

3rd May, 2019

Nexia BT
The Penthouse, Suite 2,
Capital Business Centre, Entrance C
Triq taz-Zwejt
San Gwann

Dear Sirs,

We acknowledge our responsibility, on behalf of the council members, for the fair presentation of the financial statements in accordance with the requirements of the Local Council Act, 1993, the Financial regulations issued in terms of the Act and the Supplementary Financial Procedures, and for the implementation and operations of accounting and internal control systems that are designed to prevent and detect fraud and error.

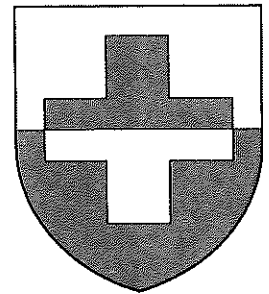
We confirm, to the best of our knowledge and belief, the following representations:

2.1 Council's meetings

Refer to article 18 of the Local Council legislation ie Councillors shall attend all meetings as provided under this Act and the Minister shall, after he has been informed by the Executive Secretary, by notice under his hand addressed to the Executive Secretary, declare a seat to be vacant on failure of the councillor to attend four meetings or in the aggregate more than one-third of the meetings called within a period of six months and in the opinion of the Minister such absence was not justified: Provided that when a Councillor has so absented himself, and before informing the Minister as aforesaid, the Executive Secretary shall inform the Mayor of such an event and the Mayor shall thereupon insert an item on the agenda for the first Council meeting to discuss whether the absence of such Councillor was due to a justifiable cause. Provided further that if the Council has resolved that the absence is due to a justifiable cause, the Executive Secretary in informing the Minister of the councillor's failure shall also transmit the recommendation of the Council for the Minister not to declare the seat vacant,

2.2 Loss of the year

Article 4, point c of the Local Council (Financial) regulation 1993 states that the Secretary shall maintain a positive balance, as determined by the financial situation indicator referred to in subregulation (2), between income and expenditure and accrued income and accrued expenditure, ensuring that such positive balance is, unless the Minister approves otherwise in terms of the financial procedures, not less than ten per cent of the allocation approved in terms of article 55 of the Act for that same



KUNSILL LOKALI IŻ-ŻURRIEQ

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Triq Pietru Pawl Saydon,

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Sindku :

Ignatius Farrugia

Viċi Sindku :

Rita Grima

Kunsillieri :

Jean Pierre Attard
Tiffany Ann Farrugia
Joseph D'Amato
Pierre Farrugia
Kenneth Farrugia
David Abdilla
Dino Bonnici

Segretarju Eżekuttiv :

Josianne Cilia Mumford

Local Council financial year, while respecting all obligations for income and expenditure and the Execution of Council functions as specified in the Act'.

Kindly note that the Council's financial indicator as at 31st December 2018 was 91% of the annual allocation for the said year. Thus, the Council is definitely in line with Local Council(Financial) regulation 1993.

Moreover, the loss for the year was achieved due to the change in accounting policy as per Directive 1 of 2017. In fact, the depreciation for the year amounted to Eur 419,723 while in 2017 it was Eur 149,431.

2.3 Budgets

Depreciation - Budget for 2018 was prepared and approved in December 2017. While preparing the budget it was difficult to arrive at the depreciation for 2018 since workings for the change in accounting policy had to start round about May 2018 as per directive 1 of 2017.

The change in accounting policy had a significant impact on the depreciation for the year ending 2018 since it had to be accounted for prospectively to be in line with IAS 8, 'Accounting Policies, Changes in Accounting estimates and errors' and also one had to take into account all the grants received.

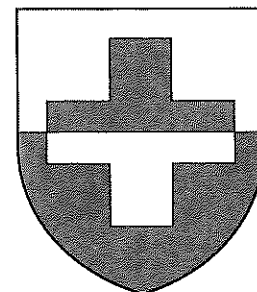
Hospitality community under budget – During 2018 hospitality included one day trip to Sicily, Twinning trip to PEDARA, Visit of delegation from Cyprus and outings for senior citizens. Inconnection with these expenses there is income refunded from the residents. Income from day trip to Sicily was 7,000€, income from twinning trip to PEDARA was 30,700€, and income from outings was 5,500€.

2.4 Health Insurance

With reference to article 36, point 5 of the Local Council (Financial) regulation 1993 Local Council members may be insured in a health scheme insofar as such Council has a positive balance of accounts or such scheme does not result in a negative balance in the Council's accounts.

As it was stated in point 2.2 above the Council has a positive balance and in fact the financial indicator amounts to 91% of the annual allocation. Therefore the Council is not in breach of article 36 point 5 of the Local

2



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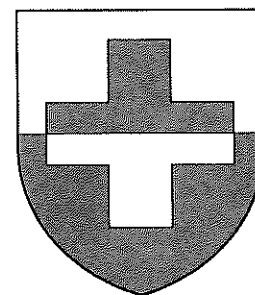
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	Council (Financial) regulation 1993.
2.5 Cash in Hand	In regards with this matter, we are going to reduce amount of petty cash and cash flow.
2.6 Creditors	Creditors are checked before they are paid. Unfortunately, some not all the creditors provide us with statements but the council always does its utmost to obtain the monthly statements.
	With respect to Gaetano Galea, the Council noticed the variance and took the necessary actions.
2.7 Legal Letter	We sent several reminders to our Legal Officer, but we remained with no reply.
2.8 Rent	The council rent calculation agreed to the contract.
2.9 Accrued Income	Accrued bank interest is an estimate. Eur 4 is not material.
2.10 Prepayments	According to our records prepayments were correctly calculated and not cut off errors were found. Eur 8 are immaterial when compared to the materiality level.
2.11 Accruals	Accruals as at 31 st December amounted to Eur 23,720 and no cut off errors were found. Nonetheless cleaning amount was an estimate and the amount of Eur 33 is immaterial when compared to the council materiality level.
2.12 Related party balances	The Council post the cheque with the date when received. The cheque date was dated mid-December. Should the Council entered the cheque with mid-December date, as at year end it would be shown as unreconciled balance in the council bank accounts, which can also be interpreted that the council took longer than it is stipulated in the financial regulations to deposit the cheque.
	Thereof pressure should be made on other government entities to post cheques immediately so to avoid such issues.
2.13 Loss on write – off of Property, plant and equipment	The expense written off was a professional expense previously included under assets not yet capitalised which was written off and included as professional fee.



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2.14 IFRS 9 – new adoption

Most of the Councils' receivables are other government entities. Given this, the default risk is very low and therefore expected credit loss is immaterial for the councils.

No 1 Refer to comment in 2.8

2.15 Unadjusted errors

No 2 Refer to comment in 2.9

No 3 Refer to comment in 2.10

No 4 Refer to comment in 2.11

No 5 Refer to comment in 2.6

No 6 At the time that the accounts were being finalised it was still not clear whether the DLG was going to pay Wasteserv.

No 7 The difference of 207Eur comes from the traffic scheme. The invoice was over the pending amount to be claimed.

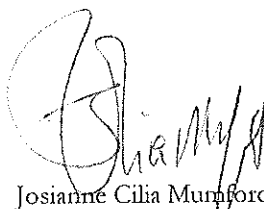
The approval of this letter of representation was minuted by the council members at its meeting on 15th May, 2019.

Signed on behalf of the council,

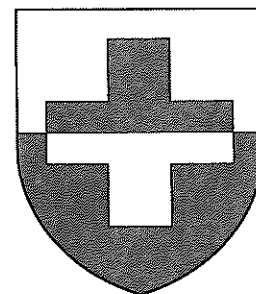
Yours faithfully



Ignatius Farrugia
Mayor



Josianne Cilia Mumford
Executive Secretary



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The Mayor
Zurrieq Local Council
Centru tal-Komunita Joe Cassar
Triq Pietru Pawl Saydon
Zurrieq ZRQ 1030
Malta

22nd April 2019

Dear Sir,



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

During our audit for the year ended 31 December 2018, we have reviewed the accounting systems and procedures operated by the Council. We have also reviewed the operations of the Council and how they conform to the Local Councils Act, 1993, the Financial Regulations issued in terms of this Act, and the supplementary Financial Procedures. We set out in this report the more important points that arose as a result of our review.

1. Previous management letter

1.1 Closure of bank account

We are pleased to note that the APS Bank account balance of €9.82 which was previously closed, has been correctly removed from the trial balance.

1.2 Rent

As in the previous year, we still noted a minor discrepancy of €50 (Refer to note 2.8).

1.3 Cash in hand

As in the previous year, we still noted that the Local Council's cash balance at year-end exceeded the maximum allowed of € 232.93 (Refer to note 2.5).

1.4 Accrued income

Once again, there were discrepancies in accounting for accrued income (Refer to note 2.9).

1.5 Budgets

As in the previous year, we still noted that the budget has been exceeded in certain expenses (Refer to note 2.3).

1.6 Legal Letter

As in previous year, the legal letter from the lawyer of the Council was not provided (Refer to note 2.7).

1.7 Wages and salaries

We are pleased to point out that no discrepancies were found in this regard during this year's audit.

1.8 Debit balances in creditors' list

We are pleased to point out that no debit balances in the creditors' list were found during this year's audit.

2. Management letter points for the year

2.1 Council's meetings

While reviewing the Council's minutes, it was noted that one Councillor was excused for one-third of the meetings called within a period of six months. Furthermore, it was not that the Minister was not informed.

We recommend that the Council complies with the Local Councils Act and sends its recommendation to the Minister not to declare the seat vacant.

2.2 Loss for the year

When testing the Local Council's financial allocation received from Central Government vis-à-vis the expenditure incurred during the year, we noted that the Local Council did not manage to obtain a positive result, as required by Section 4c of the Local Council (Financial) Regulations, 1993.

2.3 Budgets

While reviewing the budget for 2018, we noted that, in certain circumstances, the budget has different classification of expenses than the financial statements. Thus, comparison of specific expenses could not be adequately performed, and our testing was limited to the aggregate totals of expenses. In this respect, the below differences were noted:

- Hospitality costs, social events and community services were under-budgeted by €45,909;
- Depreciation was under-budgeted by €279,875.

The budgeting process is essential to monitor and control costs and to prioritise cash outflows. We recommend that the budget is prepared using the same classification of expenses as in the financial statements. We also recommend to the Council to maintain the expenditure within the budgeted limits.

2.4 Health insurance

The Committee has provided its employees with a health insurance cover irrespective of the fact that the Committee registered a deficit during the year.

We reiterate that such insurance cover should be discontinued as long as the Committee does not have a positive profit balance or such scheme does not result in a loss in the Committee's accounts. This is stipulated in the Local Councils (Financial) Regulations.

2.5 Cash in hand

We noted that as at year-end the Local Council held € 540 cash in hand.

We recommend to the Council to hold a cash balance not higher than €232.93, in order to be in line with the regulations.

2.6 Creditors

While performing our testing on creditors (including Local Councils), we chose seven suppliers for testing and found that for all of the seven selected, no reconciliations were carried out as at year end. These creditors were all tested through alternative testing as we did not receive any of the circularisation letters sent, apart from Nexos lighting technology, Koptasin and Gaetano Galea who replied to our circularisation letter. Reconciliations were not carried out for the following:

Supplier	Annual turnover	Year-end balance
Schembri Infrastructures Limited	€ 86,446	€ 48,793
Gaetano Galea	€ 72,677	€ Nil
Ell's Urban Services	€ 50,068	€ 204
WasteServ Malta Ltd	€ 60,746	€ 3,992
Nexos lighting technology	€ 20,656	€ 4,500
Catbros Ltd	€ 23,468	€ Nil
Koptasin	€ 28,273	€ 1,501

While we acknowledge that several creditors do not prepare statements and duly make them available, we strongly suggest that a periodical exercise that confirms creditor balances is still performed.

Creditor reconciliations are an essential element of a good internal control system. They can assist in enhancing the internal control system of company whilst also ensuring that the supplier balances reflected in the accounts are accurate.

Furthermore, it came to our attention that the bills being charged by the supplier Gaetano Galea were not being charged properly as the amounts as per breakdown in the respective invoices do not cast. This resulted in an understatement in the year end balance payable to this particular supplier amounting to € 5,276. We were advised that the additional amount payable attributable to invoices issued by this supplier during the year were accounted for after year end. The extrapolated error resulting from this amounting to € 9,335 was included as part of the unadjusted errors as this amount is not material (Refer to adjustment 5 in note 2.15)

2.7 Legal letter

As in previous year, we requested a legal letter from the lawyer of the Council. We request such letter in the normal course of the audit to determine whether there are any legal cases and the possibility and probability of the outcome of such cases. This however was not provided. The Mayor and Executive Secretary confirmed that as at year-end there is no pending litigation.

We recommend that the Council obtains the legal letter before each audit.

2.8 Rent

We noted that as at year-end the rental expense was understated by € 50.

We recommend to the Council to prepare a reconciliation in order to reflect the actual rental expense as stipulated in the related contract agreements. Since the discrepancy was not material, it was included in the list of unadjusted errors (Refer to adjustment 1 in note 2.15).

2.9 Accrued income

During the testing on accrued income, we noted that accrued bank interest receivable amounting to €4 as per the bank statement was not accounted for in the accounts. No adjustment was proposed as the amount was not material, and this was included in the list of unadjusted errors (Refer to adjustment 2 in note 2.15).

We recommend that an exercise is undertaken at year-end in order to accurately account for all accrued income.

The Council also did not account for accrued income amounting to € 4,032 related to advancements by the DLG in respect of tipping fees. No adjustment was proposed as the amount was not material, and this was included in the list of unadjusted errors (Refer to adjustment 6 in note 2.15).

We recommend that, in the future, the Council obtains the approved amount from the DLG and accounts for all accrued income before the financial statements are approved.

2.10 Prepayments

While testing prepayments we noted that the prepayment relating to insurance was overstated by € 8.

Given that the amount was not material, we did not propose an audit adjustment, and the difference was included in the list of unadjusted errors (refer to adjustment 3 in note 2.15).

We recommend that exact accounting of prepayments as at year end is performed in the accounts and financial statements.

2.11 Accruals

While testing accruals we noted that the accrual relating to office cleaning was overstated by € 33.

Given that the amount was not material, we did not propose an audit adjustment, and the difference was included in the list of unadjusted errors (refer to adjustment 4 in note 2.15).

We recommend that proper accounting of the accruals as at year end is performed in order to enter proper disclosure in the financial statements.

2.12 Related party balances

While testing the balance with the Southern Regional Committee, it was noted that four cheques amounting to € 14,018 in total were dated in 2018 but were received and posted by the Local Council in January 2019. Thus, we passed a reclassification against the respective bank account in order to properly account for these in their respective financial year as per RECL A/18 (refer to note 2.16). Also, a difference of € 207 was obtained when comparing the balance as per Local Council with the balance as per Southern Regional Committee. As this amount is highly immaterial, we did not propose an audit adjustment, and the difference was included in the list of unadjusted errors (refer to adjustment 7 note 2.15).

We recommend that cheques are posted in the period that they are dated and not when received in order to correctly include them in the respective accounting period. Also, we recommend that periodical reconciliations are performed in respect of related party balances.

2.13 Loss on write-off of Property, plant and equipment

While testing the loss on write-off of property, plant and equipment, it was noted that this was not disclosed in a separate line item in the profit and loss account. Thus, we passed a reclassification amounting to € 816 as per RECL B/18 in order to correct this (Refer to note 2.16).

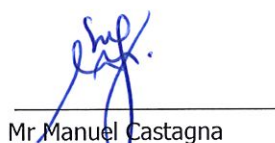
We recommend that Loss on write-offs of property, plant and equipment is separately disclosed in the profit and loss account as required under IAS 16.

2.16 Reclassifications

No.	Description	Management letter point	Statement of Comprehensive Income	Statement of Financial Position
			Dr (+) / Cr (-)	Dr (+) / Cr (-)
			€	€
RECL A/18	Dr Bank	2.12		14,018
	Cr Related party balance - Regjun Nofsinhar			(14,018)
	Being reclass of related party balance to deposits after year end			
RECL B/18	Dr Loss on write off of PPE	2.13	816	
	Cr Architect fees		(816)	
	Being amounts relating to loss on write off of PPE			
			-	-

We would like to point out that the matters dealt with in this report came to our notice during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements of the Council. In consequence, our work did not encompass a detailed review of all aspects of the system and cannot be relied upon necessarily to disclose defalcations or other irregularities or to include all possible improvements in internal control that a more extensive special examination might develop.

We would also like to take this opportunity to thank the Mayor, Executive Secretary and staff for their help during the course of our audit.



Mr Manuel Castagna
For and on behalf of Nexia BT

Local Council Zurrieq
Annual Audit Report
for the year ended 31 December 2018

Prepared by:
Ms Doreen Mintoff
B.Accountancy(Honours) AIA, DIP. IFR CPA, Reg Auditor



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

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a 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 Council (Financial) Regulations, and the Local Council (Financial) Procedures issued in terms of the said Act.

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

This statement was approved by the Council on 17 April 2019 and signed on its behalf by:



Ignatius Farrugia
Mayor



Josianne Cilia Mumford
Executive Secretary

REPORT OF THE LOCAL GOVERNMENT AUDITORS ON THE ZURRIEQ LOCAL COUNCIL TO THE AUDITOR GENERAL

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Zurrieq Local Council, which comprise the Statement of Financial Position as at 31 December 2018, and the statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the statement of financial position of Zurrieq Local Council as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

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 entity 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.

Responsibilities of the Executive Secretary

The Executive Secretary is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the EU, and for such internal control as the Executive Secretary determines are 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 is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the entity is intended to be liquidated or to cease operations, or has no realistic alternative but to do so.

Auditors' 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 AUDITORS ON THE ZURRIEQ LOCAL COUNCIL TO THE AUDITOR GENERAL

Report on the Audit of the Financial Statements


As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Secretary.
- Conclude on the appropriateness of the Executive Secretary's 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 entity'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 auditors' report. However, future events or conditions may cause the entity 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 regarding, among other matters, the planned scope and timing of the audit and significant audit figures, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements comply fully with the Local Councils Act, the Financial Regulations issued in terms of this Act and the Local Council (Financial) Procedures.



Mr Manuel Castagna

For and on behalf of
Nexia BT
Certified Public Accountants

The Penthouse, Suite 2
Capital Business Centre, Entrance C
Triq taz-Zwejt
San Gwann SGN 3000
Malta

Date: 22 April 2019

Statement of Financial Position
as at 31 December 2018

		2018	2017	2017
			Restated	As
	Notes	€	€	previously
				stated
				€
Non-Current Assets				
Property, plant and equipment	10	956,589	1,300,603	1,860,595
		<u>956,589</u>	<u>1,300,603</u>	<u>1,860,595</u>
Current Assets				
Receivables	11	25,490	32,964	32,964
Cash and cash equivalents	12	904,727	545,429	545,429
Total Current Assets		<u>930,217</u>	<u>578,393</u>	<u>578,393</u>
Total Assets		<u>1,886,806</u>	<u>1,878,996</u>	<u>2,438,988</u>
RESERVES				
Retained earnings		1,682,885	1,821,115	1,821,115
Total reserves		<u>1,682,885</u>	<u>1,821,115</u>	<u>1,821,115</u>
Non-Current Liabilities				
Non-current Deferred Income		-	-	504,587
		<u>-</u>	<u>-</u>	<u>504,587</u>
Current Liabilities				
Trade and other payables	13	203,921	57,881	113,286
		<u>203,921</u>	<u>57,881</u>	<u>113,286</u>
Total Liabilities		<u>203,921</u>	<u>57,881</u>	<u>617,873</u>
Total reserves and liabilities		<u>1,886,806</u>	<u>1,878,996</u>	<u>2,438,988</u>

These financial statements were approved by the Local Council on 17th April 2019 and signed on its behalf by:


Ignatius Farrugia
Mayor


Josianne Cilia Mumford
Executive Secretary

The notes on pages 8 to 27 form an integral part of these financial statements.

**Statement of Changes In Equity
for the year ended 31 December 2018**

	Retained Funds	Total
Note	€	€
At 1 January 2017	1,628,225	1,628,225
Profit for the year	192,890	192,890
Total comprehensive income	192,890	192,890
At 31 December 2017	1,821,115	1,821,115
At 1 January 2018	1,821,115	1,821,115
Los for the year	(138,230)	(138,230)
Total comprehensive loss	(138,230)	(138,230)
At 31 December 2018	1,682,885	1,682,885

Statement of Cash Flows
for the year ended 31 December 2018

	2018		2017	
			Restated	
	€	€	€	€
Net loss/profit for the year	(138,230)		192,890	
Reconciliation to cash generated from operations:				
Amortisation and Depreciation	419,723		149,431	
Loss on write off of property, plant and equipment	816		-	
Movement in Provision for Doubtful Debts	(465)		(5,345)	
Interest receivable	(55)		(111)	
Operating surplus before working capital changes	281,789		336,865	
(Increase)/decrease in receivables	(4,942)		585	
Decrease /(increase) in other receivables	12,881		(5,959)	
Increase in payables	52,664		2,183	
Increase in other payables	7,340		1,807	
Cash generated from operating activities		349,732		335,481
Cash flow from investing activities				
Interest received	55		111	
Purchase of property, plant & equipment	(113,320)		(289,713)	
Grants received	134,238		-	
Grants (returned)	(11,407)		-	
Cash generated from/(used in) investing activities		9,566		(289,602)
Cash from financing activities				
Repayment of short term third party borrowings	-		(33,348)	
Cash (used in) financing activities		-		(33,348)
Net increase in cash in the year		359,298		12,531
Cash and equivalents at beginning of year		545,429		532,898
Cash and equivalents at end of year Note 12		904,727		545,429

1. General Information

The Zurrieq Local Council is the local authority of Malta set up in accordance with the Local Councils Act(1993). The office of the Local Council is situated at Centru tal-Komunita' Joe Cassar, Triq Pietru Pawl Saydon, Zurrieq ZRQ 1030. These financial statements were approved for issue by the Council Members on 17 April 2019. The Local Council's company's presentation as well as functional currency is €.

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 ters of this Act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards.

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

New and revised standards that are effective for the current period

In the current year, the Council has applied IFRS 9 Financial Instruments and the related consequential amendments to other International Financial Reporting Standards that are effective for periods that begin on or after 1 January 2018. IFRS 9 introduced new requirements for the classification and measurement of financial assets and introduced an 'expected credit loss' model for the impairment of financial assets.

There have been no changes to the classification, measurement or impairment of financial assets and liabilities as a result of the application of IFRS 9.

In the current year, the Council has applied IFRS 15 Revenue from Contracts with Customers which is effective for periods that begin on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition.

The application of IFRS 15 has not had an impact on the financial position and financial performance of the Council.

New and revised standards that are issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Local Council.

IAS 1 and IAS 8 Definition of Material include amendments to its definition of material to make it easier for companies to make materiality judgements. Subject to adoption by EU, IAS 1 and IAS 8 Definition of Material, will be effective for financial periods beginning on, or after, 1 January 2020.

Amendments to references to the Conceptual Framework in IFRS standards include some important issues which were not covered or were unclear or out of date. It contain a new chapter on measurement; guidance on reporting financial performance; improved definitions of an asset and a liability and clarifications in important areas. Subject to adopted by EU, it will be effective for financial periods beginning on, or after, 1 January 2020.

Annual improvements to IFRS Standards 2015-2017. Subject to adopted by EU, it will be effective for financial periods beginning on, or after, 1 January 2019.

IFRS 16, 'Leases' introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised, with the exception of short-term and low-value leases. IFRS 16 will supersede the current lease guidance of IAS 17 and the related interpretations. The standard is mandatory for periods commencing on or after 1 January 2019.

The application of IFRS 16 will have no impact on the Council's financial statements.

Impairment of trade and other receivables

Trade and other assets are measured at fair value, with changes in fair value subsequently recognised in profit and loss. The Council applies the simplified approach for all trade receivables and contract assets. Accordingly, the assessment to determine whether there is a significant increase in credit risk is not applicable for such financial assets.

Where the Council does not have reasonable and supportable information that is available without undue cost or effort to measure life time expected credit loss on an individual instrument basis and in order to ensure the life time expected credit losses are recognised before an asset becomes credit-impaired or an actual default occurs, life time expected credit losses on the remaining financial assets are measured on a collective basis. In such instances and where appropriate, the financial instruments are grouped on the basis of shared credit risk characteristics and the life time expected credit losses are estimated using a provision matrix based on actual credit loss experience over past years, which is adjusted to reflect current conditions and the Council's view of economic conditions over the expected lives of the receivables.

Such adjustments are based on factors that are specific to the debtors and economic and industry indicators such as GDP, unemployment rates and/or industry projections, where applicable, unless the effect is considered to be immaterial.

The Council's trade receivables are of a short-term nature as they are based on credit terms of less than one year and, thus, do not include a significant financing component.

For the purpose of the provision matrix, loss rates are calculated using a 'roll rate' method based on the probability a receivable progressing through successive stages of delinquency over a selected period, taking into consideration the applicable credit terms for such debtors and the past due status. Unless the effect is immaterial, for receivables after 360 days, the loss rate was adjusted to take into consideration the proportion of actual recoveries over the selected period.

Impairment of cash and cash equivalents

Cash and cash equivalents are demand deposits, a 1-day probability of default has been applied, based on the respective external ratings of the counterparty banks and an adequate loss given default rate to the carrying amount at the measurement date.

The Council banks with local financial institutions with high quality standing and rating and management consider the probability of default to be close to zero.

Leases

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

Related parties

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

Revenue

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the profit or loss as it accrues.

Local Enforcement System

Up till August 2011, the Council used to manage the the Local Enforcement System in its locality and used to receive all the income generated from the fines. As from 1 September 2011, the Council started to form part of the Southern Region, which took over the management of Local Enforcement System and the Council is receiving a 10 % administration fee on every fine paid at the Council.

Government grants

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

Government grants relating to the purchase of property, plant and equipment are accounted for using the capital approach, and are thus deducted from the carrying amount of the relative non-current asset.

Up to the year ended 31st 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 1st 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.

Profits and losses

Only losses 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 equivalents

Cash and Cash Equivalents are carried in the statement of financial position. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and balances held with banks.

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 substantially all risks and rewards are transferred.

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

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

Financial assets

Trade and other assets are measured at fair value, with changes in fair value subsequently recognised in profit and loss. Details of impairment policies and the calculation of the loss allowance as per above.

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.'

Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the 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 .

Capital management policies

The Council's objectives when managing capital are:

- to safeguard the council's ability to continue as a going concern, so that it can continue to provide services and benefits to its local community

The Council sets the amount of capital in proportion to risk. The Council manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The Council monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt ÷ adjusted capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Adjusted capital comprises of retained earnings.

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

3. Funds received from central government

	2018	2017
	€	Restated €
In terms of section 55 of the Local Council Act	794,581	761,927
Supplementary Government Income	804	13,445
Other Government Income	34,401	31,892
	<u>829,786</u>	<u>807,264</u>

4. Local Enforcement Income

	2018	2017
	€	€
Contraventions & other fines	(303)	-
Income from LES administration fees	7,382	6,265
	<u>7,079</u>	<u>6,265</u>

5. Investment Income

	2018	2017
	€	€
Bank Interest	55	111
	<u>55</u>	<u>111</u>

6. General Income

	2018	2017
	€	€
Community Services	45,665	25,032
General Income	2,641	1,810
Insurance Claims	84	1,607
Income from Permits	27,557	23,037
	<u>75,947</u>	<u>51,486</u>

7. (Loss)/Profit for the year

	2018	2017
	€	€
(Loss)/Profit for the year is stated after charging:		
Staff salaries	132,321	127,563
Depreciation of non-current assets	419,723	149,431
Loss on write off of property plant and equipment	816	-
	<u></u>	<u></u>

Note

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

Personal Emoluments

	2018	2017
	€	€
Mayor's Allowance	12,796	12,618
Councillors' Allowance	9,600	9,600
Executive Secretary Salary and Allowances	36,106	35,717
Employees' Salaries	65,481	61,863
Social Security Contributions	8,338	7,765
	<u>132,321</u>	<u>127,563</u>

8. Operations and Maintenance

	2018	2017
	€	€
<i>Repairs and Upkeep:</i>		
Public Property	6,049	7,517
Road/Street Pavements	77,885	58,912
Signs	5,726	6,438
Road Markings	15,737	4,939
Plant & Equipment	-	971
Other repairs and Upkeep	21,330	16,066
	<u>126,727</u>	<u>94,843</u>
 <i>Contractual Services:</i>		
Refuse Collection	131,776	131,419
Bulky Refuse Collection	13,514	10,779
Road & Street Cleaning	38,264	29,736
Cleaning & Maintenance Non-Urban Roads	-	767
Cleaning - Public Conveniences	8,575	7,236
Cleaning - Council Premises	1,763	158
Cleaning & Maintenance Parks & Gardens	17,640	17,540
Street Lighting	15,554	9,140
Local Enforcement Expenses	184	453
	<u>227,270</u>	<u>207,228</u>
	<u>353,997</u>	<u>302,071</u>

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

9. Administration and other expenditure

	2018	2017
	€	Restated €
Utilities	11,443	12,765
Uniforms	-	1,157
Operating materials & supplies	847	1,868
Sundry materials & supplies	-	8
Rent	2,722	2,667
Participation fees - Int. Mtg	-	215
Participation fee - Nat. Mtg.	617	-
Membership - Local Organisations	925	965
Printing	1,710	-
Stationery	4,171	1,772
Subscriptions	350	377
Postages	770	894
Transport	1,343	1,039
Travel	695	15,964
Information Services	8,582	6,744
Insurance Coverage	5,357	5,342
Bank Charges	439	149
IT Development Services	2,250	5,289
Legal services	582	2,141
Accountancy services	4,284	4,250
Architect fees	3,511	3,048
Other support services	6,333	5,072
Other Hospitality Costs	35,078	2,031
Social Events	46,095	21,119
Community Services	4,736	3,641
Provision for receivables	(465)	(5,346)
Twinning expenses	1,865	-
Loss on write off of property, plant and equipment	816	-
Amortisation and Depreciation	419,723	149,431
	<u>564,779</u>	<u>242,602</u>

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

10. Property, plant and equipment

	Trees	Property	Construction Works	New Street Signs	Urban Improvements	Plant and Machinery	Office Equipment	Office Furniture & fittings	Special Programmes	Assets under construction	Total
	€	€	€	€	€	€	€	€	€	€	€
Cost											
At 1 January 2017	5,879	115,304	435,589	11,615	450,685	4,788	111,476	60,996	2,626,674	5,557	3,828,563
Additions	-	-	17,722	-	37,826	-	7,415	7,848	209,151	9,751	289,713
Reclassifications	-	-	-	-	1,663	-	-	-	-	(1,663)	-
At 31 December 2017	5,879	115,304	453,311	11,615	490,174	4,788	118,891	68,844	2,835,825	13,645	4,118,276
Grants											
At 1 January 2017	-	-	-	-	-	-	-	-	360,281	-	360,281
Government grants prior years	-	-	-	-	-	-	18,469	-	878,025	-	896,494
At 31 December 2017	-	-	-	-	-	-	18,469	-	1,238,306	-	1,256,775
Depreciation and Grants											
At 1 January 2017	-	15,599	330,455	11,615	368,735	3,857	71,723	33,440	850,960	-	1,686,384
Adjusted	-	-	-	-	-	-	(4,966)	-	(269,950)	-	(274,916)
Charge for the year	-	15,599	330,455	11,615	368,735	3,857	66,757	33,440	581,010	-	1,411,468
Adjusted	-	998	11,203	-	28,301	186	8,823	2,535	158,970	-	211,016
At 31 December 2017	-	16,597	341,658	11,615	397,036	4,043	(778)	-	(60,808)	-	(61,586)
Net book values											
At 31 December 2017	5,879	98,707	111,653	-	93,138	745	38,345	32,869	1,465,614	13,645	1,860,595
As adjusted	5,879	98,707	111,653	-	93,138	745	25,620	32,869	918,347	13,645	1,300,603
Difference	-	-	-	-	-	-	(12,725)	-	(547,267)	-	(559,992)

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

Property, plant and equipment

	Trees	Property	Construction Works	New Street Signs	Urban Improvements	Plant and machinery	Office Equipment	Office Furniture & fittings	Special Programmes	Assets under construction	Total
	€	€	€	€	€	€	€	€	€	€	€
Cost											
At 1 January 2018	5,879	115,304	453,311	11,615	490,174	4,788	118,891	68,844	2,835,825	13,645	4,118,276
Additions	1,288	-	-	-	12,602	285	7,407	471	86,964	4,303	113,320
Written off	-	-	-	-	-	-	-	-	-	(816)	(816)
At 31 December 2018	7,167	115,304	453,311	11,615	502,776	5,073	126,298	69,315	2,922,789	17,132	4,230,780
Grants											
At 1 January 2018	-	-	-	-	-	-	18,469	-	1,238,306	-	1,256,775
Grants received	-	-	-	-	-	-	-	-	48,202	-	48,202
Grants returned	-	-	-	-	-	-	-	-	(11,407)	-	(11,407)
At 31 December 2018	-	-	-	-	-	-	18,469	-	1,275,101	-	1,293,570
Depreciation											
At 1 January 2018	-	16,597	341,658	11,615	397,036	4,043	74,802	35,975	679,172	-	1,560,898
Charge for the year	-	1,175	70,506	-	42,144	754	24,501	15,677	264,966	-	419,723
At 31 December 2018	-	17,772	412,164	11,615	439,180	4,797	99,303	51,652	944,138	-	1,980,621
Net book values											
At 31 December 2018	7,167	97,532	41,147	-	63,596	276	8,526	17,663	703,550	17,132	956,589

11. Receivables

		2018	2017
		€	€
Receivables	<i>Note</i>	5,789	1,260
Related party balances		5,271	4,858
Accrued income		4,585	18,807
Financial assets		15,645	24,925
Prepayments		9,845	8,039
		25,490	32,964

Receivables

General receivables are analysed as follows:

	2018	2017
	€	€
Exceeded credit period but not impaired	5,789	1,260
	5,789	1,260

Receivables are stated after a specific provision for doubtful debts amounting to € 670 (2017: € 623).

LES Debtors

LES debtors are stated after a specific provision for doubtful debts amounting to € 298,869 (2017: € 299,381).

The movement in the provision for doubtful debts is as follows:

	2018	2017
	€	€
Balance at 1 January	299,381	304,726
Decrease in provision for LES Debtors	(512)	(5,345)
Balance at 31 December	298,869	299,381

Related party balances

Related party balances are analysed as follows:

	2018	2017
	€	€
Within credit period	14,485	-
Exceeded credit period but not impaired	8,626	4,858
	23,111	4,858

12. Cash and equivalents

	2018	2017
	€	€
Bank Balances	904,188	545,128
Cash in Hand	539	301
Cash and cash equivalent	<u>904,727</u>	<u>545,429</u>

13. Payables

	2018	2017
	€	(Restated)
	€	€
Payables	69,165	16,501
Other payables	25,000	25,000
Accruals	23,720	16,380
Financial Liabilities	<u>117,885</u>	<u>57,881</u>
Deferred income	-	-
Grants not yet utilised	<u>86,036</u>	<u>-</u>
	<u>203,921</u>	<u>57,881</u>

14. Prior year adjustment

As from 1st 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.

In view of this, the financial statements for the year ended 31 December 2017 have been restated to reflect the correction of errors.

	Notes	2017 Originally reported €	Adjustment €	2017 Restated €
Funds received from Central Government	3	(868,849)	61,585	(807,264)
Administration and other expenditure	9	304,187	(61,585)	242,602
Property, plant and equipment	10	1,860,595	(559,992)	1,300,603
Non - current deferred income		(504,587)	504,587	-
Trade and other payables	13	(113,286)	55,405	(57,881)

The effect of the restatement on each financial statement line item affected is summarised below:

	Notes	2017 Originally reported €	Adjustment €	2017 Restated €
Other government income	3	(93,477)	61,585	(31,892)
Depreciation	9	211,016	(61,585)	149,431
Property, plant and equipment	10	1,860,595	(559,992)	1,300,603
Non-current deferred income		(504,587)	504,587	-
Current deferred income	13	(55,405)	55,405	-

15. Capital commitments

Details of capital commitments at the accounting date are as follows:

Approved but not yet contracted for

These could be analysed as follows:

(i) Approved but not yet contracted for:

Construction

Urban Improvements

Office equipment

	2018 €	2017 €
Approved but not yet contracted for	578,737	182,200
These could be analysed as follows:		
<i>(i) Approved but not yet contracted for:</i>		
Construction	475,083	147,200
Urban Improvements	98,654	28,000
Office equipment	5,000	7,000
	<u>578,737</u>	<u>182,200</u>

16. Related party transactions

During the year under review, the Council carried out transactions with the following related parties:

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Government	Significant control
Regional Committee (Local Enforcement)	Joint control
Fgura Joint Committee (Local Enforcement)	Joint control
Local Enforcement System Agency	No control
Gozo Regional Committee	No control
North Regional Committee	No control
South Regional Committee	No control
South Eastern Regional Committee	No control
Central Regional Committee	No control
Public General Head Quarters	No control
Local Councils' Association	No control
Malta Information Technology Agency	No control
Malta Communication Authority	No control
Malta Tourism Authority	No control
Malta Transport Authority	No control
Department of Lands	No control
Department of Inland Revenue	No control
Permanent Secretary - Ministry of Education	No control
Permanent Secretary - Ministry for Family & Social Solidarity	No control
Bank of Valletta plc	No control
Airmalta plc	No control
Jobs plus	No control
Arms Limited	No control
Planning Authority	No control
Environment and Resources Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Cleansing Services Department	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Commissioner for Data Protection	No control

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

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

	2018	2017
	€	€
Annual Financial Allocation	<u>794,581</u>	<u>761,927</u>

Key management compensation

Transactions with key management personnel are disclosed in note 7.

17. Financial Risk Management

The exposure to risk and the way risks arise, together with the Local Council's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below.

The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development.

Where applicable, any significant changes in the Local Council's exposure to financial risks or manner in which the council manages and measures these risks are disclosed below.

Where possible, the Local Council aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of the risk exposure associated with financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

<i>Categories of financial instruments</i>	2018	2017
<i>Financial assets</i>	€	€
<i>Loans and Receivables</i>		
Cash and bank balances	904,727	545,429
Receivables	15,645	24,925
	<u>920,372</u>	<u>570,354</u>
<i>Financial liabilities</i>		
Trade payables and other payables	117,885	57,881
	<u>117,885</u>	<u>57,881</u>

The Council is exposed 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 flows by minimising the exposure to financial risks.

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

Credit risk

The Council applies the simplified approach for all trade receivables and contract assets which uses a lifetime expected allowance. Accordingly, the assessment to determine whether there is a significant increase in credit risk is not applicable for such financial assets.

Where the Council does not have reasonable and supportable information that is available without undue cost or effort to measure life time expected credit loss on an individual instrument basis and in order to ensure the life time expected credit losses are recognised before an asset becomes credit-impaired or an actual default occurs, life time expected credit losses on the remaining financial assets are measured on a collective basis. In such instances and where appropriate, the financial instruments are grouped on the basis of shared credit risk characteristics and the life time expected credit losses are estimated using a provision matrix based on actual credit loss experience over past years, which is adjusted to reflect current conditions and the Council's view of economic conditions over the expected lives of the receivables

Such adjustments are based on factors that are specific to the debtors and economic and industry indicators such as GDP, unemployment rates and/or industry projections, where applicable, unless the effect is considered to be immaterial.

The Council's trade receivables are of a short-term nature as they are based on credit terms of less than one year and, thus, do not include a significant financing component.

For the purpose of the provision matrix, loss rates are calculated using a 'roll rate' method based on the probability a receivable progressing through successive stages of delinquency over a selected period, taking into consideration the applicable credit terms for such debtors and the past due status. Unless the effect is immaterial, for receivables after 360 days, the loss rate was adjusted to take into consideration the proportion of actual recoveries over the selected period.

As at 31 December 2018, trade receivables of € 5,789 were past due but not impaired. The ageing of these past due trade receivables was over 1 month. These mainly related to a number of government entities for whom there is no recent history of default and exposure is very limited. Whilst a number of customers account for a certain percentage of the Council's past due trade debts, management has not identified any major concerns with respect to concentration of credit risk. Categorisation of trade receivables as past due is determined by the Council on the basis of the nature of the credit terms in place and credit arrangements actually utilised in managing exposures with customers. Exposure is immaterial.

Previous accounting policy for impairment of trade and other receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment has been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

The Council considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Cash and cash equivalents

The Council banks only with local financial institutions with high quality standing or rating. At 31 December 2018, cash and cash equivalents are held with counterparties with a credit rating of BBB and are callable on demand. Council consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Council.

Liquidity risk

The Council is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise trade and other payables. Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the Council's obligations.

Management monitors liquidity risk by reviewing expected cash flows and ensures that no additional financing facilities are expected to be required over the coming year. The Council manages its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. At the end of the reporting period, the Local Council's net current asset position amounted to € 726,296 (2017: € 520,512) view of the matching of cash inflows and outflows arising from expected maturities of financial instruments. In this respect management does not consider liquidity risk to the Council as significant taking into account the liquidity management process referred to above.

The following table analyses the Council's financial liabilities into relevant maturity groupings based on the remaining period at 31 December 2018 to the contractual maturity date. The amounts disclosed below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

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

	Current		Non- Current		
	<i>Payable</i>	<i>Payable</i>	<i>Payable</i>	<i>Payable</i>	<i>Total</i>
	<i>within 1 year</i>	<i>withing 1 & 2</i>	<i>within 2 & 5</i>	<i>after more</i>	
		<i>years</i>	<i>years</i>	<i>than 5 years</i>	
31 December 2018	€	€	€	€	€
Payables	69,165	-	-	-	69,165
Other payables	25,000	-	-	-	25,000
Accruals	23,720	-	-	-	23,720
	<u>117,885</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>117,885</u>
31 December 2017					
Payables	16,501	-	-	-	16,501
Other payables	25,000	-	-	-	25,000
Accruals	16,380	-	-	-	16,380
	<u>57,881</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,881</u>

With respect to the maturity of the Council's financial liabilities as at 31 December 2018, the Council disclose that the trade and other payables are entirely repayable within one year from the end of the respective reporting period.

18. 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.