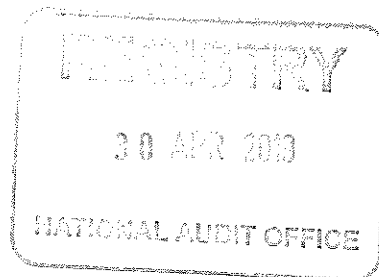


Haż-Żebbuġ Local Council
Annual Report and Financial Statements
31 December 2018



Prepared by Paul Bugeja CPA

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

The Local Councils (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 period and of the Council's retained funds at the end of the period. 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, 1993 and the Local Council (Financial) Procedures, 1996.

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 1993, and the Local Council (Financial) Procedures 1996. The Executive Secretary is also responsible for safeguarding the assets of the 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 26/04/2019 and signed on its behalf by:



Sarah Agius
Mayor



Paula Valletta
Executive Secretary

Report of the Local Government Auditors to the Auditor General

Report on the Financial Statements for the year ended 31 December 2018

Opinion

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

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Zebbug Local Council as at 31 December 2018, and of its financial performance and cash flows for the period 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.

Report of the Local Government Auditors to the Auditor General**Report on the Financial Statements for the year ended 31 December 2018**

In preparing the financial statements, the Executive Secretary is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the entity is intended to be liquidated or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibility 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Secretary.
- Conclude on the appropriateness of the Executive Secretary's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.


Report of the Local Government Auditors to the Auditor General

Report on the Financial Statements for the year ended 31 December 2018

We communicate with the Executive Secretary regarding, among other matters, the planned scope and timing of the audit and significant audit figures, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

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



Mr Manuel Castagna

For and on behalf of
Nexia BT
Certified Public Accountants

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

Date 26 April 2019

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2018 €	2017 (As restated) €
Income			
Funds received from central government	3	868,890	848,716
Income raised under Local Enforcement System	4	10,297	15,278
General Income	6	65,314	57,128
		<u>944,501</u>	<u>921,122</u>
Expenditure			
Personal emoluments	7	147,324	143,053
Operations and Maintenance	8	328,127	374,479
Administrative and other Expenditure	9	746,939	208,708
		<u>1,222,390</u>	<u>726,240</u>
Operating (loss)/profit for the year		<u>(278,889)</u>	<u>194,882</u>
Finance income	5	2	16
Finance costs	10	(192,174)	-
(Deficit)/surplus for the year		<u>(470,061)</u>	<u>194,898</u>
Total comprehensive (loss)/ income for the year		<u>(470,061)</u>	<u>194,898</u>

The notes on pages 9 to 31 form an integral part of these financial statements

Statement of Financial Position

	Notes	2018 €	2017 (As restated) €	2017 (As previously stated) €
ASSETS				
Non-current assets				
Intangible asset	11	1,009	1,156	1,156
Tangible assets				
Property, plant and equipment	12	663,889	1,217,384	1,999,448
Current assets				
Inventories	13	5,195	5,195	5,195
Receivables	14	126,430	189,860	189,860
Cash at bank and in hand	15	685,708	398,831	398,831
		817,333	593,886	593,886
Total Assets		1,482,231	1,812,426	2,594,490
Reserves				
Retained Fund		115,701	585,762	530,431
Non-current Liabilities				
Long-term deferred income		-	-	998,686
Payables	17	-	514,224	514,224
		-	514,224	1,512,910
Current Liabilities				
Payables	17	1,312,615	638,023	476,732
Bank balances overdrawn	15	53,915	74,417	74,417
		1,366,530	712,440	551,149
Total Liabilities		1,366,530	1,226,664	2,064,059
Total Reserves and Liabilities		1,482,231	1,812,426	2,594,490

These financial statements were approved by the Local Council on 26/04/2019 and are signed on its behalf by:


Sarah Agius
Mayor


Paula Valletta
Executive Secretary

The notes on pages 9 to 31 form an integral part of these financial statements

Statement of Changes in Equity

	Note	Retained Funds €	Total €
Balance at 1 January 2017 (as previously stated)		331,977	331,977
Prior year adjustment	16	58,887	58,887
Balance at 1 January 2017 as restated		390,864	390,864
Surplus for the year		194,898	194,898
Other comprehensive income		-	-
Total comprehensive income for the year		194,898	194,898
Balance at 31 December 2017 (as restated)		585,762	585,762
Balance at 1 January 2018 (as restated)		585,762	585,762
Deficit for the year		(470,061)	(470,061)
Other comprehensive income		-	-
Total comprehensive loss for the year		(470,061)	(470,061)
Balance at 31 December 2018		115,701	115,701

The notes on pages 9 to 31 form an integral part of these financial statements

Statement of Cash Flows

	Notes	2018 €	2017 (As restated) €
Cash flows used in operating activities			
(Deficit)/surplus for the year		(470,061)	194,898
Adjustments for:			
Depreciation		596,671	134,820
Amortisation charge		407	386
Provision for bad debts		(1,162)	(920)
Bad debts		12,700	208
Investment income receivable		(2)	(16)
Interest payable		192,174	-
Surplus for the period before working capital movements		330,727	329,376
Movements in inventories		-	(96)
Movement in receivables		64,592	7,690
Movement in payables		160,368	(270,037)
Net cash generated from operating activities		555,687	66,933
Cash flows from investing activities			
Investment income receivable		2	16
Payment to acquire property, plant and equipment	12a	(68,395)	(9,663)
Payment to acquire intangible assets	11	(260)	(520)
Disposals of PPE		8,125	-
Other differences		4,394	(4,972)
Net cash used in investing activities		(56,134)	(15,139)
Cash flows used in financing activities			
Grants		-	222,500
Interest payable		(192,174)	-
Net cash used in financing activities		(192,174)	222,500
Movement in cash and cash equivalents		307,379	281,404
Cash and cash equivalents at the beginning of the year		324,414	43,010
Cash and cash equivalents at the end of the year	15	631,793	324,414

The notes on pages 9 to 31 form an integral part of these financial statements

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

1. Statutory Information

Ħaż-Żebbuġ Local Council is the local authority of Ħaż-Żebbuġ setup in accordance with the Local Councils Act. The Office of the Local Council is situated at Bishop Caruana Street, Ħaż-Żebbuġ, ZBG 1905, Malta.

2. Accounting policies

The principal accounting policies adopted 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. Basis of preparation

The 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, in accordance to the requirements of International Financial Reporting Standards (IFRSs) as adopted by the European Union (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. Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

In the opinion of the Executive Secretary, the accounting estimates and judgements made in the

2. Accounting policies – continued**b. Use of estimates and judgements - continued**

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 IAS 1 (revised) – 'Presentation of Financial Statements'.

c. Application of new and revised international Financial Reporting Standards (IFRSs)**Amendments to IAS 7 Disclosure Initiative**

The Council has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and noncash changes.

The Council's liabilities arising from financing activities consist of payables (note 17). A reconciliation between the opening and closing balances of these items is provided in Statement of Cash Flows. Consistent with the transition provisions of the amendments the Council has not disclosed comparative information for the prior period. Apart from the additional disclosure in Statement of Cash Flows, the application of these amendments has had no impact on the Council's financial statements.

d. New and revised standards that are effective for the current period

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

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

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

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

2. Accounting policies - continued**e. New and revised IFRSs in issue but not yet effective**

The Council has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted:

Amendments to IFRSs Annual Improvements to IFRS Standards 2014-2016 Cycle

Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted:

IFRS 16 Leases

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating, cash flows; whereas under the IFRS 15 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

2. Accounting policies - continued

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Council has non-cancellable operating lease commitments, IAS 17 does not require the recognition of any right of use asset or liability for future payments for these leases, instead, certain information is disclosed as operating lease commitments. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, hence the Council will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16.

In contrast, for finance leases where the Council is a lessee, as the Council has already recognised an asset and a related finance lease liability for the lease arrangement, and in cases where the Council is a lessor (for both operating and finance leases), the members of the Council do not anticipate that the application of IFRS 16 will have a significant impact on the amounts recognised in the Council's financial statements.

Annual Improvements to IFRSs 2014 -2016 Cycle

The Annual Improvements induce amendments to IFRS 1 and IAS 28 which are not yet mandatorily effective for the Council.

f. Revenue recognition

Revenue is recognised upon transfer of funds from the Central Government when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the income statement as it accrued.

g. Functional and presentation currency

Items included in the Local Council's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Local Council's financial statements are presented in Euro, which is the Local Council's functional currency.

h. Local Enforcement System

The amount disclosed in the financial statements under Local Enforcement Income represents a percentage of administrative fee for contraventions paid at Haz-Zebbug Local Council.

2. Accounting policies - continued

i. Government Grants

The Department for Local Government instructed Local Councils under Directive Number 1/2017 that when accounting for Government Grants, the Councils had to adopt the Capital Approach and not the Income Approach as from 1st January 2018. This is a change in accounting policy and in accordance to IAS 8 '*Accounting policies, Changes in Accounting Estimates and Errors*' this does not affect the final figure on the Statement of Comprehensive Income but it only affected the Statement of Financial Position.

j. Depreciation of Fixed Assets

During 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 1 January 2017 and 31 December 2017 are reflected in the PPE Schedule on page 20.

k. Intangible assets

Intangible assets comprise computer software. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful live of 25% using the reducing balance method. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Where an indication of impairment exists, in that the carrying amount of an intangible asset is greater than its estimated recoverable amount, a charge is made to write down the value of the asset to its estimated recoverable amount (Accounting policy (l)).

l. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated on a monthly basis using the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives 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%

2. Accounting policies - continued

• Motor Vehicles	20%
• Plant and Machinery	20%
• Computer Equipment	25%
• Traffic and Road Signs	Replacement Basis
• Litter Bins	Replacement Basis
• Street Lights	100%
• Playground Furniture	100%

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount, and are taken into account in determining operating profit.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (Accounting policy (L)).

m. Impairment of assets

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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

n. Amounts receivable

Amounts receivable are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

o. Amounts receivable- continued

Amounts receivable are carried at original invoice amount less provisions made for impairment of these receivables. A provision for impairment of amount receivables is established when there is objective evidence that the Local Council will not be able to collect all amounts due according to the set original terms. The amount of provision is recognised in the Statement of Comprehensive Income. Bad debts are written off during the year in which they are identified.

p. Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdrafts.

2. Accounting policies - continued**q. Profits and losses**

Only profits that were realized at the date of the Statement of Financial Position are recognized 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.

r. Payables

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

s. Provisions

Provisions are recognised when the Local Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

t. Operating leases

Where the Council is a lessee; leases of assets where a significant portion of the risk and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

u. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Local Council has an unconditional right to defer settlement of the liability for at least 12 months from the end of the reporting period.

v. Capital Management

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

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

2. Accounting policies - continued

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

w. 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 transaction costs. They are measured subsequently as described below.

x. 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 as 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 rate 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 considerable to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

2. Accounting policies - continued

y. Financial liabilities

The Council's financial liabilities include other payables. These are stated at their nominal amount which is reasonable approximation of fair value.

All interest-related charges are included within finance costs.

3. Funds Received from Central Government

	2018	2017
	€	(As restated) €
In terms of Section 55 of the Local Councils Act (Cap 363)	852,990	793,288
Other Supplementary Government Income	13,700	32,721
Special Initiatives	-	10,000
Other Government Income	2,200	12,707
	<u>868,890</u>	<u>848,716</u>

4. Income from Local Enforcement

	2018	2017
	€	(As restated) €
Administrative fee	10,297	15,278
	<u>10,297</u>	<u>15,278</u>

5. Finance income

	2018	2017
	€	€
Bank interest receivable	2	16
	<u>2</u>	<u>16</u>

6. General Income

	2018 €	2017 €
Income from permits	35,056	34,569
Contributions	30,258	22,559
	<u>65,314</u>	<u>57,128</u>

7. Personal Emoluments

	2018 €	2017 €
Mayor's allowance	11,195	11,010
Executive Secretary and allowances	37,328	34,090
Employees' salaries	77,369	77,099
Social Security Contributions	10,232	9,654
Councillors' remuneration	11,200	11,200
	<u>147,324</u>	<u>143,053</u>

Average number of people employed

Employees	5	5
Mayor and Councillors	9	9

8. Operations and Maintenance

	2018 €	2017 €
Repairs and Upkeep:		
Public property	5,895	11,182
Street signs	1,650	5,265
Over accrual of road markings	-	(2,848)
Other repair and upkeep	2,479	3,792
	<u>10,024</u>	<u>17,391</u>

	2018	2017
	€	€
Contractual Services:		
Refuse collection (including bins on wheels)	109,892	104,667
Bulky refuse collection	23,439	24,599
Street sweeping	73,621	74,418
Cleaning and Maintenance of Public Conveniences	7,523	7,524
Waste disposal	80,876	87,333
Maintenance of Soft Areas	18,917	16,160
Street Lighting	(223)	43,918
Local Enforcement System	4,058	(1,531)
	<u>318,103</u>	<u>357,088</u>
	<u>328,127</u>	<u>374,479</u>

9. Administrative and other expenditure

	2018	2017
	€	(As restated) €
Accountancy fees	3,958	3,958
Advertising	1,453	678
Amortisation charge	407	386
Architect fees	21,016	12,560
Bad debts written off	12,700	208
Christmas decorations	6,725	4,423
Cleaning of council premises	3,865	3,865
Depreciation	603,835	134,820
Disposal of assets	960	-
Fines and penalties	250	-
Fuel	1,431	1,917
General expenses	3,161	1,507
Legal fees	34,638	444
Library services	187	1,490
Materials and supplies	3,246	4,758
Other contractual – Bank charges	287	304
Other contractual – Hire of equipment	2,389	(1,298)
Other contractual - Insurance	3,824	3,333
Participation fee – National Organizations	68	-
Provision for bad debts	(1,162)	(670)
Professional fees	2,962	1,606
Publications and newsletters	2,595	2,127

Rent	785	-
Social and cultural activities	22,109	15,414
Stationery, postage and documentation	2,621	3,640
Support and marketing services	1,333	1,071
Transport	4,901	6,021
Utilities	6,395	5,908
Uniforms	-	236
Withholding tax	-	2
	<u>746,939</u>	<u>208,708</u>

10. Finance costs

	2018	2017
	€	€
Interest payable to bank	9	-
Interest payable	192,165	-
	<u>192,174</u>	<u>-</u>

11. Intangible asset

	Computer Software €
Cost	
As at 1 January 2018	1,883
Addition	260
As at 31 December 2018	<u>2,143</u>
Amortisation	
As at 1 January 2018	(727)
Charge for the year	(407)
As at 31 December 2018	<u>(1,134)</u>
Net Book Value	
As at 31 December 2018	<u>1,009</u>
As at 31 December 2017	<u>1,156</u>

12a. Property, plant and equipment

Asset	Construction and Special Projects	Office furniture and fittings	New street signs	Trees	Urban improvements	Office & Computer Equipment	Plant and machinery	Total
	€	€	€	€	€	€	€	€
Cost								
As at 1 January 2018	3,973,529	19,782	34,391	-	758,231	31,973	36,939	4,854,845
Additions	-	-	2,308	25,007	64,810	712	1,493	94,330
Disposals for the year	-	(1,892)	-	-	(1,397)	(4,180)	(706)	(8,125)
Write-off	(25,935)	-	-	-	-	-	-	(25,935)
As at 31 December 2018	3,947,594	17,890	36,699	25,007	821,644	28,555	37,726	4,915,115
Central Government Grants								
As at 1 January 2018	1,466,476	-	-	-	243,877	2,078	-	1,712,431
Government grant additions/adjustment	17,094	-	-	-	-	-	-	17,094
As at 31 December 2018	1,483,570	-	-	-	243,877	2,078	-	1,729,525
Depreciation								
As at 1 January 2018	1,484,437	12,329	34,391	-	337,394	25,241	31,238	1,925,030
Charge for the year	332,797	3,258	2,308	-	257,963	2,584	4,925	603,895
Release on disposal of assets	-	(1,272)	-	-	(1,141)	(4,092)	(659)	(7,164)
As at 31 December 2018	1,817,234	14,315	36,699	-	594,216	23,733	35,504	2,521,701
Net Book Value								
As at 31 December 2018	646,790	3,575	-	25,007	(16,449)	2,744	2,222	663,889

12b. Property, plant and equipment

Asset	Construction and Special Projects	Office Furniture and Fittings	New street signs	Urban Improvements	Office and Computer Equipment	Plant and Machinery	Total
	€	€	€	€	€	€	€
Cost							
As at 1 January 2017	3,965,594	19,782	34,391	758,231	31,190	35,994	4,845,182
Additions	7,935	-	-	-	783	945	9,663
As at 31 December 2017	<u>3,973,529</u>	<u>19,782</u>	<u>34,391</u>	<u>758,231</u>	<u>31,973</u>	<u>36,939</u>	<u>4,854,845</u>
Grants and other reimbursements							
As at 1 January 2017	401,815	-	-	-	-	-	401,815
Government grants prior years	1,064,661	-	-	243,877	2,078	-	1,310,616
As at 31 December 2017	<u>1,466,476</u>	<u>-</u>	<u>-</u>	<u>243,877</u>	<u>2,078</u>	<u>-</u>	<u>1,712,431</u>
Accumulated Depreciation							
As at 1 January 2017	1,699,815	12,060	34,391	430,404	23,663	29,560	2,229,893
Adjustment depreciation prior years	52,353	(335)	-	(41,637)	934	253	11,568
Adjustment – grant prior years	(380,743)	-	-	(70,981)	(908)	-	(452,632)
Charge for the year	180,731	604	-	36,898	1,844	1,425	221,502
Adjusted - grant	(67,719)	-	-	(17,290)	(292)	-	(85,301)
As at 31 December 2017	<u>1,484,437</u>	<u>12,329</u>	<u>34,391</u>	<u>337,394</u>	<u>25,241</u>	<u>31,238</u>	<u>1,925,030</u>
Net Book Value							
As at 31 December 2017	<u>1,022,616</u>	<u>7,453</u>	<u>-</u>	<u>176,960</u>	<u>4,654</u>	<u>5,701</u>	<u>1,217,384</u>

13. Inventories

	2018 €	2017 €
Inventories	5,195	5,195

14. Receivables

	2018 €	2017 €
Receivables	32,200	52,002
Accrued income	38,762	70,194
Advance payments to suppliers	20,682	16,748
Other receivables	34,464	35,619
Financial assets	126,108	174,563
Prepayments	322	15,297
	126,430	189,860

The average credit period on sales of services is 60 days. Receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the company has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

	2018 €	2017 €
Age of receivables that are past due but not impaired		
60-90 days	2,168	2,851
91-120 days	15,241	38,800
Total	17,409	41,651

14. Receivables - continued

	2018 €	2017 €
Movement in the allowance for doubtful debts		
Balance at beginning of the year	214,958	215,878
Impairment losses recognised on receivables	(1,162)	(920)
Balance at end of the year	<u>213,796</u>	<u>214,958</u>

In determining the recoverability of receivables, the Local Council considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

LES debtors have a specific provision for doubtful debts amounting to €213,796 (2017: €214,958). The amount of €17,409 (2017: €41,651) exceeded credit period but is not impaired. These amounts are unsecured, interest free and with no fixed date of repayment.

15. Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following amounts in the Local Council Statement of Financial Position:

	2018 €	2017 €
Bank balances:		
Ordinary funds	609,750	398,177
Bank Balance – Measure 4.3	75,201	-
Cash in hand	757	654
Bank balances overdrawn	(53,915)	(74,417)
	<u>631,793</u>	<u>324,414</u>

16. Prior Year Adjustment

It was noted that in prior year 2017, it emerged that there was a mistake when calculating the depreciation resulting that depreciation has been understated by €9,380. The error should be corrected as follows:

Dr: Retained Earnings	€9,380	
Cr: Accumulated depreciation		€9,380

In addition to the above, it was also noted that the net release of grant for the amount of €68,267 had also been understated from the income.

This effect is reflected in the retained earnings in the statement of changes in equity as follows:

Dr: Accumulated Release on Grant	€68,267	
Cr: Retained Earnings		€68,267

	2017 €
At the beginning of the year as previously stated	331,977
Prior year adjustment	58,887
At the beginning of the year as restated	390,864

Comparative amounts have also been changed to reflect the change in accounting policy for Government grants from income approach to capital approach and be consistent with current year's presentation. Profit or Loss and Financial Position line items were adjusted as follows respectively:

	As reported in 2017 audit	Adjustment	As restated in 2018 Audit
Income			
Funds received from Central Government	941,141	(92,425)	848,716
Other Supplementary Government Income	36,277	(3,556)	32,721
Other Government Income	101,576	(88,869)	12,707
Expenditure			
Administrative and other expenditure	297,577	(88,869)	208,708
Depreciation	223,689	(88,869)	134,820
Non-current assets			
Property, plant and equipment	1,999,448	(782,064)	1,217,384
Non-current liabilities			
Deferred income	(998,686)	998,686	-
Current liabilities			
Trade and other payables	(476,732)	(161,291)	(638,023)

17. Payables

	2018	2017 (As restated)
	€	€
Non-Current		
Trade payables (Note)	-	514,224

Note:

On 29th October 2018, the Arbitration Board had decided against the Haż-Zebbuġ local Council in the case of Bonnici Brothers Limited vs Haż-Zebbuġ Local Council and requested the Council to settle all amount dues inclusive of any interests with immediate effect.

	2018 €	2017 €
Current		
Trade payables (Note)	932,714	350,868
Accruals	37,695	40,011
Advanced payments	338,019	241,251
Contractor deposits	4,000	5,000
	1,312,428	637,130
Other financial liabilities		
Other payables – FSS and NI	187	893
	1,312,615	638,023

Note:

As at 31 December 2018, the Haż-Żebbuġ Local Council is contesting the amount due to one of the creditors amounting to €71,253 (2017: €71,253) and the case is in front of the Arbitration board.

18. Related party transactions

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

Name of Entity	Nature of relationship
Department of Local Councils	Significant control
South Regional Committee	Joint control
Gozo Regional Committee	No control
North Regional Committee	No control
South Eastern Regional Committee	No control
Police General Head Quarters	No control
Local Councils' Associations	No control
Local Enforcement System Agency	No control
Central Bank of Malta	No control
Malta Environment and Planning Authority	No control
Malta Communications Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Cleansing Services Department	No control
Director General – Works Division	No control
Department of Inland Revenue	No control
Department of Lands	No control
Department of Information	No control
Permanent Secretary – Ministry of Education	No control
Commissioner for Data Protection	No control
Bank of Valletta plc	No control
Wasteserv Malta Limited	No control
Malta Information Technology Agency	No control
ARMS Ltd	No control
Ministry of Finance	No control

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

	2018 €	2017 €
Annual Financial Allocation	837,286	798,288

Key management compensation

Transactions with key management personnel are disclosed in note 7.

19. Financial risk management

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

Credit risk

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

The Council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period and is summarised as follows:

	2018 €	2017 €
Classes of financial assets – carrying amounts		
Trade and other receivables	126,108	174,563
Cash and cash equivalents (net)	631,793	324,414
	<u>757,901</u>	<u>498,977</u>

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 in bank and in hand the amount of €577,878 (2017:€398,831).

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

19. Financial risk management - continued

At 31 December 2018

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	932,714	-	-
Other creditors	4,187	-	-
Accruals	37,695	-	-

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

At 31 December 2017

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	350,868	514,224	-
Other creditors	5,893	-	-
Accruals	40,011	-	-

Foreign currency risk

Foreign currency transaction 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 currencies.

Interest rate risk

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

20. Capital commitments

Capital expenditure

Commitments for capital expenditure not provided for in these financial statements are as follows:

	2018 €	2017 €
Contracted but not provided for (note)	<u>196,638</u>	<u>20,677</u>

Note: The project is financed from Department for Local Government for the amount of €65,000 and the remaining balance will be taken from UIF Funds.

21. Contingent liabilities

As at year end, the Council had contingent liabilities in respect to four claims made by Schembri Infrastructures Limited, Media Graphics Ltd and Fogg Limited. The Council is restricting those claims. No provision has been made in these financial statements in respect of these actions. The Council's lawyer cannot quantify the contingent liability, except for Media Graphics Ltd which amounts to €23,903 and Fogg Limited which amounts to €2,184.

As at year-end, the Council had garnishee orders in favour of third parties amounting to €23,903 (2017: €23,903).