365,939	225,008	678,227
<u>Net book value</u>										
At 31 December 2017	€ 2,264	8,720	-	1,157	1,202	-	9,204	150,068	112,162	284,777
At 31 December 2016	€ 2,264	8,292	5,036	1,380	2,265	-	10,176	189,667	517,493	736,573

QALA LOCAL COUNCIL

Notes to the financial statements
for the year ended 31 December 2018

11 c. Property, Plant and Equipment

Cost	Trees	Office Furn. & fittings	Plant & Machinery	Computer Equipment	Office Equipment	New Street Signs	Urban Improvements	Construction programmes	Special programmes	Total
€	€	€	€	€	€	€	€	€	€	€
At 01 January 2017	2,264	22,347	13,398	14,997	9,899	11,537	42,242	672,299	949,616	1,738,599
Additions	-	1,075	-	95	-	-	-	4,960	3,184	9,314
At 31 December 2017	2,264	23,422	13,398	15,092	9,899	11,537	42,242	677,259	952,800	1,747,913
Grants and other reimbursements	-	-	-	-	-	-	-	-	-	-
At 01 January 2017	-	-	-	-	-	-	-	117,841	81,862	199,703
Additions	-	-	-	-	-	-	-	-	-	-
At 31 December 2017	-	-	-	-	-	-	-	117,841	81,862	199,703
Depreciation	-	-	-	-	-	-	-	-	-	-
At 01 January 2017	-	14,055	8,362	13,617	7,634	11,537	32,066	364,791	350,261	802,323
Charge for the year	-	647	920	318	414	-	972	18,284	49,755	71,310
At 31 December 2017	-	14,702	9,282	13,935	8,048	11,537	33,038	383,075	400,016	873,633
Net book value	-	-	-	-	-	-	-	-	-	-
At 31 December 2017	€ 2,264	8,720	4,116	1,157	1,851	-	9,204	176,343	470,922	674,577
At 31 December 2016	€ 2,264	8,292	5,036	1,380	2,265	-	10,176	189,667	517,493	736,573

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2018

12. Receivables

	2018	2017
	€	€
Accounts receivable	10,733	1,886
Prepayments and accrued income	9,308	10,884
	<u>€ 20,041</u>	<u>€ 12,770</u>

Receivables are stated after a specific provision for doubtful debts:

Provision for bad debts

	€	€
Balance brought forward	3,191	3,191
Movement	-	-
Balance carried forward	<u>€ 3,191</u>	<u>€ 3,191</u>

Receivables are analysed as follows:

Within credit limit	14,599	10,884
Exceeded credit period but not impaired	5,442	1,886
	<u>€ 20,041</u>	<u>€ 12,770</u>

13. Cash and Equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the Local Council Statement of Financial Position:

	2018	2017
	€	€
Ordinary funds	702,719	630,251
Measure 313, 312, 125 and 413.4 funds	16,535	16,399
Cash in hand	3	3
	<u>€ 719,257</u>	<u>€ 646,653</u>

14. Deferred income

	2018	2017
	€	€
Balance brought forward	108,793	-
Grants received during the year	-	108,793
Reallocated to property, plant and equipment	(76,039)	-
Balance carried forward	<u>€ 32,754</u>	<u>€ 108,793</u>

QALA LOCAL COUNCIL

Notes to the financial statement
for the year ended 31 December 2018

14. Deferred income (cont.)

(i) Current deferred income

(ii) Non current deferred income:

Deferred between 1 and 2 years

Deferred between 2 and 5 years

Deferred in 5 years or more

2018	2017
€ 32,754	€ 76,039
-	32,754
-	-
-	-
€ -	€ 32,754

15. Payables and accruals

Accounts payable

Accruals and other payables

Deferred income (current portion)

2018	2017
€	€
81,707	106,778
132,470	54,451
32,754	76,039
€ 246,931	€ 237,268

16. Capital Commitments

(i) Details of capital commitments are as follows:

Approved but not yet contracted for (ii)

Contracted for but not provided in Financial Statements (iii)

(ii) Approved but not yet contracted for:

Surfacing of part of Triq Ta' Kassja

Surfacing of new street in Triq il-Mithna

2018	2017
€	€
-	108,793
43,754	-
-	-
-	76,039
-	32,754
€ -	€ 108,793

(iii) Contracted for but not provided in Financial Statements:

Surfacing of new street in Triq il-Mithna

Refurbishment of Playing Field - Magistrat Salvu Attard

2018	2017
€	€
32,754	-
11,000	-
€ 43,754	€ -

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2018

17. Contingent liabilities

- i) An invoice for the amount of Euro 6,300 from Gatt Tarmac which the Council did not recognise, is not accounted for.
- ii) Euro 15,392 being amount claimed by Mr Peter Paul Said which the Council did not recognise, is not accounted for.

18. Financial instruments

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

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

Credit risk

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

<i>Class of financial assets - carrying amounts</i>	2018 €	2017 €
Trade and other receivables	20,041	12,770
Cash and Cash Equivalents	719,257	646,653
	<u>€ 739,298</u>	<u>€ 659,423</u>

The council continuously monitors defaults of counterparties, identified either individually or by group and incorporates this information into its credit risk controls. The council's policy is to deal with only creditworthy counterparties.

The Council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See note 12 for further information on impairments or financial assets that are past due.

None of the Council's financial assets is secured by collateral or other credit enhancements

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

QALA LOCAL COUNCIL

Notes to the financial statement
for the year ended 31 December 2018

18. Financial instruments (cont.)

Liquidity risk

The Council's exposure to liquidity risk arises from its obligations to meet its financial liabilities which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funds to meet the council's obligations when they become due.

The Council manage its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis.

	2018	2017
	€	€
Payables	246,931	237,268

Other risks

The Council's interest rate risk arises from long term borrowings. 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.

19. 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
Gozo Regional Committee	Joint Control
Central Regional Committee	No Control
Regional Committees	No Control
Water Services Corporation	No Control
Enemalta Corporation	No Control
Wasteserv Malta Limited	No Control
Malta Environment and Planning Authority	No Control
Department of Lands	No Control
Director General - Works Division	No Control
Police General Headquarters	No Control
Office of the Prime Minister	No Control

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2018

19. Related party transactions (cont.)

<i>Name of Entity</i>	<i>Nature of relationship</i>
Office of the Prime Minister	No Control
Office of the Commissioner for Data Protection	No Control
Association of Local Councils' Secretaries	No Control
Ministry for Resources and Rural Affairs	No Control

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

Income	2018	2017
Annual financial allocation	€ 311,351	€ 298,557

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 improvement and betterment of the locality.

The Council also receives revenue from other Government entities such as Water Services Corporation for trenching works carried out in the locality, and for the reinstatement of roads as a result of the trenching works.

Key management compensation

Transactions with key management personnel are disclosed in note 6.

20. Fair value estimation

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

21. Prior Year Adjustment

On 1 January 2018, the Local Council applied Directive 1/2017 issued by the Department for Local Government in respect of the Accounting of Grants as per IAS 20 'Government Grants'. The Department for Local Government has instructed Local Councils to adopt the alternative capital approach as from 01 January 2018.

This is a change in accounting policies and, according to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' this has been accounted for retrospectively. The change in accounting policy did not effect the Statement of Comprehensive Income. The effect of this change has been the reclassification of opening balances of Property, plant and Equipment and Deferred Grants in the Statement of Financial Position as represented below:

QALA LOCAL COUNCIL

Notes to the financial statement
for the year ended 31 December 2018

		Balances before adjustment	Prior Year Adjustments	Re-instated Balances
Assets	Note	€	€	€
Non-current assets				
Property, plant and equipment	11	674,577	(389,800)	284,777
Current Assets				
Receivables	12	12,770	-	12,770
Cash and cash equivalents	13	646,653	-	646,653
		659,423	-	659,423
Total assets		€ 1,334,000	€ -	€ 1,334,000
Reserves and liabilities				
Reserves				
Retained funds		674,178	-	674,178
Non Current liabilities				
Deferred Income	14	452,722	(419,968)	32,754
		452,722	(419,968)	452,722
Current liabilities				
Payables and accruals	15	207,100	30,168	237,268
		207,100	30,168	207,100
Total Reserves and Liabilities		€ 1,334,000	€ -	€ 1,334,000

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 2, 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.



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

RSM Malta
Certified Public Accountants

Date: 29th April 2019