

Ta' Xbiex Local Council

Report and Financial Statements

For the year ended 31 December 2018

Prepared by:

GMM & Associates (Malta) Limited

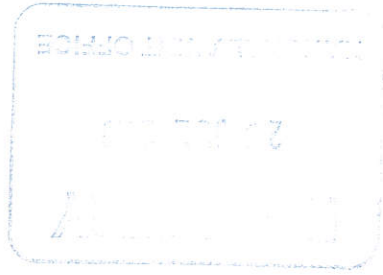


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Statement of Local Council Members' and Executive Secretary's Responsibilities

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

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

This statement was approved by the Council on 29/07/2019 and signed on its behalf by:

Mr. Max Zammit
Mayor

Executive Secretary

Hasmine Tama

Statement of Comprehensive Income For the year ended 31 December 2018

	Note	2018	2017
		Euro	Euro
			Restated *
Income			
Funds received from central government	4	255,915	246,168
Income raised under Local Council Bye-Laws	5	18,480	14,881
Income raised under Local Enforcement System	6	3,368	15,805
General Income	7	1,599	1,741
		<u>279,362</u>	<u>278,595</u>
Expenditure			
Personal emoluments	8	(96,465)	(96,439)
Operations and maintenance	9	(92,733)	(81,513)
Administration and other expenditure	10	(109,556)	(159,152)
Finance Cost	11	(3,207)	(3,456)
		<u>(301,961)</u>	<u>(340,560)</u>
Surplus/(deficit) for the year		<u>(22,599)</u>	<u>(61,965)</u>

* See note 22 for details about restatements for changes in accounting policies.

The above statement of comprehensive income should be read in conjunction with the accompanying notes on pages 8 to 26.

Statement of Financial Position as at 31 December 2018

	Note	2018	2017
		Euro	Euro
			Restated *
Assets			
Non-current Assets	12	316,543	333,243
Property, plant and equipment			
Current Assets			
Receivables	13	17,769	36,219
Cash and cash equivalents	14	207,799	208,970
Total Current Assets		225,568	245,189
Total Assets		542,111	578,432
Reserves and Liabilities			
Capital and Reserves			
Retained Earnings		338,840	361,439
Non-current liabilities			
Long term borrowings	15	80,817	87,719
Deferred Income	17	63,502	63,154
Total Non-Current Liabilities		144,319	150,873
Current Liabilities			
Trade and other payables	16	40,081	59,995
Deferred Income	17	12,518	-
Short-term borrowings	15	6,353	6,125
Total Current Liabilities		58,952	66,120
Total Liabilities		203,271	216,993
Total Equity and Liabilities		542,111	578,432

* See note 23 for details about restatements for changes in accounting policies.

The above statement of financial position should be read in conjunction with the accompanying notes on pages 8 to 26.

The financial statements were presented to and approved by the Council on the 28/10/18 2019 and were signed on its behalf by:

Mr. Max Zammit
Mayor

Yasmine Tama
Executive Secretary

Statement of Changes in Equity For the year ended 31 December 2018

Retained
Earnings
Euro

Changes in equity

Balance as at 1 January 2017	423,404
Deficit for the year	(61,965)
Balance at 31 December 2017	361,439

Balance as at 1 January 2018	361,439
Deficit for the year	(22,599)
Balance at 31 December 2018	338,840

The above statement of changes in equity should be read in conjunction with the accompanying notes on pages 8 to 26.

Statement of Cash Flows For the year ended 31 December 2018

	2018	2017	
	Euro	Euro	Note
		Restated *	
Cash flow from operating activities			
Surplus/(deficit) for the year	(22,599)	(61,965)	
Adjustments for:			
Depreciation	35,376	15,748	
Bad debts written off	-	75,685	
Interest payable	3,207	3,456	
	15,984	32,924	
Movement in payables	407	(3,656)	
Movement in receivables	18,450	(16,156)	
Cash generated from operations	34,841	13,112	
Interest paid	(3,207)	(3,456)	
Net cash generated from operating activities	31,634	9,656	
Cash flows in investing activities			
Purchase of property, plant and equipment	(41,044)	(49,963)	
Net cash used in investing activities	(41,044)	(49,963)	
Cash flows from financing activities			
Payment of long-term borrowings	(6,674)	(5,192)	
Government grants received	14,913	18,751	
Net cash generated from financing activities	8,239	13,559	
Movement in cash and cash equivalents	(1,171)	(26,748)	
Cash and cash equivalents at beginning of year	208,970	235,718	
Cash and cash equivalents at end of year	207,799	208,970	14

* See note 22 for details about restatements for changes in accounting policies.

The above statement of changes in equity should be read in conjunction with the accompanying notes on pages 8 to 26.

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

1. General Information

Ta' Xbiex Local Council is a local government set up by the Local Councils Act, 1993. The office of the council is situated at 18, Highrise Apts, Block A, Triq l-Imrad Ta' Xbiex. The local council's presentation as well as the functional currency are denominated in Euro. The financial statements were authorised for issue by the council on the 22/07 2019.

2. 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 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).

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 reporting standards.

New and revised standards that are effective for annual years beginning on or after 1st January 2018.

A number of new and revised standard are effective for annual years beginning on or after 1st January 2018. Information on these new standards is presented below.

- IFRS 9 in respect of Financial Instruments which will be effective for the accounting years beginning on or after 1 January 2018.
- IFRS 15 in respect of Revenue from contracts with customers which will be effective for the accounting years beginning on or after 1 January 2018.
- IFRS 2 in respect of share-based payments which will be effective for the accounting years beginning on or after 1 January 2018.
- IAS 40 in respect of transfer of investment property which will be effective for the accounting years beginning on or after 1 January 2018.
- IFRIC 22 - Foreign currency transactions and advance consideration (effective for annual reporting periods beginning on or after 1 January 2018)
- Annual Improvements to IFRS Standards 2014-2016 Cycle (effective for annual reporting periods beginning on or after 1 January 2018)

2. Reporting Procedures

.....continued

Impact of initial application of the revised IFRS 9 Financial Instruments

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

Impact of initial application of the revised IFRS 15 Revenue with contracts with customers

The council's revenue mainly consists of government allocation except for Local Enforcement Income, which represents the share of profit derived from the administrative fee of 10% that is chargeable to the respective Regional Committees for contraventions paid at the Council. Consequently, the adoption of IFRS 15 Revenue from Contracts with Customers did not have an impact on the financial statements of the council.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the council.

Up to date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but which are not yet effective for the current reporting year and which the Council has not early adopted, but plans to adopt upon their effective date. The Council is still assessing the effect of these changes on the financial statements. The new and amended standards are as follows:

- IFRS 16 - Leases (effective for annual reporting periods beginning on or after 1 January 2019). This standard introduces a comprehensive model for the identification of lease arrangement 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. At this stage, the Council is still in the process of assessing and evaluating the impact of IFRS 16.
- IFRIC 23 - Uncertainty over Income Tax Treatments (effective for annual reporting periods beginning on or after 1 January 2019)
- IFRS 9 (Amendments) - Prepayment Features with Negative Compensation (effective for annual reporting periods beginning on or after 1 January 2019)
- IFRS 17 - Insurance Contracts (effective for annual reporting periods beginning on or after 1 January 2021)

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

2. Reporting Procedurescontinued

Standards, interpretations and amendments to published standards that are not yet endorsed by the EUcontinued

- IAS 28 (Amendments) - Long-term interests in associates and joint ventures (effective for annual reporting periods beginning on or after 1 January 2019)
- Annual Improvements to IFRS Standards 2015-2017 Cycle (effective for annual reporting periods beginning on or after 1 January 2019)
- IAS 19 (Amendments) - Plan Amendment, Curtailment or Settlement (effective for annual reporting periods beginning on or after 1 January 2019)
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual reporting periods beginning on or after 1 January 2020)
- IFRS 3 (Amendments) - Definition of a Business (effective for annual reporting periods beginning on or after 1 January 2020)
- IAS 1 and IAS 8 (Amendments) - Definition of Material (effective for annual reporting periods beginning on or after 1 January 2020)

The Council is still assessing the effect of these changes on the financial statements

3. Accounting Policies

Income recognition

Income in general is stated when there is reasonable certainty that the income would be receivable and thus can be accrued for. Other income such as that derived from the organisation of courses, cultural, sporting and social activities is only recognised on a cash basis.

During the year ended 31 December 2018 the amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the administrative fee of 10% that is chargeable to the respective Regional Committees for contraventions paid at the Council. However as from 1st October, the Administrative fee will no longer be sent to the Regional Committees but to Local Enforcement System Agency (LESA). This change is not expected to impact the operations of the Local Council.

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

3. Accounting Policies

.....continued

Property, plant and equipment

Freehold land is not depreciated. Furniture and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives. In line with directive 1/2017 the council has adopted the straight-line method of depreciation as from 1 January 2018 instead of the previously used reducing balance method. The estimated useful lives, residual values and depreciation method are renewed at the end of each reporting year, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the statement of comprehensive income.

Tangible fixed assets are stated at cost less accumulated depreciation and grants received for specific projects. Depreciation is calculated on a monthly basis using the reducing balance method at rates estimated to write down the cost of all tangible fixed assets, other than land and trees over their expected useful lives as follows:

Asset Category	Rates in %
Land	0
Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Playground furniture	100

Certain depreciation rates such as those of plants, playground equipment and street lighting had their depreciation rate changed from 10% to 100% in October 2002 by virtue of Legal Notice 323 of 2002. Litter bins and street signs are treated on replacement basis as per memo 121/2011.

Further to the change in the depreciation method as instructed under directive 1 of 2017 the council was also instructed to adopt the capital approach of grants rather than the previously used income approach of grants, where such change is classified as a change in accounting policy as further described in note 22.

3. Accounting Policies

.....continued

Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Council will not be able to collect all amounts receivable.

Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are considered as indicators that the amount to be received is impaired. Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The amount of the provision is recognised in the Statement of Income and Expenditure.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial year of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for the intended use or sale.

All other borrowing costs are recognised in the statement of comprehensive income in the year in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Council will comply with the conditions attaching to them and that the grants will be received.

As described in the property, plant and equipment note above the council was instructed to adopt the capital approach of government grants as opposed to the previously used income approach as per IAS 20. Such change is classified as a change in accounting policy as per IAS 8, which results in the change to be applied retrospectively as a result of which prior year figures were restated. Further information on the effect of this change is found in note 22 Change in Accounting Policy.

Under the capital approach grants received are deducted from the respective assets carrying account it was received for. This is shown as a separate line item in the property, plant and equipment note below.

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3. Accounting Policies

Foreign Currencies

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Local Council operates. These Financial Statements are presented in Euro which is the Council's functional and presentation currency.

Surplus and deficits

Only surpluses that were realised at the date of the Statement of Financial Position are recognised in these Financial Statements. All foreseeable liabilities and potential deficits 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 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.

Related Parties

Related parties are those persons or bodies of persons having relationships with the council as defined in IAS 24. During the year under review, the Local Council's related party that exercises a significant control was the Department for Local Government.

Impairment of Financial Assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Council uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Council's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 19.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years. In the opinion of the council members, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

3. Accounting Policies

.....continued

Capital Management Policies

The council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objectives are to ensure:

- That the Council's ability to continue as a going concern, is still valid and,
- That the Council maintains a positive working capital ratio.

To achieve the above, the Council carries out a quarterly review of the working capital ratio by means of a Financial Situation Indicator. This ratio was positive as at 31/12/2018 and has not had significant changes from the previous reporting year. The council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments towards the locality.

Financial Instruments

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

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

Financial assets

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

Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below. All income and expenses relating to loans and receivables are presented within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administration and other expenditure'.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The council's other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

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

3. Accounting Policiescontinued

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'.

	2018	2017
4. Funds received from central government		
In terms of section 55 of the Local Councils Act (Cap 363)	229,889	220,852
Supplementary Government Income	3,515	4,409
Other Income	22,511	20,907
	<u>255,915</u>	<u>246,168</u>
		Restated *

* See note 24 for details about restatements for changes in accounting policies.

	2018	2017
5. Income raised from Bye-Laws		
Income raised under Local Council Bye-Laws	18,480	14,881

	2018	2017
6. Local Enforcement Income		
LESA surplus distribution	-	11,588
Pre-Regional Committees	160	364
Post Regional Committees	3,208	3,853
	<u>3,368</u>	<u>15,805</u>

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

.....continued

	2018	2017
7. General Income		
Donations and sponsorships	860	881
Other Income	1,599	1,741
	<u>1,599</u>	<u>1,741</u>
8. Personal Emoluments		
Mayor's allowance	7,463	7,345
Executive Secretary salary	24,075	29,017
Employees' salaries	53,365	48,165
Allowances	6,400	6,400
Social Security Contributions	5,162	5,512
	<u>96,465</u>	<u>96,439</u>
9. Operations and Maintenance		
Repairs and upkeep:		
Road and street pavements (Patching works)	1,337	1,396
Street signs	3,339	1,670
Road markings	1,199	679
	<u>5,875</u>	<u>3,745</u>
Contractual Services:		
Refuse collection (including bins on wheels)	58,223	53,462
Bulky refuse collection (including open skips)	5,249	4,733
Road and Street Cleaning (mechanical and manual)	15,674	12,677
Cleaning and Maintenance of Parks and Gardens	7,712	6,896
	<u>86,858</u>	<u>77,768</u>
	<u>92,733</u>	<u>81,513</u>

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

.....continued

10. Administration and other expenditure		2018	2017
		Euro	Euro
	Training	-	480
	Utilities	8,379	5,330
	Other repairs and upkeep	14,130	11,453
	National and International Memberships and	3,411	720
	Participation expenses	4,351	3,765
	Office Services	224	999
	Transport	1,196	1,915
	Information Services	4,806	3,043
	Other contractual services	10,385	8,340
	Professional services	1,143	1,491
	Community and hospitality	8,159	9,109
	Cultural events	1,215	558
	Twinning Events	750	-
	Community Service	833	6,298
	Travel	-	250
	Local Enforcement Expenses	35,376	20,713
	Depreciation	-	75,685
	Bad debts	132	255
	Bank Charges	109,556	159,152
		3,207	3,456
11. Finance Costs		2018	2017
		Euro	Euro
	Interest on Bank Loan	3,207	3,456

* See note 22 for details about restatements for changes in accounting policies.

Ta`Xbiex Local Council

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

.....continued

12. Property, Plant and Equipment

	Property	Office Furniture	Office Equipment	Computer Equipment	Plant & Machinery	New Street Signs	Urban Improvements	Construction	Special Programs	Motor Vehicle	Asset Under Construction	Total
	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
Cost												
As at 1 January 2018	165,125	34,732	8,079	13,311	12,178	26,613	11,516	343,554	299,631	12,000	24,035	950,774
Reclassification of asset under construction	-	-	-	-	-	-	-	22,936	-	-	(22,936)	-
Additions	-	-	-	-	-	-	704	15,431	-	-	4,588	20,723
As at 31 December 2018	165,125	34,732	8,079	13,311	12,178	26,613	12,220	381,921	299,631	12,000	5,687	971,497
Grants and Other Reimbursements												
As at 1 Jan 2018	-	4,278	3,887	1,356	-	-	-	244,477	181,565	12,000	-	447,563
Additions	-	-	-	-	-	-	-	2,047	-	-	-	2,047
As at 31 December 2018	-	4,278	3,887	1,356	-	-	-	246,524	181,565	12,000	-	449,610
Depreciation												
As at 1 January 2018	22,772	16,442	4,192	9,362	9,224	26,613	5,151	25,238	50,974	-	-	169,968
Charge for the year	1,650	2,272	-	2,593	2,363	-	1,192	13,466	11,840	-	-	35,376
As at 31 December 2018	24,422	18,714	4,192	11,955	11,587	26,613	6,343	38,704	62,814	-	-	205,344
Net Book Value												
As at 31 December 2018	140,703	11,740	-	-	59	-	5,877	96,693	55,252	-	5,687	316,543

Ta` Xbiex Local Council

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

12. Property, Plant and Equipment – Restated *

.....continued

Cost	Property	Office Furniture	Office Equipment	Computer Equipment	Plant & Machinery	New Street Signs	Urban Improvements	Construction	Special Programs	Motor Vehicle	Asset Under Construction	Total
	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
As at 1 January 2017	165,125	34,179	8,079	13,311	12,178	26,613	11,190	298,085	299,631	12,000	-	880,391
Additions	-	553	-	-	-	-	326	45,469	-	-	24,035	70,383
As at 31 December 2017	165,125	34,732	8,079	13,311	12,178	26,613	11,516	343,554	299,631	12,000	24,035	950,774
Grants and Other Reimbursements	-	-	-	1,356	-	-	-	-	151,055	-	-	152,411
As at 1 Jan 2017	-	4,278	3,887	-	-	-	-	244,477	30,510	12,000	-	295,152
Additions - Adoption of the Capital Approach	-	4,278	3,887	1,356	-	-	-	244,477	181,565	12,000	-	447,563
As at 31 December 2017	-	4,278	3,887	1,356	-	-	-	244,477	181,565	12,000	-	447,563
Depreciation												
As at 1 January 2017	21,341	15,855	5,702	8,616	8,564	26,613	4,510	46,163	66,463	3,961	-	207,788
Adoption of capital approach	-	(504)	(1,476)	-	-	-	-	(30,011)	(22,577)	(3,965)	-	(58,533)
Charge for the year	1,431	1,091	(34)	746	660	-	641	9,086	7,088	4	-	20,713
As at 31 December 2017	22,772	16,442	4,192	9,362	9,224	26,613	5,151	25,328	50,974	-	-	169,968
Net Book Value												
As at 31 December 2017	142,353	14,012	-	2,593	2,954	-	6,365	73,839	67,092	-	24,035	333,243

* See note 22 for details about restatements for changes in accounting policies.

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

.....continued

13. Receivables	
2018	2017
Euro	Euro
7,742	11,766
1,495	3,699
8,532	20,754
17,769	36,219
2138	8,376
5,604	3,390
7,742	11,766

Receivables
Prepayments
Accrued Income

14. Cash and Equivalents

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

Bank balances:	
2018	2017
Euro	Euro
207,634	208,898
165	72
207,799	208,970

Bank balances:
Bank balances:
Ordinary funds
Cash in Hand

15. Borrowings

The long-term borrowings consist of a business loan, endorsed from the government of Malta, through the Ministry of Finance. The loan interest is charged at the rate of 3.35% (2017: 3.35%) (see note 11) and is secured by a hypothec on the council premises. Loan is also secured by a pledge on the all-risk policy of the council on the building and contents. Loan repayable with monthly instalments of Eur 7,64.62 over a period of 30 years ending in 2032.

15. Borrowings	
2018	2017
Euro	Euro
6,353	6,125
6,568	6,334
21,076	20,323
53,173	61,062
80,817	87,719
87,170	93,844

Amounts falling due within one year
Amounts falling due between 1 and 2 years
Amounts falling due between 2 and 5 years
Amounts falling due after 5 years

Long-term borrowings

Total Borrowings

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

.....continued

16. Payables		17. Deferred Income	
2018	2017	2018	2017
Euro	Euro	Euro	Euro
27,623	27,623	63,154	285,987
2,378	2,359	14,913	18,751
19,193	30,013	78,067	304,738
950	-	-	(4,965)
40,081	59,995	(2,047)	(236,619)
17,560	17,560	76,020	63,154
2,378	2,359	-	-
19,193	30,013	12,518	-
950	-	63,502	63,154
40,081	59,995	63,502	63,154
Payables		Deferred Income as at 1 January	
FS5 and NI due		Increase in year	
Accruals		Amount released to the Statement of Comprehensive	
Other deferred income		Income	
22			
Adoption of the Capital Approach as per IAS20 – Refer to Note			
Deferred Income as at 31 December			
Short - Term Deferred Income		Deferred Income as at 31 December	
Long - Term Deferred Income		Non-Current Deferred Income matures as follows:	
Analysis of Non-Current Deferred Income			
1 - 2 years			

* See note 22 for details about restatements for changes in accounting policies.

18. Post Balance Sheet events

There were no particular important events affecting the operation of the council since the end of the accounting year.

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

.....continued

19. Financial Risk Management

Financial assets include equity, other receivables and cash held at bank and in hand. Financial liabilities include other payables and long-term borrowings.

Financial risk management

The Council is exposed to a variety of financial risks: market risk, credit risk and liquidity risk. The Council's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance. The Council adopts an overall risk management to maintain and control its exposures.

Market risk

!) Cash flow and fair value interest rate risk
As the Council has no interest-bearing assets, the Council's income and operating cash flows are independent of charges in market interest rates. Although the Council has borrowings issued at fixed rates, the exposure to fair value interest rate risk is limited and ultimately endorsed by Central Government.

!!! Credit Risk

Credit risk on amounts receivable is limited through the systematic monitoring of outstanding balances and the presentation of debtors net of allowances for doubtful debts, where applicable. Cash is placed with reputable banks.

Credit risk arises ever increasing variances between the main council's income, that provided by Central Government, and the cost of its outsourced services which are mostly exposed to commodity risks. Furthermore the huge reduction of other revenue from LES and Permits could well expose the Council even more to credit issues unless this shortfall is recovered from other sources.

The maximum exposure to credit risk at the reporting date in respect of the financial assets mentioned above is disclosed in the respective notes to the financial statements.

	2018	2017
	Euro	Euro
Classes of Financial Assets – Carrying amounts		
Trade and Other Receivables	8,532	20,754
Accrued Income	207,799	208,970
Cash and Cash Equivalents	224,073	241,490
	7,742	11,766

!!!! Fair Values

As at 31 December 2018, the carrying amounts of financial assets and liabilities were not materially different from the carrying amounts.

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

.....continued

19. Financial Risk Management

iv) Liquidity risk

The council monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve-month year and ensures that no additional financing facilities are expected to be required over the coming year.

At 31 December, the council's financial liabilities have contractual maturities summarised below:

	Current	1 to 5 years	Non-Current Later than 5 Years
Creditors	17,560	-	-
Accruals and Other Payables	21,571	-	-
Borrowings	6,353	27,644	53,173
	45,484	27,644	53,173

31 December 2018

This compares to the maturity of the council's financial liabilities in the previous reporting year as follows:

	Current	1 to 5 years	Non-Current Later than 5 Years
Creditors	27,623	-	-
Accruals and Other Payables	32,372	-	-
Borrowings	6,125	26,657	61,062
	66,120	26,657	61,062

31 December 2017

Summary of Financial Assets and liabilities

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

	2018	2017
Current Assets		
Receivables	7,742	11,766
Trade and Other Receivables	8,532	20,754
Accrued Income	207,799	208,970
Cash and Cash Equivalents	224,073	241,490

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

.....continued

19. Financial Risk Management

	2018	2017
Non-Current Liabilities		
Financial Liabilities measured at amortised cost	80,817	87,719
Borrowings		
Current Liabilities		
Financial Liabilities measured at historic cost	17,560	27,623
Payables		
Accruals and Other Payables	21,571	32,372
Borrowings	6,353	6,125
	<u>45,484</u>	<u>66,120</u>
	<u>126,301</u>	<u>153,839</u>

As at year end the Council has as cash and cash equivalents the amount of €207,799 (2017: €208,970). The council also maintains a positive Working Capital of €170,366 (2017: €179,069 ensuring that adequate funds are available to cover present liabilities as well as short term obligations and commitments arising.

20. Capital commitments

The council approved the following Capital Commitments, but these have not been provided for within the Financial Statements as at 31 December 2018.

Authorised by the Local Council but not yet contracted:

	2018	2017
Embellishment of urban and open areas	Euro 93,500	Euro 103,169

The Council has approved that €(93,500) will be spent in 2019 to improve & embellishment of urban and open areas throughout Ta' Xbiex. Capital projects will be financed through the Planning Authority's Urban Improvement Funds.

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

.....continued

21. Related Party Transactions

All the Authorities set up by Central Government and all the entities which are owned by Central Government are considered to be related parties to the Xbiex Local Council.

Ta' Xbiex Local Council has the following related Parties Exercising:

- I. Significant Control – as per Local Councils Act 1993, Department for Local Government is the major and ultimate controlling related party.
- II. Joint control – North Joint Committee for Local enforcement, North Regional Committee
- III. No Control– ARMS, WasteServ and MITTS.

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

	2018	2017
	Euro	Euro
Annual Financial Allocation	228,657	220,852
LES	3,208	3,853
Key Management Personnel Remuneration		
Executive Secretary	25,579	31,297
Mayor Honoria	7,463	7,345
Mayor and Councillors Allowance	6,400	6,400
	39,442	45,042

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

.....continued

22. Change in Accounting Policies

This note explains the impact of the adoption of the capital approach of government grants as per directive 1/2017.

22. (a) Impact on the Financial Statements

As from 1 January 2018 the council was instructed by the department of local government (directive 1/2017) to adopt the capital approach of government grants as opposed to the previously used income approach as per IAS 20. As a result of the change in this accounting policy in-line with IAS 8 prior year financial statements had to be restated.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. This change did not have an impact on the retained earnings of the council.

Balance sheet (extract)	31/12/2017 Euro as originally presented	Adoption of capital approach Euro	31/12/2017 Euro Restated
Non-current Assets			
Property, plant and equipment	549,655	(216,412)	333,243
Total Assets	794,844	(216,412)	578,432
Total Equity	361,439	-	361,439
Non-current liabilities			
Deferred income	258,206	(195,052)	63,154
Current liabilities			
Deferred income	21,360	(21,360)	-
Total Equity and Liabilities	794,844	(216,412)	578,432
Statement of comprehensive income (extract) 2017			
Income			
Funds received from central government	266,375	(20,207)	246,168
Expenditure			
Administration and other expenditure	(179,359)	20,207	(159,152)
Deficit for the year	(61,965)	-	(61,965)

Financial statements for the year ended 31 December 2018

Report of the Local Government auditor to the Auditor General

Report on the Audit of the Financial Statements

Qualified opinion

We have audited the accompanying financial statements of Ta' Xbiex Local Council which comprise the statement of financial position as at 31 December 2018, 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 notes.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of Ta' Xbiex Local Council as of 31 December 2018 and of the results of its operations, changes in net assets/equity and its cash flows for the period then ended in accordance with the accounting policies set out on pages 8 to 14.

These financial statements comply in all material respect with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 and because of the matter set out in paragraphs 1 and 2 below, these financial do not comply with the requirements of International Financial Reporting Standards as adopted by the E.U.

Basis for Qualified Opinion

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

1. As from 30 September 2002, all income and expenditure from the Local Enforcement System (LES) were centralised through the Group H Joint Committee and LES debtors at that date were transferred to the Joint Committee as well. The Group H Joint Committee ceased operations on 31 August 2011 and LES was centralised through the Central Regional Committee as from 1 September 2011. The Council has reported income of EUR160 from LES in the current year. We were unable to determine the amount of any income the Council is entitled to receive from Group H Joint Committee since its audited financial statements were not made available to us.

Financial statements for the year ended 31 December 2018

Report of the Local Government auditor to the Auditor General (continued)

Basis for Qualified Opinion (continued)

2. As required by Directive 1/2017 and as disclosed in note 22, the Council adopted the IAS 20 capital approach treatment for recognition and disclosure of grants. The change was applied retrospectively in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. Although the Council disclosed the impact of this change in note 22, it did not disclose the impact on the Statement of Cash Flows.

Other Information

The Councilors and the Executive Secretary are responsible for the other information. The other information comprises the Statement of Local Council Members' and Executive Secretary's Responsibility. Our opinion on the financial statements does not cover this information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of the Local Council Members' and Executive Secretary

The Councilors and the Executive Secretary are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS as adopted by the E.U. and for such internal control as the Councilors and Executive Secretary 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 Councilors and the Executive Secretary are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Councilors and the Executive Secretary has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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.

Financial statements for the year ended 31 December 2018

Report of the Local Government auditor to the Auditor General (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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 Council's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Councilors and the Executive Secretary.

- Conclude on the appropriateness of the Councilors and the Executive Secretary 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 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 auditor's 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 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 Councilors and the Executive Secretary 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 on Other Legal and Regulatory Requirements

The Local Council (Financial) Procedures, 1996, require that the financial statements should be prepared in accordance with the International Financial Reporting Standards as adopted by the E.U. and the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996. In view of the matters set out under the Basis for Qualified Opinion section of this report, these financial statements have not been prepared in line with these requirements.

This copy of the audit report has been signed by Ernestino Riolo (Partner) for and on behalf of

Mazars Malta
 Certified Public Accountants
 Attard,
 Malta
 22 July 2019