



Local Council Ta' Sannat

Annual Report and Financial Statements

For the year ended 31 December 2017

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Contents


| | Page |
|--|---------|
| Statement of Local Council Members' and Executive Secretary's Responsibilities | 3 |
| Statement of Comprehensive Income | 4 |
| Statement of Financial Position | 5 |
| Statement of Changes in Equity | 6 |
| Statement of Cash Flows | 7 |
| Notes to the Financial Statements | 8 - 23 |
| Report of the Local Government Auditor to the Auditor General | 24 - 27 |

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


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

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

This statement was approved by the Council on 16 April 2018 and signed on its behalf by:



Philip Vella
Mayor



Jason Curmi
Executive Secretary

Statement of Comprehensive Income

For the year ended 31 December 2017


| | Notes | 2017 € | 2016 € |
|--|-------|------------------|------------------|
| Revenue | | | |
| Funds Received from Central Government | 3 | 280,558 | 274,125 |
| Income raised under the Local Enforcement System | 4 | 3,112 | 928 |
| General Income | 5 | 9,661 | 15,287 |
| | | <u>293,331</u> | <u>290,340</u> |
| Expenditure | | | |
| Personal Emoluments | 6 | (64,297) | (61,869) |
| Operations and Maintenance | 7 | (73,219) | (61,846) |
| Administration and Other Expenditure | 8 | (130,161) | (182,410) |
| | | <u>(267,677)</u> | <u>(306,125)</u> |
| Operating profit / (loss) for the year | | 25,654 | (15,785) |
| Finance Charges | | | |
| Finance Income | 9 | 16 | 30 |
| Finance costs | 10 | (3,672) | (4,772) |
| | | <u>21,998</u> | <u>(4,742)</u> |
| Total Comprehensive profit / (loss) for the year | 6 | <u>21,998</u> | <u>(20,527)</u> |


Statement of Financial Position

For the year ended 31 December 2017

| | Notes | 2017 € | 2016 € |
|---------------------------------------|-------|----------------|----------------|
| ASSETS | | | |
| Intangible Assets | 11 | 605 | 755 |
| Property, plant and equipment | 12 | 879,244 | 855,236 |
| Total non-current assets | | 879,849 | 855,991 |
| Receivables | 13 | 72,410 | 26,461 |
| Cash and cash equivalents | 14 | 17,843 | 45,807 |
| Total current assets | | 90,253 | 72,268 |
| TOTAL ASSETS | | 970,102 | 928,259 |
| RESERVES AND LIABILITIES | | | |
| Retained earnings | | 160,169 | 138,171 |
| Total reserves | | 160,169 | 138,171 |
| LIABILITIES | | | |
| Deferred Income | 17 | 526,695 | 506,870 |
| Bank Borrowings | 16 | 77,096 | 84,504 |
| Total non-current liabilities | | 603,791 | 591,374 |
| Payables | 15 | 206,142 | 198,714 |
| Total current liabilities | | 206,142 | 198,714 |
| TOTAL RESERVES AND LIABILITIES | | 970,102 | 928,259 |

These financial statements were approved by the Local council on 16 April 2018 and signed on its behalf by:


Philip Vella
Mayor


Jason Curmi
Executive Secretary

Statement of Changes in Reserves

For the year ended 31 December 2017

| | Retained Funds € |
|----------------------------|------------------------|
| At 1 January 2016 | 158,698 |
| Loss for the year | (20,527) |
| | <hr/> |
| At 31 December 2016 | 138,171 |
| | <hr/> |
| At 1 January 2017 | 138,171 |
| Profit for the year | 21,998 |
| | <hr/> |
| At 31 December 2017 | 160,169 |

Statement of Cash Flows

For the year ended 31 December 2017

| | Notes | 2017 € | 2016 € |
|---|-------|-----------------|-----------------|
| Cash flow from operating activities | | | |
| Net profit / (Loss) for the year | | 21,998 | (20,527) |
| Reconciliation to cash generated from operations: | | | |
| Depreciation | | 86,880 | 117,896 |
| Amortisation | | 150 | 199 |
| Movement in bad debts provision | | 901 | 771 |
| Interest Receivable | | (16) | (30) |
| Interest Payable | | 3,672 | 4,772 |
| Operating profit before working capital changes | | 113,585 | 103,082 |
| Decrease / (Increase) in receivables | | (46,850) | 31,629 |
| (Decrease) in payables | | 10,110 | (32,614) |
| Government grants released | | (54,916) | (58,242) |
| Cash generated from operating activities | | 21,929 | 45,855 |
| Cash flows from investing activities | | | |
| Interest received | | 16 | 30 |
| Purchase of property, plant and equipment | | (110,888) | (25,467) |
| Purchase of intangible fixed assets | | - | (702) |
| Receipt of Grant | | 72,059 | - |
| Cash (used in) investing activities | | (38,813) | (26,139) |
| Cash flows from financing activities | | | |
| Repayment of borrowings | | (7,408) | (7,057) |
| Interest payable | | (3,672) | (4,772) |
| Cash (used in) financing activities | | (11,080) | (11,829) |
| Net (decrease) / increase in cash in the year | | (27,964) | 7,887 |
| Cash and cash equivalents at beginning of year | | 45,807 | 37,920 |
| Cash and cash equivalents at end of year | 14 | 17,843 | 45,807 |

Notes to the Financial Statements

For the year ended 31 December 2017

1 General Information

The Local council Ta Sannat is the local authority of Sannat set up in accordance with the Local Councils Act (1993). The office of the Local Council is situated at Sannat Road, Sannat, Gozo. These financial statements were approved for issue by the Council Members on 16 April 2018. 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 as adopted by the EU.

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

New and amended standards adopted by the Local Council

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

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12). Amendments to IAS 12 Income Taxes to clarify the following aspects: Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. The carrying amount of an asset does not limit the estimation of probable future taxable profits. Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type. Its effective for annual periods beginning on or after 1 January 2017.

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

Annual Improvements to IFRS Standards 2014–2016 Cycle: Makes amendments to the following standards: IFRS 1 - Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose IFRS 12 - Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendments to IFRS 12 for annual periods beginning on or after 1 January 2017.

Standards, amendments and interpretations to existing standards that are not yet effective

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:

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2): Amendments to IFRS 2 Share-based Payment to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. Its effective for annual periods beginning on or after 1 January 2018.

Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4): Amendments to IFRS 4 Insurance Contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4: an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach; an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach. The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied. Deferral approach is effective for annual periods beginning on or after 1 January 2018 and only available for three years after that date.

IFRS 9 Financial Instruments (2014): A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas: Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. Impairment. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. Its effective for annual periods beginning on or after 1 January 2018.

Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4): Amendments to IFRS 4 Insurance Contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4: an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach; an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach. The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied. Deferral approach is effective for annual periods beginning on or after 1 January 2018 and only available for three years after that date.

The Council is assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Council 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.

Intangible Asset

Computer software 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 reducing balance method at 20% per annum.

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 | 8% |
| 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 | 10% |
| Litter Bins | Replacement Basis |
| Playground Furniture | 100% |
| Traffic Signs | Replacement Basis |
| Road Signs | Replacement Basis |
| Street Mirrors | Replacement Basis |
| Street Lights | 100% |

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each Statement of Financial Position date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the

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

Impairment of Assets

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

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 Standards No. 24.

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 statement of comprehensive income 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 euro at the rates of exchange prevailing at the date of the Statement of Financial Position.

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 historic 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 Statement'.

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
- that the Council maintains a positive working capital

To achieve the above, the Council carries out a quarterly review of the working capital ratio ('Financial Situation Indicator'). This ratio was negative 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 Instrument

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 expired.

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 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 at each identified group.

Financial Liabilities

The Council's financial liabilities includes 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 | 223,442 | 217,883 |
| Supplementary government income | 2,200 | - |
| Other Government Income | 54,916 | 56,242 |
| | <u>280,558</u> | <u>274,125</u> |
| | ===== | ===== |

4 Income raised under Local Enforcement System

| | 2017 € | 2016 € |
|---|--------------|------------|
| Administration Fees from Contraventions | 842 | 928 |
| Income from Contraventions | 2,270 | - |
| | <u>3,112</u> | <u>928</u> |
| | ===== | ===== |

5 General Income

| | 2017 € | 2016 € |
|----------------------------------|--------------|---------------|
| Community Services | 5,002 | 1,265 |
| Cultural Events | 892 | 245 |
| Contributions | 40 | 10,405 |
| Income from Permits | 3,727 | 3,269 |
| Document and information charges | - | 103 |
| | <u>9,661</u> | <u>15,287</u> |
| | ===== | ===== |

6 Profit / (Loss) for the year

| | 2017 € | 2016 € |
|--|-----------|-----------|
| Profit / (Loss) for the year is stated after charging: | | |
| Staff Salaries | 64,297 | 61,868 |
| Amortisation of Intangible assets | 150 | 199 |
| Depreciation of property, plant and equipment | 86,880 | 117,896 |
| | ===== | ===== |

Staff Salaries

| | 2017 € | 2016 € |
|---|-----------|-----------|
| Mayor's Remuneration | 7,345 | 7,229 |
| Mayor and Councillors' Allowances | 6,400 | 6,400 |
| Executive Secretary salary and allowances | 29,396 | 28,590 |
| Employees' Salaries | 17,293 | 15,932 |
| Social security contributions | 3,863 | 3,717 |
| | ----- | ----- |
| | 64,297 | 61,868 |
| | ===== | ===== |

Average number of persons employed

| | | |
|-----------------------|-------|-------|
| Employees | 2 | 2 |
| Mayor and Councillors | 5 | 5 |
| | ----- | ----- |

7 Operations and Maintenance

| | 2017 € | 2016 € |
|---------------------------|-----------|-----------|
| <i>Repairs and upkeep</i> | | |
| Road and street pavements | 4,698 | 2,354 |
| Street signs | 2,141 | 1,275 |
| Public Property | 2,015 | - |
| Other repairs and upkeep | 8,306 | 5,154 |
| | ----- | ----- |
| | 17,160 | 8,783 |
| | ===== | ===== |

Contractual services:

| | | |
|---|--------|--------|
| Refuse collection | 25,825 | 17,103 |
| Bring-in sites and tipping fees | 6,052 | 11,275 |
| Bulky refuse collection | 1,445 | 809 |
| Road and street cleaning | 10,335 | 10,311 |
| Cleaning and maintenance of public conveniences | 1,560 | 1,659 |
| Cleaning and maintenance of parks and gardens | 5,917 | 4,227 |
| Cleaning of council premises | 2,150 | 1,815 |
| Street lighting | 2,775 | 5,864 |
| | ----- | ----- |
| | 56,059 | 53,063 |
| | ===== | ===== |
| Total operations and maintenance expenses | 73,219 | 61,846 |
| | ===== | ===== |

8 Administration and other expenditure

| | 2017 € | 2016 € |
|--|----------------|----------------|
| Utilities | 5,014 | 7,298 |
| Materials and supplies | 2,515 | 4,716 |
| Rent | 1,268 | 2,252 |
| National and international memberships | 704 | 1,030 |
| Office services | 3,812 | 8,788 |
| Transport | 1,908 | 761 |
| Travelling expenses | 450 | 684 |
| Information services | 1,681 | 1,926 |
| Other contractual services | 1,400 | 950 |
| Professional services | 13,396 | 14,175 |
| Community and hospitality | 9,289 | 17,997 |
| Depreciation | 86,880 | 117,898 |
| Amortisation | 150 | 199 |
| Increase in Provision for bad debts | 901 | 771 |
| Lease of equipment | 543 | 2,965 |
| Penalties | 250 | - |
| | <u>130,161</u> | <u>182,410</u> |
| | ===== | ===== |

9 Finance Income

| | 2017 € | 2016 € |
|--------------------------|-----------|-----------|
| Bank Interest receivable | <u>16</u> | <u>30</u> |
| | <u>16</u> | <u>30</u> |
| | ===== | ===== |

10 Finance Costs

| | 2017 € | 2016 € |
|------------------|--------------|--------------|
| Interest payable | 3,595 | 4,708 |
| Bank charges | <u>77</u> | <u>64</u> |
| | <u>3,672</u> | <u>4,772</u> |
| | ===== | ===== |

11 Intangible Fixed Assets

| | Computer Software € | Total € |
|-----------------------------------|---------------------------|-------------------|
| Cost | | |
| At 1 January 2017 | 986 | 986 |
| Additions | - | - |
| | <u> </u> | <u> </u> |
| At 31 December 2017 | 986 | 986 |
| | ===== | ===== |
| Provision for amortisation | | |
| At 1 January 2017 | 231 | 231 |
| Charge for the year | 150 | 150 |
| | <u> </u> | <u> </u> |
| At 31 December 2017 | 381 | 381 |
| | ===== | ===== |
| Net Book Value | | |
| At 31 December 2017 | 605 | 605 |
| | ===== | ===== |
| At 31 December 2016 | 755 | 755 |
| | ===== | ===== |

Property, plant and equipment

a)

| | Construction | Office Furniture & Fittings | New Street Signs | Urban Improvements | Office Equipment | Plant and Machinery | Computer Equipment | Special Programmes | Assets under Construction | Total |
|------------------------|--------------|--------------------------------|---------------------|-----------------------|---------------------|------------------------|-----------------------|-----------------------|------------------------------|-----------|
| | € | € | € | € | € | € | € | € | € | € |
| Cost | | | | | | | | | | |
| At 1 January 2016 | 376,214 | 26,803 | 3,272 | 68,992 | 6,798 | 1,184 | 5,471 | 829,779 | 254,259 | 1,572,770 |
| Additions-New | - | - | - | 7,761 | - | - | 952 | 12,430 | 4,324 | 25,467 |
| Reclassifications | - | - | - | - | - | - | - | 254,259 | (254,259) | - |
| At 31 December 2016 | 376,214 | 26,803 | 3,272 | 76,753 | 6,796 | 1,184 | 6,423 | 1,096,468 | 4,324 | 1,598,237 |
| Depreciation | | | | | | | | | | |
| At 1 January 2016 | 160,209 | 8,733 | 3,272 | 26,948 | 3,710 | 944 | 4,882 | 254,689 | - | 463,387 |
| Charge for the year | 23,548 | 1,354 | - | 4,492 | 618 | 48 | 290 | 87,546 | - | 117,896 |
| At 31 December 2016 | 183,757 | 10,087 | 3,272 | 31,440 | 4,328 | 992 | 5,172 | 342,235 | - | 581,283 |
| Grants | | | | | | | | | | |
| At 1 January 2016 | - | - | - | 19,553 | - | - | - | 35,065 | - | 161,718 |
| At 31 December 2016 | 107,100 | - | - | - | - | - | - | - | - | - |
| Net Book Amount | | | | | | | | | | |
| At 31 December 2016 | 85,357 | 16,716 | - | 25,760 | 2,468 | 192 | 1,251 | 719,168 | 4,324 | 855,236 |

Property, plant and equipment
h)

| | Construction | Office Furniture & Fittings | New Street Signs | Urban Improvements | Office Equipment | Plant and Machinery | Computer Equipment | Special Programmes | Assets under Construction | Total |
|------------------------|--------------|--------------------------------|---------------------|-----------------------|---------------------|------------------------|-----------------------|-----------------------|------------------------------|-----------|
| | € | € | € | € | € | € | € | € | € | € |
| Cost | | | | | | | | | | |
| At 1 January 2017 | 376,214 | 26,803 | 3,272 | 76,753 | 6,796 | 1,184 | 6,423 | 1,096,468 | 4,324 | 1,598,237 |
| Additions-New | - | - | - | - | - | - | - | 107,105 | 3,783 | 110,888 |
| At 31 December 2017 | 376,214 | 26,803 | 3,272 | 76,753 | 6,796 | 1,184 | 6,423 | 1,203,573 | 8,107 | 1,709,125 |
| Depreciation | | | | | | | | | | |
| At 1 January 2017 | 183,757 | 10,087 | 3,272 | 31,440 | 4,328 | 992 | 5,172 | 342,235 | - | 581,283 |
| Charge for the year | 8,155 | 1,254 | - | 2,461 | 494 | 39 | 249 | 74,228 | - | 86,880 |
| At 31 December 2017 | 191,912 | 11,341 | 3,272 | 33,901 | 4,822 | 1,031 | 5,421 | 416,463 | - | 668,163 |
| Grants | | | | | | | | | | |
| At 1 January 2017 | - | - | - | - | - | - | - | - | - | - |
| At 31 December 2017 | 107,100 | - | - | 19,553 | - | - | - | 35,065 | - | 161,718 |
| Net Book Amount | | | | | | | | | | |
| At 31 December 2017 | 77,202 | 15,462 | - | 23,299 | 1,974 | 153 | 1,002 | 752,045 | 8,107 | 879,244 |

13 Receivables

| | 2017 € | 2016 € |
|--------------------------------|---------------|---------------|
| Amounts receivable | 2,473 | 2,373 |
| Prepayments and accrued income | 69,487 | 23,638 |
| Other receivables | 450 | 450 |
| | <u>72,410</u> | <u>26,461</u> |
| | ===== | ===== |

Amounts receivable

General receivables are analysed as follows

| | 2017 € | 2016 € |
|---|--------------|--------------|
| Within credit period | 1,326 | 1,468 |
| Exceeded credit period but not impaired | 1,147 | 905 |
| | <u>2,473</u> | <u>2,373</u> |
| | ===== | ===== |

Note

Receivables are net of provision for doubtful debts of Eur 2,685 (2016 : Eur 1,784)

14 Cash and cash equivalents

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

| | 2017 € | 2016 € |
|---------------|---------------|---------------|
| Bank Balances | 17,801 | 45,752 |
| Cash in Hand | 42 | 55 |
| | <u>17,843</u> | <u>45,807</u> |
| | ===== | ===== |

15 Payables

| | 2017 € | 2016 € |
|---------------------------------|----------------|----------------|
| Amounts payable | 133,583 | 117,714 |
| Accruals | 9,323 | 15,082 |
| Deferred income within one year | 51,415 | 54,097 |
| Loan payable within one year | 11,821 | 11,821 |
| | <u>206,142</u> | <u>198,714</u> |
| | ===== | ===== |

| 16 Long Term borrowings | 2017 € | 2016 € |
|----------------------------------|-----------|-----------|
| Bank loan | 77,096 | 84,504 |
| Loan repayable from 1 to 2 years | 11,821 | 11,821 |
| Loan repayable from 2 to 5 years | 35,464 | 35,464 |
| Loan repayable over 5 years | 29,811 | 37,219 |
| | 77,096 | 84,504 |

The loan taken out by Sannat Local Council, with the approval of the Ministry of Finance carried an interest rate of 4.65% per annum during 2016. The duration of the loan is for a period of 20 years. The bank loan is secured by a 1st General Hypothec over the assets of Sannat Local Council for Loan I and Loan II total of €110,128 and by a letter of undertaking dated 01/02/2008 by the council that :

- funds received from the government shall be channelled to an account held with the bank;
- to authorise the bank to settle loan instalments, fees and costs which may be due;
- to retain at all times sufficient funds in account.

| 17 Deferred income | 2017 € | 2016 € |
|---------------------------------------|-------------|-------------|
| Government Grants | | |
| At 1 January | 560,967 | 617,209 |
| Increase in year | 72,059 | - |
| | 633,026 | 617,209 |
| Released in year | (54,916) | (56,242) |
| At 31 December | 578,110 | 560,967 |
| Current deferred income | 51,415 | 54,097 |
| Non-current deferred income | 526,695 | 506,870 |
| Deferred Government Grants | | |
| Deferred between one and two years | 46,389 | 46,910 |
| Deferred between two and five years | 113,730 | 114,923 |
| Deferred in five years or more | 366,576 | 345,037 |
| | 526,695 | 506,870 |

18 Capital commitments

| | 2017 € | 2016 € |
|--|------------------------------------|--------------------------|
| Total capital commitments | 10,000 ===== | - ===== |
| (i) Approved but not yet contracted for: Special Programmes | 10,000 ----- 10,000 ----- | - ----- - ----- |

19 Related Parties

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 |
| Local Enforcement System Agency | Joint control |
| Gozo Regional Committee | Joint control |
| Central Regional Committee | No control |
| North Regional Committee | No control |
| South Eastern Regional Committee | No control |
| South Regional Committee | No control |
| Police General Head Quarters | No control |
| Malta Environment and Planning Authority | No control |
| Water Services Corporation | No control |
| Enemalta Corporation | No control |
| Department of Agriculture | No control |
| Director General - Works Division | No control |
| Department of Lands | No control |
| Department of Inland Revenue | No control |
| Airmalta plc | No control |
| Bank of Valletta plc | No control |
| Wasteserv Malta Limited | No control |
| Kunsill Malti għall-Isports | No control |
| Mitts Limited | No control |
| Ministry for the Family | No control |
| Malta Communications Authority | No control |
| Green MT | No control |

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

| | 2016 € | 2015 € |
|-----------------------------|------------------|------------------|
| Annual Financial Allocation | 223,442 ===== | 217,883 ===== |

Key management compensation

Transactions with key management personnel are disclosed in note 6.

Ultimate controlling party

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

20 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 receivables. 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 receivables 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 maximum exposure to credit risk for amounts receivable at the reporting date, net of impairment losses, by type of customer is as follows:

| | |
|----------------------------------|-------|
| | € |
| Receivables from related parties | 2,473 |
| | ===== |

Liquidity risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact, at year end, the Council has as cash and cash equivalents the amount of €17,843. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a net liability position of €48,816 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

Foreign currency risk

Foreign currency transactions arise when the Council buys or sells goods whose prices 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 maximising the net interest income and expense.

21 Summary of the financial assets and liabilities by category

The carrying amounts of the council's financial assets and liabilities as recognised at the reporting dates

| | 2017 € | 2016 € |
|--|----------------|----------------|
| <i>Current Assets</i> | | |
| Trade and other receivables | 72,410 | 26,461 |
| Cash and cash equivalents | 17,843 | 45,807 |
| | <u>90,253</u> | <u>72,268</u> |
| | ===== | ===== |
| <i>Current Liabilities</i> | | |
| Financial liabilities measured at amortised costs: | | |
| Payables | 206,142 | 198,714 |
| | <u>206,142</u> | <u>198,714</u> |
| | ===== | ===== |

22 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.

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TA' SANNAT LOCAL COUNCIL

REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL

Opinion

We have audited the accompanying financial statements of Ta' Sannat Local Council, which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 4 - 23.

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to the Local Council's Statement of Financial Position on page 5 which shows that as at 31st December 2017, the current liabilities of the Local Council, after excluding the current deferred income, exceeded its current assets by €64,474. This condition indicates that a material uncertainty exists that may cast significant doubt as to whether the Local Council will be able to meet its liabilities as and when they fall due. Our opinion is not modified in respect of this matter.

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

Other Information

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Council Responsibilities for the Financial Statements

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

In preparing the financial statements, the Executive Secretary and the Local Council Members are responsible for assessing the Local Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to presume that the Local Council will continue as a going concern.

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

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.

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

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

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: 16th April 2018