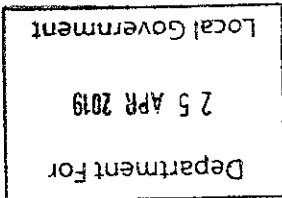
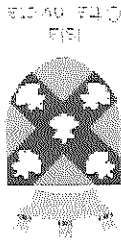


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Prepared by Romina Perici Ferrante B. Com, B.A. Hons (Mgt), F.I.A., C.P.A.  
Certified Public Accountant  
15, Trig San Gwann,  
Mosta MST 3603

**ISLA LOCAL COUNCIL  
REPORT AND FINANCIAL STATEMENTS  
For the year ended 31 December 2018**



LG0104/1994/29/III - M.B.

**ISLA LOCAL COUNCIL  
REPORT AND FINANCIAL STATEMENTS  
For the year ended 31 December 2018**

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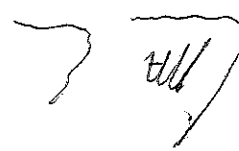


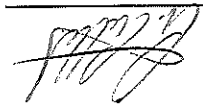
**ISLA LOCAL COUNCIL  
STATEMENT OF LOCAL COUNCIL MEMBERS' AND  
EXECUTIVE SECRETARY'S RESPONSIBILITIES**

The Local Council (Financial) Regulations, 1993, require the Executive Secretary to prepare a detailed Annual Administrative Report, which includes a statement of the Local Council's comprehensive income for the year and of the Local Council's retained funds at the end of the year. By virtue of the same regulations it is 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 accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, 1993, and the Local Council (Financial) Procedures, 1996 issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, CAP 363, the Local Councils (Financial) Regulations, 1993, and the Local Councils (Financial) Procedures, 1996. 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 Local Council on the 26 March 2019 and signed on its behalf by:

  
Giuseppe Casha  
Mayor

  
Graziella Gellei  
Executive Secretary

Date: 26 March 2019



**ISLA LOCAL COUNCIL  
STATEMENT OF TOTAL COMPREHENSIVE INCOME  
For the year ended 31 December 2018**

	2018	2017
	Euro	Euro
<b>INCOME</b>		
Funds received from Central Government	327,027	287,872
Income raised under Law Enforcement system	2,108	5,061
Income raised under Local Council Bye-Laws	5,156	5,450
General income	30,753	20,341
	<b>365,044</b>	<b>318,724</b>
<b>EXPENDITURE</b>		
Personal emoluments	64,249	62,260
Operations and maintenance	175,173	146,093
Administration and other expenditure	152,682	92,649
	<b>392,104</b>	<b>301,002</b>
<b>OPERATING (LOSS)/PROFIT FOR THE YEAR</b>	<b>(€ 27,060)</b>	<b>€ 17,722</b>
Finance income	74	53
	<b>(€ 26,986)</b>	<b>€ 17,775</b>

The notes on page 8 to 26 form an integral part of these financial statements

**ISLA LOCAL COUNCIL  
STATEMENT OF FINANCIAL POSITION  
At 31 December 2018**

	2018	2017	
	Euro	Euro	Notes
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Intangible Assets	1,273	225	11
Property, plant and equipment	91,138	201,679	11
	92,411	201,904	
<b>Current Assets</b>			
Trade and other receivables	7,457	37,255	12
Cash and cash equivalents	269,772	147,521	13
	277,229	184,776	
<b>Total Current Assets</b>	<u>€ 369,640</u>	<u>€ 386,680</u>	
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Retained funds	224,295	251,281	
<b>Current Liabilities</b>			
Trade and other payables	145,345	135,399	14
	145,345	135,399	
<b>Total Liabilities</b>	<u>€ 369,640</u>	<u>€ 386,680</u>	
<b>TOTAL RESERVES AND LIABILITIES</b>	<u>€ 369,640</u>	<u>€ 386,680</u>	

The notes on page 8 to 26 form an integral part of these financial statements

These financial Statements were approved by the Local Council on the 26 March 2019 and signed on its

behalf by:



Giuseppe Casha  
Mayor

Graziella Gellei  
Executive Secretary





**ISLA LOCAL COUNCIL  
STATEMENT OF CHANGES IN EQUITY  
For the year ended 31 December 2018**

Retained Funds Euro	233,506	17,775	<u>251,281</u>	At 1 January 2017	Profit for the year	At 31 December 2017
	251,281	(26,986)	<u>224,295</u>	At 1 January 2018	Loss for the year	At 31 December 2018

ISLA LOCAL COUNCIL  
STATEMENT OF CASH FLOWS  
For the year ended 31 December 2018

	2018	2017
	Euro	Euro
<b>Operating Activities</b>		
(Loss)/Profit for the year	(26,986)	17,775
<b>Adjustments for:</b>		
Depreciation	115,520	22,127
(Decrease)/Increase in Provision for Bad Debts	(174)	0
Loss on Disposal	139	1,203
Government Grant released	0	10,018
Interest receivable	(74)	(53)
<b>Operating Profit before Working Capital changes</b>	<b>88,425</b>	<b>51,070</b>
<b>Movement in working capital</b>		
(Increase)/Decrease in receivables	29,972	113,330
Increase in payables	28,467	(100,690)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>146,864</b>	<b>63,710</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(6,166)	(3,760)
Grants received	0	0
Interest received	74	53
<b>Net cash used in investing activities</b>	<b>(6,092)</b>	<b>(3,707)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>140,772</b>	<b>60,003</b>
Cash and cash equivalents at beginning of the year	110,932	50,929
<b>Cash and cash equivalents at end of year</b>	<b>269,772</b>	<b>147,521</b>
Bank Balance overdrawn	(18,068)	(36,589)
	<u>251,704</u>	<u>110,932</u>

The notes on page 8 to 26 form an integral part of these financial statements

**ISLA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS  
For the year 1 January to 31 December 2018**

**1. GENERAL INFORMATION**

Isla Local Council is the local authority of Isla setup in accordance with the Local Councils Act 1993. The office of the Council is at 2, St. Joseph Street, Isla.

The financial statements were authorised for issue by the Council on the 26 March 2019.

**2. ACCOUNTING POLICIES AND REPORTING PROCEDURES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Accounting convention**

These financial statements are prepared under the historical cost convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act (CAP 363), the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards.

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

**New and amended standards adopted by the Local Council**

During the year the Council has applied the following International Financial Reporting Standards as adopted by the EU which have become mandatorily effective for the year ending 31 December 2018:

- IFRS 9 Financial Instruments – A finalized version of IFRS 9 was issued on 24 July 2014 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard became effective for annual periods beginning on or after 1 January 2018.

**New and revised IFRSs adopted by the EU that are not mandatorily effective for the year ending 31 December 2018:**

Below is a list of amendments of IFRSs adopted by the EU that are not yet mandatorily effective (but allow early application) for the year ending 31 December 2018:



- IFRS9 Prepayment Features with Negative Compensation allow instruments with symmetric prepayment options to qualify for amortised cost or fair value through other comprehensive income measurement. The standard becomes applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2019.

- IFRS 15 Revenue from Contracts with Customers – IFRS 15 was issued on 28 May 2014 and provides a single, principles based five-step model to be applied to all contracts with customers. The standard becomes applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2018. On 12 April 2016, the IASB also issued Clarifications to IFRS 15 Revenue from Contracts with Customers to amend IFRS 15 and clarify three aspects of the standard (namely identifying performance obligations, principal versus agent considerations and licensing) and to provide some transition relief for modified contracts and completed contracts.

- IFRS 16 Leases – IFRS 16 was issued on 13 January 2016 to specify how an IFRS reporter will recognise, measure, present and disclose leases. The standard becomes applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2019.

- IAS 1 & IAS 8 Definition of material include amendments to make it easier for companies to make materiality judgements. Subject to adoption by EU, this becomes applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2020.

The Councilors 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 Councilors anticipate that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not effective will have no material impact on the financial statements in the period of initial application.

On 1 January 2018, a change in Depreciation method has been affected according to the instructions in DLG Directive 1/2017, whereby from reducing balance method, depreciation is now being calculated on the straight line method. Adjusted net book values as at 01/01/2017 and 31/12/2017 are reflected in the PPE Schedule on page 20. This is a change in accounting estimates, and as per IAS 8 Accounting policies, Changes in Accounting Estimates and Errors, it has been accounted for prospectively.

**ISLA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Intangible Assets**

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

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss to date. Depreciation is calculated on a monthly basis using the straight line 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	7.5-100
Construction works	10-100
Urban Improvements (street furniture)	10-100
Special Programs (Projects)	10-100
Office Equipment	20-100
Motor Vehicles	20-46
Plant and Machinery	20-100
Computer Equipment	25-100
Plants	100
Litter Bins	Replacement Basis
Playground Furniture	100
Traffic Signs	Replacement Basis
Road Signs	Replacement Basis
Street Mirrors	Replacement Basis
Street Lights	100

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

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

#### **Related parties**

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24. The paragraphs adopted from IAS 24 are paragraphs 25 – 27, being amendments to government related entities' disclosures.

#### **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.

#### **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.

#### **Amounts Receivable**

Amounts receivable are recognized initially at fair value and subsequently measured at amortized 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 receivable. The amount of the provision is the difference between the carrying amount of the asset in the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the Statement of Comprehensive Income.

#### **Revenue recognition**

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

#### **Payables and Borrowings**

Payable and Borrowing Costs are recognised as an expense in the period in which they are incurred. Amounts payable comprise creditor payments, that is, the amounts payable for the procurement of supplies and services. When an invoice or request for payment is received from a supplier, this is checked to the purchase order previously issued or the services contract, before payment is release in favour of any vendor. All cheque payments are signed by the Mayor and Executive Secretary and then reconciled with the bank statements on a monthly basis.

**ISLA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Government Grants**  
By means of Directive 1/2017, the Department of Local Councils has instructed the Council to adopt the alternative capital approach available in IAS 20 as from 1 January 2018.

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

**Profits and losses**  
Only profits that were realised at the date of the Statement of Financial Position are recognised in these Financial Statements. All foreseeable liabilities and potential losses arising up to the said date are accounted for even if they become apparent between the said date and the date on which the Financial Statements are approved.

**Cash and 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.

**Local Enforcement System**  
Isla Local Council formed part of the Figura Joint Committee from September 2002 until August 2011. As from September 2011, the Isla Local Council forms part of the South Eastern Region for Local Enforcement. The amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the Joint Committee after deducting the related expenses. As from September 2011, the Council receives 10% administrative fees on fines collected.

**Critical 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 Executive Secretary, the accounting estimates and judgements made in the preparation of the Financial Statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS1 (revised) – 'Presentation of Financial Statements'.

**Capital Management Policies and Procedures**

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objective 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 this, the Council carries out a quarterly review of the working capital ratio (Financial Situation Indicator). This ratio was positive at the reporting date. The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

**Financial 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 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 transaction costs. They are measured subsequently as described below:

**Financial Assets**

For the purpose of subsequent measurement, financial assets of the Council are classified into loans and receivables upon initial recognition. Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below:

All income and expenses relating to loans and receivables are presented within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administration and other expenditure'. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Council's other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counter party 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 included other payables. These are stated at their nominal account which is a reasonable approximation of fair value.

All interest-related charges are included within 'finance costs'.

ISLA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS (continued)

<b>3.</b>	<b>FUNDS RECEIVED FROM CENTRAL GOVERNMENT</b>				
		In terms of Section 55 of the Local Councils Act, 1993			
		Supplementary Government Income			
		Other Government Income			
			2018	2017	
			281,185	269,630	
			21,324	18,242	
			24,518	0	
			<u>327,027</u>	<u>287,872</u>	
<b>4.</b>	<b>LOCAL ENFORCEMENT INCOME</b>				
		Fines and penalties			
		LESA distribution			
		Admin. Fee 10% LES Regjuni			
			2018	2017	
			105	186	
			0	2,433	
			2,003	2,442	
			<u>2,108</u>	<u>5,061</u>	
<b>5.</b>	<b>INCOME RAISED UNDER LOCAL COUNCIL BYE-LAWS</b>				
		Income from hire of skips			
		Rent Receivable			
<b>6.</b>	<b>GENERAL INCOME</b>				
		Income from use of crane			
		Income from Kiosk			
		Income from use of roads			
		Income from Hire of Football Ground			
		Insurance Claim			
		EU Programs			
		Tender Documents			
		Other Income			
		Contributions			
		Donations & Sponsorships			
			2018	2017	
			10,960	7,647	
			1,211	629	
			15,292	13,173	
			147	93	
			0	1,094	
			(12,871)	(8,797)	
			64	151	
			0	214	
			8,830	5,572	
			7,120	565	
			<u>30,753</u>	<u>20,341</u>	

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ISLA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS (continued)

7. PERSONAL EMOLUMENTS

	2018	2017
Mayor's Honoraria	7,464	7,345
Mayor's and Councillors' Allowances	6,400	6,400
Executive Secretary Salary and Allowances	29,792	29,019
Employees' Salaries	16,622	15,884
Social Security Contributions	3,971	3,612
	<u>64,249</u>	<u>62,260</u>

8. OPERATIONS AND MAINTENANCE EXPENSES  
Operations and maintenance includes, *inter alia*

	2018	2017
REPAIRS AND UPKEEP	15,991	(5,717)
Roads and street maintenance	918	0
Road and Street Pavements	500	582
Office furniture & equipment	18,702	4,222
Other repairs & upkeep	36,111	(913)

CONTRACTUAL SERVICES

	2018	2017
Refuse collection	37,905	43,801
Bulky refuse collection	16,028	13,974
Waste disposal	27,359	36,641
Road and street cleaning	29,049	28,566
Cleaning and maintenance parks and gardens	5,668	4,298
Cleaning and maintenance public conveniences	7,431	8,240
Cleaning and maintenance council premises	1,929	1,918
Other Contractual services	4,373	4,797
Street Lighting devolution	6,132	4,057
LES related expenditure	3,188	714
	<u>139,062</u>	<u>147,006</u>

TOTAL OPERATIONS AND MAINTENANCE EXPENSES

175,173      146,093

9. ADMINISTRATIVE AND OTHER EXPENSES

	2018	2017
	Euro	Euro
Depreciation	115,520	22,127
Water & Electricity	5,140	4,468
Telecommunications	3,983	4,526
National and International memberships	1,343	770
Foreign delegations	0	1,776
Rent	3,547	3,537
Printing & Stationery	1,245	2,239
Postages	119	111
Subscriptions	15	82
Loss on Disposal of Assets	139	1,203
Library Expenses	2,268	1,990
Bank charges	136	265
Provision for Bad Debts (General)	0	(1,373)
Bad Debts written off	0	1,373
Provision for Bad Debts (LES)	(174)	0
Late Payment Interest	0	476
Fuel	160	20
Advertising	(23)	921
Office services	2,524	3,095
Penalties	250	0
Insurance	2,145	1,204
Meetings and Conventions	1,821	0
Professional services	11,959	6,549
Transport Expenses	1,463	1,831
Community and hospitality	(898)	35,459
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>152,682</b>	<b>92,649</b>

10. FINANCE INCOME

	2018	2017
	Euro	Euro
Bank interest	74	53



ISLA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS (continued)

11. INTANGIBLE ASSETS

	Computer Software		Total	
	€	€	€	€
<b>At 31 December 2017</b>				
Cost	1,469	1,469	1,469	1,469
At 1 January 2017	0	0	0	0
Additions	0	0	0	0
Disposal	0	0	0	0
At 31 December 2017	1,469	1,469	1,469	1,469
Depreciation				
At 1 January 2017	1,169	1,169	1,169	1,169
Charge for the year	75	75	75	75
Released on disposal	0	0	0	0
At 31 December 2017	1,244	1,244	1,244	1,244
Net Book Value	225	225	225	225
<b>At 31 December 2018</b>				
Cost	1,469	1,469	1,469	1,469
At 1 January 2018	1,469	1,469	1,469	1,469
Additions	0	0	0	0
Disposal	0	0	0	0
At 31 December 2018	1,469	1,469	1,469	1,469
Depreciation				
At 1 January 2018	1,244	1,244	1,244	1,244
Charge for the year	418	418	418	418
Released on disposal	0	0	0	0
At 31 December 2018	1,662	1,662	1,662	1,662
Net Book Value	1,273	1,273	1,273	1,273

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ISLA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS (continued)

11. PROPERTY, PLANT AND EQUIPMENT

	Office Furniture, Fixtures & Fittings	Office Equipment	Computer Equipment	Street Signs	Urban Improv.	Construction	Special Programmes	Trees	Plant & Machinery	Motor Vehicles	Assets under Construction	Total
Cost	57,490	20,159	8,266	9,209	170,026	182,854	517,472	4,113	1,096	0	0	970,685
At 1 January 2018	0	2,240	0	0	2,460	0	0	0	0	0	0	4,700
Additions	(642)	0	0	0	(285)	(2,234)	0	0	0	0	0	(3,161)
Disposals/Transfers	56,848	22,399	8,266	8,924	170,252	182,854	517,472	4,113	1,096	0	0	972,224
At 31st December 2018	0	10,075	0	0	6,500	0	332,048	0	0	0	0	348,623
Grants	0	10,075	0	0	6,500	0	332,048	0	0	0	0	348,623
At 1 January 2018	0	0	0	0	0	0	0	0	0	0	0	0
Transferred during the year	0	10,075	0	0	6,500	0	332,048	0	0	0	0	348,623
At 31st December 2018	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation	39,917	6,725	5,854	9,209	114,799	129,640	113,251	0	988	0	0	420,383
At 1 January 2018	14,746	4,337	1,419	0	21,723	37,365	35,404	0	108	0	0	115,102
Charge for the period	0	0	0	0	(285)	(2,234)	0	0	0	0	0	(3,022)
Released on disposal	54,160	11,062	7,273	8,924	134,288	167,005	148,655	0	1,096	0	0	532,463
At 31st December 2018	2,688	1,262	993	0	29,464	15,849	36,769	4,113	0	0	0	91,138
Net Book Value	2,688	1,262	993	0	29,464	15,849	36,769	4,113	0	0	0	91,138
At 31st December 2018	2,688	1,262	993	0	29,464	15,849	36,769	4,113	0	0	0	91,138

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ISLA LOCAL COUNCIL  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 11. PROPERTY, PLANT AND EQUIPMENT (cont.)

Cost	At 1 January 2017	Additions	Disposals/Transfers	At 31st December 2017	Grants	At 1 January 2017	Adjusted	At 31st December 2017	Depreciation	At 1 January 2017	Adjusted	Charge for the period	Adjusted	Released on disposal	At 31st December 2017	Net Book Value	At 31st December 2017 as previously stated	As Adjusted
Office Furniture, Fixtures & Fittings	57,490	0	0	57,490	0	0	0	0	12,814	38,492	0	1,425	0	0	39,917	17,573	17,573	3,359
Computer Equipment	17,568	1,169	-1,073	17,664	0	0	(604)	0	6,107	11,557	0	351	0	0	12,008	6,252	6,252	2,412
Street Signs	9,209	0	0	9,209	0	0	0	0	9,209	0	0	0	0	0	9,209	0	0	0
Urban Improv.	170,026	0	0	170,026	0	0	0	0	110,216	59,810	0	6,393	0	0	66,203	53,417	53,417	48,727
Construction	182,854	0	0	182,854	0	0	0	0	124,034	58,820	0	5,606	0	0	64,426	53,214	53,214	53,214
Special Programmes	517,472	0	0	517,472	0	0	0	0	133,840	383,632	0	13,692	0	0	397,324	123,226	123,226	72,173
Trees	4,113	0	0	4,113	0	0	0	0	0	4,113	0	0	0	0	4,113	4,113	4,113	4,113
Machinery	1,096	0	0	1,096	0	0	0	0	0	1,096	0	0	0	0	1,096	1,096	1,096	1,096
Plant & Motor Vehicles	1,100	0	-1,100	0	0	0	(366)	0	366	0	0	0	0	0	0	0	0	0
Assets under Construction	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	969,098	3,760	-2,173	969,098	246,714	101,909	348,623	0	436,039	36,739	0	28,587	0	0	420,383	260,315	260,315	201,679

	230	269,542	147,238	147,521
Cash in hand				
Bank balances				
-Ordinary Funds				
	Euro	2018	Euro	2017

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the Statement of Cash Flows comprise the following amounts in the Local Council's Statement of Financial Position:

**13. CASH AND CASH EQUIVALENT**

Prepayments include prepayments of Local Council property rental.

Amount invoiced but not yet settled	26,917	25,003		
Prepayments and Accrued Income	2,899	31,761		
LES Debtors	112,272	112,446		
Other Debtors	70	1,757		
Deposit Payments	511	1,674		
Provision for Bad Debts	(22,940)	(22,940)		
Provision for Bad LES Debts	(112,272)	(112,446)		
	7,457	37,255		
Amounts invoiced but not yet settled are analysed as follows:				
Within credit period	26,917	25,003		
Exceeded credit period (past due) and impaired	(22,940)	(22,940)		
	3,977	2,063		
	Euro	2018	Euro	2017

**12. TRADE AND OTHER RECEIVABLES**

**ISLA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS (continued)**

**14. TRADE AND OTHER PAYABLES**

	2018	2017
Trade creditors	24,197	32,679
Other creditors	87,901	32,566
Bank Balance overdrawn	18,068	36,589
Accruals and deferred income	15,179	33,565
	<u>145,345</u>	<u>135,399</u>

Provisions include estimates for goods and services received prior to 31 December 2018 and for which invoices have not yet been received by the Local Council.

**15. CONTINGENT LIABILITIES**

There were no Contingent Liabilities as at 31 December 2018.

**16. CONTINGENT GAIN**

The Council has a potential gain which is still being disputed over Water Services Reinstatement works for 2009 for the amount of € 3,250.

**17. 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.

**18. PRIOR YEAR ADJUSTMENT**

As from 1<sup>st</sup> 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 change in accounting estimates and errors.

ISLA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS (continued)

18. PRIOR YEAR ADJUSTMENT (cont...)

	Notes	2017 Originally reported €	Adjustment €	Restated €
Funds received from Central Government	3	(294,407)	6,535	(287,872)
Administration and other expenditure	9	99,184	(6,535)	92,649
Property, plant and equipment	11	260,315	(58,636)	201,679
Non-current deferred income		(79,033)	79,033	-
Trade and other payables	14	(115,002)	(20,397)	(135,399)

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

	Notes	2017 Originally reported €	Adjustment €	Restated €
Other government income	3	(24,777)	6,535	(18,242)
Depreciation	9	28,662	(6,535)	22,127
Property, plant and equipment	11	260,315	(58,636)	201,679
Non-current deferred income		(79,033)	79,033	-
Other creditors	14	(6,316)	(26,250)	(32,566)
Accruals and deferred income	14	(39,418)	5,853	(33,565)

19. CAPITAL COMMITMENTS

	2018 Euro	2017 Euro
- Capital expenditure that has been contracted for but not provided for in the financial statements	-	-
- Capital expenditure that has been approved but not yet contracted for	192,930	33,000

The Capital expenditure that has been approved but not contracted for, represents the embellishment of Misrah 4 ta' Settembru and pavements.

**ISLA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS (continued)**

**20. RELATED PARTY TRANSACTIONS**

The Isla Local Council has the following related parties, exercising:  
 i. Significant Control – The Department of Local Government  
 ii. Joint Control – South Regional Committee for Local Enforcement  
 iii. No Control – Arms Ltd., Water Services Corporation, Enemalta Corporation, Malta Environment and Planning Authority, Malta Information Technology Authority, Inland Revenue Department, Director General Works Division, WasteServ Malta Ltd, Cleansing Services Department, Gozo Regional Committee, North Regional Committee, South Eastern Regional Committee, Central Regional Committee, Police General Head Quarters, Bank of Valletta plc, the Department of Lands, Birgu Local Council, Bormla Local Council and Mtarfa Local Council.

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

2018	2017
Euro	Euro
281,185	269,630
<b>Annual Financial Allocation</b>	
<u>Key Management Emoluments</u>	
Executive Secretary	29,019
Mayor's Honoraria	7,345
Mayor & Councillors' Allowances	6,400

**21. FINANCIAL RISK MANAGEMENT**

The Council's activities expose it to a variety of financial risks such as market risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Council's financial performance.

**Market Risk**

Refer to Interest rate risk.

**Credit Risk**

Financial assets which potentially subject the Council to concentrations of credit risk which are principally made up of cash at bank and debtors. The Council's cash is placed with a quality financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. The Council applies the simplified approach for all trade receivables and contract assets which uses a lifetime expected allowance.

**ISLA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS (continued)**

Accordingly, the assessment to determine whether there is a significant increase in credit risk is not applicable for such financial assets. 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. In this respect, credit risk with respect to debtors is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Furthermore, credit risk is limited due to the fact that government-owned customers comprise a high percentage of the Council's debtor base. Whilst a number of customers account for a certain percentage of the Council's past due trade debts, the Council has not identified any major concerns with respect to concentration of credit risk. Categorization 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 utilized in managing exposures with customers. Exposure is immaterial. LES Debtor balance has been provided for fully with an allowance for bad debts. The Council's exposure to credit risk is limited to the carrying amount of financial assets recognized at the end of the reporting period and is summarized as follows:

Categories of financial assets - carrying amounts	
2018	2017
Euro	Euro
Loans and Receivables	35,290
Trade and other receivables	147,521
Cash and cash equivalents	182,811
	<u>275,179</u>
	5,407
	<u>269,772</u>

The maximum exposure to credit risk for trade receivables at the reporting date, net of impairment losses, by type of customer is as follows:

Amount invoiced not yet settled by class:	
2018	2017
Euro	Euro
Government Owned entities	22,113
Private entities	2,890
	<u>25,003</u>

The Council assesses the credit quality of its customers by taking into account their financial standing and past experience. The Council considers the credit quality of its financial assets as being acceptable.

2018		2017	
Euro	Euro	Euro	Euro
31-60 days	2,742	218	
61-90 days	(233)	119	
91-180 days	0	301	
181-365 days	7	0	
Over 365 days	24,401	24,365	
	<u>26,917</u>	<u>25,003</u>	



**ISLA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Foreign Currency Risk**  
Foreign currency transactions arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The council does not trade in any foreign currency transactions.

**Interest Rate Risk**  
Interest rate risk mainly arises through interest bearing liabilities and assets. The objective of interest rate risk management is to optimize the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense.

**Liquidity Risk**  
Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact, at year end, the Council has as cash and cash equivalents the amount of € 94,457. The Council also maintains a positive net asset position ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

At 31 December 2018, the Council's financial liabilities have contractual maturities which are summarised below:

	Current	Within 1 year	1 to 5 years	Non-Current	later than 5 years
Payables	48,104	€	€	-	-
Accruals	15,179	€	€	-	-

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

	Current	Within 1 year	1 to 5 years	Non-Current	later than 5 years
Payables	101,835	€	€	-	-
Accruals	33,564	€	€	-	-

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

**ISLA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
22. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES**

	2018	2017
	€	€
<b>Current assets</b>		
Loans and receivables:		
Trade and other receivables	5,407	35,290
Cash and cash equivalents	269,772	147,521
	<u>275,179</u>	<u>182,811</u>
<b>Current liabilities</b>		
Financial liabilities measured at amortised cost:		
Payables	48,104	101,835
Accruals	15,179	33,564
	<u>63,283</u>	<u>135,399</u>

# Report of the Local Government Auditor

To the Auditor General

## Report on the audit of the financial statements

### Qualified opinion

We have audited the financial statements of Isla Local Council set out on pages 4 to 26 which comprise the statement of financial position as at 31 December 2018, and the statement of total comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters 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 the 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 (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act, the Local Councils (Financial) Procedures 1996 (the "Legislation").

### Basis for qualified opinion

During the year under review, the Council wrote off accrued income amounting to €20,702 brought forward from previous years relating to an EU funded project. This write-off was made since according to the Council the accrued income was not recoverable. We were not provided with documentary evidence to support the net amount of €20,702 written off.

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 the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

**Responsibilities of those charged with governance for the financial statements**

As described on page 3 the Executive Secretary and the members of the Local Council are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Legislation, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Secretary and the members of the Local Council are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is the intention to liquidate the Council or to cease operations, or have no realistic alternative but to do so.

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

**Auditor's responsibilities for the audit of the financial statements**

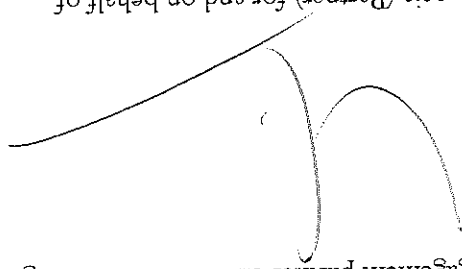
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 the 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 Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management'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 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 those charged with governance 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.

The engagement partner on the audit resulting in this independent auditor's report is Mark Bugeja.



Mark Bugeja (Partner) for and on behalf of

**GRANT THORNTON**  
Certified Public Accountants

Fort Business Centre  
Michelel Bypass  
Birkirkara BKR 3000  
Malta

26 March 2019