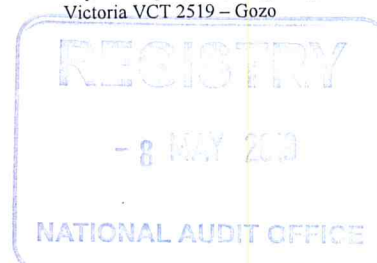


**LOCAL COUNCIL RABAT (GOZO)**

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

*Prepared by:*

John C Buttigieg  
Certified Public Accountant  
Capital Heights, Triq Gorg Borg Olivier,  
Victoria VCT 2519 – Gozo



## **LOCAL COUNCIL RABAT (GOZO)**

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

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## **LOCAL COUNCIL RABAT (GOZO)**

### **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 <sup>25</sup> April 2019 by:



**Dr Samuel Azzopardi**  
Mayor



**Mrs Miriam Attard**  
Executive Secretary

## LOCAL COUNCIL RABAT (GOZO)

### Statement of Comprehensive Income for the year ended 31 December 2018

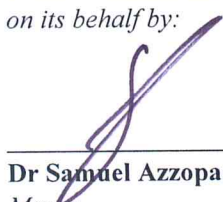
		2018	2017
	Note	€	€
<b>Income</b>			
Funds received from central government	3	568,852	541,666
Income raised under Council Bye-Laws	4	19,602	17,479
Income raised under Law Enforcement System	5	4,603	14,545
General	6	67,218	10,968
		<u>660,275</u>	<u>584,658</u>
<b>Expenditure</b>			
Personal emoluments	7	127,230	116,267
Operations and maintenance	8	322,239	289,015
Administration and other expenditure	9	306,541	285,263
		<u>756,010</u>	<u>690,545</u>
Operating (loss) for the year		€ (95,735)	€ (105,887)
Investment income	10	9	18
Finance cost	11	(1,298)	(3,049)
<b>Total comprehensive (loss) for the year</b>		<u>€ (97,024)</u>	<u>€ (108,918)</u>

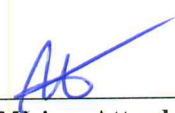
## LOCAL COUNCIL RABAT (GOZO)

### Statement of Financial Position at 31 December 2018

		31 Dec 2018	31 Dec 2017	31 Dec 2017
			As Restated	As previously stated
ASSETS	Note	€	€	€
<b>Non-current assets</b>				
Property, plant and equipment	12	713,461	860,796	2,192,969
Intangible asset	13	1,721	3,780	3,780
		<u>715,182</u>	<u>864,576</u>	<u>2,196,749</u>
<b>Current Assets</b>				
Inventories	14	26,344	26,778	26,778
Receivables	15	173,023	118,097	118,097
Cash and cash equivalents	16	129,912	132,283	132,283
		<u>329,279</u>	<u>277,158</u>	<u>277,158</u>
<b>Total assets</b>		<b>€ 1,044,461</b>	<b>€ 1,141,734</b>	<b>€ 2,473,907</b>
<b>Reserves and liabilities</b>				
<b>Reserves</b>				
Retained funds		<u>151,788</u>	<u>248,812</u>	<u>248,812</u>
<b>Non Current liabilities</b>				
Deferred Income	17	-	7,500	1,230,665
Payables and accruals	18	231,246	137,716	137,716
		<u>231,246</u>	<u>145,216</u>	<u>1,368,381</u>
<b>Current liabilities</b>				
Payables and accruals	18	654,032	701,642	810,650
Overdrawn bank balance	18	7,395	46,064	46,064
		<u>661,427</u>	<u>747,706</u>	<u>856,714</u>
<b>Total Reserves and Liabilities</b>		<b>€ 1,044,461</b>	<b>€ 1,141,734</b>	<b>€ 2,473,907</b>

These Financial Statements were approved by the Local Council on 25 April 2019 and signed on its behalf by:

  
Dr Samuel Azzopardi  
Mayor

  
Mrs Miriam Attard  
Executive Secretary

## LOCAL COUNCIL RABAT (GOZO)

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

	Retained funds
	€
Balance at 01 January 2017	357,730
Total comprehensive loss for the year	(108,918)
<b>Balance at 31 December 2017</b>	<b>248,812</b>
Balance at 01 January 2018	248,812
Total comprehensive loss for the year	(97,024)
<b>Balance at 31 December 2018</b>	<b>€ 151,788</b>

# **LOCAL COUNCIL RABAT (GOZO)**

## **Statement of Cash Flows for the year ended 31 December 2018**

		2018	2017
	Note	€	€
<i><b>Cash flows from operating activities</b></i>			
<b>Total comprehensive (loss) for the year</b>		(97,024)	(108,918)
<i>Adjustment for:</i>			
Depreciation		207,720	193,769
Amortisation		2,059	1,086
Decrease in provision for bad debts		(105)	-
Interest receivable		(9)	(18)
Interest payable		(1,298)	(3,049)
<i>Operating profit before working capital movements</i>		<u>111,343</u>	<u>82,870</u>
Decrease in inventories		434	5,681
Increase/(Decrease) in receivables		(54,821)	23,092
(Decrease) in payables		(39,493)	(147,890)
<i>Net cash flows generated from/(used in) operating activities</i>		<u>17,463</u>	<u>(36,247)</u>
<i><b>Cash flows from investing activities</b></i>			
Purchase of property, plant and equipment		(60,385)	8,094
Grants refunded		77,913	57,810
Interest received		9	18
Interest paid		1,298	3,049
<i>Net cash flows generated from investing activities</i>		<u>18,835</u>	<u>68,971</u>
<b>Net increase in cash and cash equivalents</b>		36,298	32,724
<b>Cash and cash equivalents at the beginning of the year</b>		<u>86,219</u>	<u>53,495</u>
<b>Cash and cash equivalents at the end of the year</b>	16	€ 122,517	€ 86,219



## **LOCAL COUNCIL RABAT (GOZO)**

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

#### **1. General Information**

Rabat (Gozo) Local Council is the local authority of Rabat (Gozo) setup in accordance with the Local Councils Act. The office of the Local Council is situated at :

'Banca Guratale' Pjazza Indipendenza, Rabat - Ghawdex

The Local Council's presentation as well as functional currencies are the Euro (€).

#### **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.



## LOCAL COUNCIL RABAT (GOZO)

### 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 and can be measured reliably. 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 Systems 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 also the distributions from contraventions income by LESA.

#### **c. Intangible assets**

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

## LOCAL COUNCIL RABAT (GOZO)

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

#### d. 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.

	%
Trees	0
Buildings	1
Office furniture and fittings	7.5
Construction works	10
Urban Improvements	10
Special programmes	10
Office equipment	20
Motor vehicles	20
Plant and machinery	20
Computer equipment	25
Plants	100
Litter bins	replacement basis
Playground equipment	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 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.

#### e. 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.



## **LOCAL COUNCIL RABAT (GOZO)**

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

#### **f. 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.

#### **g. Inventories**

Inventories are valued at the lower of cost and net realisable value. Cost includes freight, handling and other direct costs. Net realisable value is the price at which stocks can be sold in the course of Council activities less anticipated costs of selling. Provision is made where necessary for obsolete slow moving and defective stocks.

#### **h. 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.

#### **i. Payables**

Liabilities for accounts payable 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. Accounts 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.

#### **j. 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.

#### **k. 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.

## **LOCAL COUNCIL RABAT (GOZO)**

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

#### **l. 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.

#### **m. Related parties**

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

#### **n. Critical accounting estimates and judgements**

The preparation of financial statements in conformity with IFRS as adopted by the EU 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).

#### **o. 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 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.

#### **p. 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.

## LOCAL COUNCIL RABAT (GOZO)

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

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'.

### 3. Funds received from Central Government

	2018	2017
	€	€
In terms of Section 55 of the Local Councils Act (CAP 363)	559,237	536,666
Other Government Funds	9,615	5,000
Total funds received from central government	€ 568,852	€ 541,666

### 4. Income raised from Bye Laws

	2018	2017
	€	€
Income raised under Local Council Bye Laws	19,602	17,479

### 5. Local Enforcement Income

	2018	2017
Administrative fees from Regional Committees and LESA	4,603	4,406
Amount distributed by LESA	-	10,139
	€ 4,603	€ 14,545



## LOCAL COUNCIL RABAT (GOZO)

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

#### 6. General Income

	2018	2017
	€	€
Refund due on organic waste	58,344	-
Sponsorships	2,200	6,000
Profit on sale of books	-	298
Other income	6,674	4,670
	<u>€ 67,218</u>	<u>€ 10,968</u>

#### 7. Personal emoluments

	2018	2017
	€	€
Mayor's honoraria	11,195	11,018
Executive Secretary Salary and allowance	32,451	31,632
Employees' Salaries	65,889	56,968
Social Security Contributions and maternity fund	8,895	7,849
Allowances for Councillors and Mayor	8,800	8,800
	<u>€ 127,230</u>	<u>€ 116,267</u>

#### 8. Operations and maintenance

	2018	2017
	€	€
<i>Operations and maintenance includes, inter alia:</i>		
Signs	2,500	3,828
Road/Street pavements	1,876	6,461
Maintenance pots/plants	12,170	8,114
Repairs and upkeep	25,706	15,361
Repairs to street lights	7,010	4,248
	<u>€ 49,262</u>	<u>€ 38,012</u>

#### Contractual services

	2018	2017
	€	€
Refuse collection	140,806	134,302
Bulky refuse collection	21,237	17,150
Road & Street cleaning	57,409	56,627
Cleaning Public conveniences	37,464	23,088
Other contractual service	7,885	5,296
Experts	4,947	5,685
Local enforcement system	3,229	8,855
	<u>272,977</u>	<u>251,003</u>
	<u>€ 322,239</u>	<u>€ 289,015</u>