

GHAXAQ LOCAL COUNCIL

**Annual Report and
Financial Statements**

For the year ended 31 December 2017

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On behalf of Parker Randall Turner
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ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2017

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Financial Statements for the year ended 31 December 2017

Statement of Council Members' and Executive Secretary's Responsibilities

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Council's Statement of Comprehensive Income for the year and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the 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 Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, and the Local Councils (Financial) Procedures issued in terms of the said Act.

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

Approved by the Council and signed on its behalf on the 25 April 2018 by:

Darren Abela
Mayor

Fiona Said
Executive Secretary

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 €	2016 €
Assets			
Non-current assets			
Property, plant and equipment	3	700,822	765,747
Current Assets			
Receivables	4	131,132	97,118
Cash at bank and in hand	5	217,219	154,070
		<u>348,351</u>	<u>251,188</u>
Total Assets		<u>1,049,173</u>	<u>1,016,935</u>
Reserves and liabilities			
Reserves			
Retained earnings		692,889	627,872
Non-current liabilities			
Deferred income	6	165,054	185,084
Non-current payables	7	70,970	104,665
		<u>236,024</u>	<u>289,749</u>
Current liabilities			
Trade and other payables	7	108,178	92,322
Short-term borrowings	8	12,082	6,992
		<u>120,260</u>	<u>99,314</u>
Total reserves and liabilities		<u>1,049,173</u>	<u>1,016,935</u>

The notes on pages 8 to 24 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on 25 April 2018 and signed on its behalf by:

Darren Abela
Mayor

Fiona Said
Executive Secretary

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 €	2016 €
Income			
Funds received from central government	9	410,177	356,346
Funds raised under Local Enforcement System	10	8,102	7,402
Investment income	11	55	60
General income	12	12,391	8,393
		<u>430,725</u>	<u>372,201</u>
Expenditure			
Personal emoluments	13	(90,214)	(93,653)
Operations and maintenance	14	(131,457)	(122,442)
Administration and other expenditure	15	(144,037)	(144,063)
		<u>(365,708)</u>	<u>(360,158)</u>
Surplus for the year		65,017	12,043
Total Comprehensive Income		<u>65,017</u>	<u>12,043</u>

The notes on pages 8 to 24 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Retained earnings	Total earnings
	€	€
At 1 January 2016	615,829	615,829
Surplus for the year	12,043	12,043
Other comprehensive income	-	-
Total comprehensive income	<u>12,043</u>	<u>12,043</u>
At 31 December 2016	<u>627,872</u>	<u>627,872</u>
At 1 January 2017	627,872	627,872
Surplus for the year	65,017	65,017
Other comprehensive income	-	-
Total comprehensive income	<u>65,017</u>	<u>65,017</u>
At 31 December 2017	<u>692,889</u>	<u>692,889</u>

The notes on pages 8 to 24 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 €	2016 €
Cash Flows from Operating Activities			
Surplus for the year		65,017	12,043
Adjustments for:			
Depreciation		73,624	78,929
Investment income		(55)	(60)
Deferred income released		(20,423)	(20,890)
Bad debts written off		-	31,539
		<hr/>	<hr/>
Operating profit before working capital changes		118,163	101,561
(Increase) in receivables		(34,014)	(34,847)
(Decrease) in payables		(17,446)	(76,340)
		<hr/>	<hr/>
Net Cash generated from/ (used in) operating Activities		66,703	(9,626)
		<hr/>	<hr/>
Cash flows from Investing Activities			
Purchase of property, plant and equipment		(8,699)	(37,808)
Investment Income		55	60
		<hr/>	<hr/>
Net Cash used in Investing Activities		(8,644)	(37,748)
		<hr/>	<hr/>
Net movement in Cash and Cash Equivalents		58,059	(47,374)
		<hr/>	<hr/>
Cash and cash equivalents at the beginning of year		147,078	194,452
		<hr/>	<hr/>
Cash at bank and in hand	5	217,219	154,070
		<hr/>	<hr/>
Overdrawn bank balances	8	(12,082)	(6,992)
		<hr/>	<hr/>
Cash and cash equivalents at the end of year		<u>205,137</u>	<u>147,078</u>

The notes on pages 8 to 24 are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. General Information

Ghaxaq Local Council is the local authority of Ghaxaq setup in accordance with the Local Councils Act. The office of the Local Council is situated at 15, Vjal il-Labour, Ghaxaq GXQ 1831, Malta.

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.

(a) 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).

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

(b) Standards, amendments and interpretations to existing standards

The new and revised standards that became effective for annual periods beginning on or after 1 January 2017 made several minor amendments to a number of IFRSs. None of the changes to IFRSs and interpretations has had, or is expected to have, a material impact on the council's financial statements.

New and amended standards

Information on new standards, amendments and interpretations that are relevant to the Council's financial statements is provided below. Certain other new standards and interpretations not listed below have been issued but are not relevant and therefore are not expected to have any impact on the Council's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

(b) Standards, amendments and interpretations to existing standards - continued

For financial liabilities, the standard retains most of the IAS 39 requirements. The Council is yet to address the full impact of IFRS 9 and intends to adopt IFRS 9 subject to endorsement by the EU, no later than the accounting period beginning on or after 1 January 2018.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and established principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS18 "Revenue: and IAS11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted, subject to endorsement by the EU. The Council is assessing the impact of IFRS 15.

The Councillors and Executive Secretary are assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Council anticipates that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

(c) Revenue recognition

Revenue is recognised when the amount of revenue and the associated costs can be measured reliably. Interest income is recognised in the statement of comprehensive income as it accrues.

(d) Local Enforcement System

During 2017, the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is chargeable to the LESA and various Regional Committees for contraventions paid at the Council.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

(e) Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss to date. Depreciation is calculated on a monthly basis using the reducing balance method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

	%
Land	0
Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	20
Plant and Machinery	20
Computer Equipment	25
Motor Vehicles	11
Plants	100
Litter Bins	replacement basis
Playing Field Equipment	100
New Street Signs	replacement basis
Street Mirrors	replacement basis
Street Lights	100

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

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Local Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

(f) Government Grants

Government grants are accounted for on the Income Approach according to IAS 20. They are accounted for on a systematic basis in the Statement of Comprehensive Income over the years necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related cost, then the grant is accounted for when it becomes receivable.

(g) Impairment of Assets

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

(h) Amounts Receivable

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amounts of the asset in the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

(i) 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.

(j) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

(k) Cash and Cash Equivalents

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

(l) Related parties

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

(m) Payables

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

Amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the council.

(n) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

(n) Financial Instruments – continued

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.

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'.

(o) Critical accounting estimates and judgements

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

In the opinion of the council 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).

GHAXAQ LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

3. PROPERTY, PLANT AND EQUIPMENT

	Property €	Office Furniture & Fittings €	Plant & Mach. €	Computer Equipment €	Office Equipment €	Urban Improv. €	Motor Vehicle €	New Street Signs €	Construction €	Special Prog. €	Total €
Cost											
At 1 Jan 2017	24,701	23,832	18,089	27,151	26,645	49,265	-	14,884	1,433,960	233,433	1,851,960
Additions	-	499	-	-	-	-	8,200	-	-	-	8,699
At 31 Dec 2017	24,701	24,331	18,089	27,151	26,645	49,265	8,200	14,884	1,433,960	233,433	1,860,659
Grants and other reimbursements											
At 1 Jan 2017	-	-	-	2,637	-	-	-	-	9,548	232,912	245,097
Additions	-	-	-	-	-	-	-	-	-	-	-
At 31 Dec 2017	-	-	-	2,637	-	-	-	-	9,548	232,912	245,097
Depreciation											
At 1 Jan 2017	2,911	15,711	13,948	16,998	23,488	38,896	-	14,884	713,905	375	841,116
Charge for the year	217	598	756	1,678	577	991	910	-	67,883	14	73,624
At 31 Dec 2017	3,128	16,309	14,704	18,676	24,065	39,887	910	14,884	781,788	389	914,740
Net Book Value											
At 31 Dec 2017	21,573	8,022	3,385	5,838	2,580	9,378	7,290	-	642,624	132	700,822

GHAXAQ LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

3. PROPERTY, PLANT AND EQUIPMENT – Continued

	Property €	Office Furniture & Fittings €	Plant & Mach. €	Computer Equipment €	Office Equipment €	Urban Improv. €	New Street Signs €	Construction €	Special Prog. €	Total €
Cost										
At 1 Jan 2016	24,701	22,682	17,799	26,571	26,645	49,265	14,884	1,398,172	233,433	1,814,152
Additions	-	1,150	290	580	-	-	-	35,788	-	37,808
At 31 Dec 2016	24,701	23,832	18,089	27,151	26,645	49,265	14,884	1,433,960	233,433	1,851,960
Grants and other reimbursements										
At 1 Jan 2016	-	-	-	2,637	-	-	-	9,548	232,912	245,097
Additions	-	-	-	-	-	-	-	-	-	-
At 31 Dec 2016	-	-	-	2,637	-	-	-	9,548	232,912	245,097
Depreciation										
At 1 Jan 2016	2,692	15,076	13,022	14,838	22,782	37,801	14,884	640,732	360	762,187
Charge for the year	219	635	926	2,160	706	1,095	-	73,173	15	78,929
At 31 Dec 2016	2,911	15,711	13,948	16,998	23,488	38,896	14,884	713,905	375	841,116
Net Book Value										
At 31 Dec 2016	21,790	8,121	4,141	7,516	3,157	10,369	-	710,507	146	765,747

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

4 Receivables	2017	2016
	€	€
Accounts receivable	7,595	1,484
Prepayments and accrued income	105,591	92,098
Supplier debit balances	15,577	1,167
Other receivables	2,369	2,369
	<u>131,132</u>	<u>97,118</u>
	2017	2016
	€	€
Receivables		
Within the current period	131,132	97,118
	<u>131,132</u>	<u>97,118</u>

5 Cash at bank and in hand

Cash at bank and in hand included in the statement of cash flow comprise the following amounts in the Local Council statement of financial position:

	2017	2016
	€	€
Bank Balances:		
Current account	48,953	48,953
Savings account	168,051	104,890
Cash in hand	215	227
Cash at bank and in hand	<u>217,219</u>	<u>154,070</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

	2017	2016
	€	€
6 Deferred Income		
Between one and two years	16,407	16,731
Between two and five years	39,825	40,494
Over five years	108,822	127,859
	<u>165,054</u>	<u>185,084</u>
	2017	2016
	€	€
Opening balance	203,775	206,536
Increase in period	-	18,129
Release of grants	(20,423)	(20,890)
	<u>183,352</u>	<u>203,775</u>
Closing balance	183,352	203,775
Less: Current portion	(18,298)	(18,691)
	<u>165,054</u>	<u>185,084</u>
Non-current portion	<u>165,054</u>	<u>185,084</u>
	2017	2016
	€	€
7 Payables		
Accounts payable	74,803	48,791
Accruals	15,077	24,840
Deferred income within one year	18,298	18,691
	<u>108,178</u>	<u>92,322</u>
	2017	2016
	€	€
Non-current payables		
Other payable – Private Partnership Agreement	<u>70,970</u>	<u>104,665</u>
Between one and two years	22,459	22,459
Between two and five years	48,511	56,536
Over five years	-	25,670
	<u>70,970</u>	<u>104,665</u>
Closing balance	<u>70,970</u>	<u>104,665</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

8 Short-term borrowings	2017	2016
	€	€
Overdrawn bank balances	12,082	6,992
	<u>12,082</u>	<u>6,992</u>
9 Funds received from central government	2017	2016
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	339,867	319,592
Other government income	70,310	36,754
	<u>410,177</u>	<u>356,346</u>
10 Income raised from Local Enforcement System	2017	2016
	€	€
LES Administration fees	8,102	7,402
	<u>8,102</u>	<u>7,402</u>
11 Investment income	2017	2016
	€	€
Bank interest receivable	55	60
	<u>55</u>	<u>60</u>
12 General income	2017	2016
	€	€
Income from permits	9,916	8,283
General income	1,000	110
Reimbursements of expenses	1,475	-
	<u>12,391</u>	<u>8,393</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

13 Personal emoluments	2017	2016
	€	€
Personal emoluments include:		
Mayor's allowance	7,345	7,229
Mayor and councillors' allowance	6,400	6,400
Executive secretary salary and allowances	29,776	29,496
Employees' salaries	40,642	44,263
Social security contributions	6,051	6,265
Total	90,214	93,653
14 Operations and maintenance	2017	2016
	€	€
Operations and maintenance includes:		
Repairs and Upkeep:		
Road patching	6,048	2,056
Road markings	2,172	684
Street signs	2,900	712
Other repairs and upkeep	2,394	1,414
Total	13,514	4,866
Contractual services:	2017	2016
	€	€
Refuse collection	40,948	34,661
Bulky refuse collection	5,943	9,473
Road and street cleaning (mechanical and manual)	23,715	27,898
Waste disposal	33,369	30,751
Hire of bins on wheels	-	100
Cleaning and maintenance of public conveniences	800	4,400
Cleaning and maintenance of parks and gardens	1,580	892
Cleaning and maintenance of council premises	-	319
Street lighting	9,676	8,669
Other contractual services	1,912	413
	117,943	117,576
Total operations and maintenance expenses	131,457	122,442

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

15 Administration and other expenditure	2017	2016
	€	€
Utilities	7,366	8,056
Materials and supplies	13,594	13,549
Office services	4,068	5,577
Rent	1,370	770
Transport	807	1,326
Information services	4,244	3,650
Professional services	26,025	9,424
Community and hospitality	11,680	17,926
National meetings / memberships	858	1,873
Les expenditure	401	2,983
Movement in bad debts provision	-	(31,539)
Bad debts	-	31,539
Depreciation	73,624	78,929
	<u>144,037</u>	<u>144,063</u>

16 Related parties disclosures

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

Name of entity	Nature of relationship
Department of Local Councils	Significant control
Regional Committees	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control

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

	2017	2016
	€	€
Significant control		
Revenue:		
Annual financial allocation	<u>339,867</u>	<u>319,592</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

16 Related parties disclosures – continued

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

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

17 Capital commitments

The Local Council does not have any capital commitments as at 31 December 2017. The projects that the company intends to carry out are the projects already started under the Private Partnership Agreement. These projects have been already accounted for. The balance due on Private Partnership Agreement is disclosed in note 7 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

18 Risk management objectives and policies

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

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

18.1 Credit risk

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

	2017	2016
	€	€
Class of financial assets – carrying amounts		
Trade and other receivables	131,132	97,118
Cash at bank and in hand	217,219	154,070
	<u>348,351</u>	<u>251,188</u>

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

The Council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See notes 4 and 5 for further information on impairment or financial assets that are past due.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

18 Risk management objectives and policies - continued

18.2 Liquidity risk

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

The Council manage its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. The council's liquidity is deemed to be sufficient in view of an excess of financial assets.

	2017	2016
	€	€
Payables	108,178	92,322

18.3 Interest rate risk

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 5), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

18.4 Summary of the financial assets and liabilities by category

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

Current assets	2017	2016
	€	€
Loans and receivables:		
Trade and other receivables	131,132	97,118
Cash at bank and in hand	217,219	154,070
	<u>348,351</u>	<u>251,188</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

18 Risk management objectives and policies - continued

Current liabilities	2017	2016
	€	€
Financial liabilities measured at amortised costs:		
Payables	108,178	92,322

18.5 Capital risk management

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 a service to the residents of the Local Council by maintaining an optimal capital structure to reduce cost of capital.

The Council's equity, as disclosed in the statement of financial position, constitutes its capital. The Council's capital structure is monitored by the Executive Secretary and the Council with appropriate reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Council's activities, the capital level as at the end of the reporting period is deemed adequate by the Council.

19 Fair value estimation

At 31 December 2017 and 31 December 2016, the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

REPORT OF THE LOCAL GOVERNMENT AUDITORS' ON THE GHAXAQ LOCAL COUNCIL TO THE DIRECTOR OF AUDIT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ghaxaq Local Council, which comprise the Statement of Financial Position as at 31 December 2017, and the statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows statement for the period 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 Ghaxaq Local Council as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the 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

REPORT OF THE LOCAL GOVERNMENT AUDITORS' ON THE GHAXAQ LOCAL COUNCIL TO THE DIRECTOR OF AUDIT - continued

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.

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.

REPORT OF THE LOCAL GOVERNMENT AUDITORS' ON THE GHAXAQ LOCAL COUNCIL TO THE DIRECTOR OF AUDIT – continued

- 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

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Malta

Date: 25th April 2018