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DConsulta Limited

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MQABBA LOCAL COUNCIL  
AUDITED REPORT & FINANCIAL STATEMENTS  
For the year ended 31<sup>st</sup> December 2017



**TABLE OF CONTENTS**

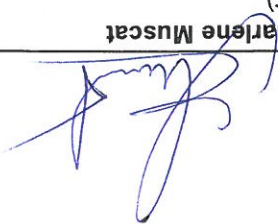
<b>SECTION</b>	<b>PAGE</b>
Statement of Local Council Members' and Executive Secretary's Responsibilities	1
Report of the Local Government Auditor to the Auditor General	2 - 3
Statement of Profit or Loss and Other Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 25

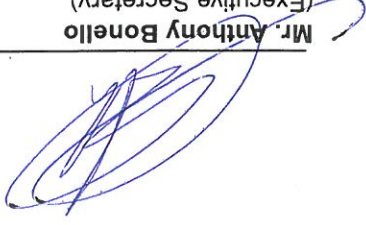
**Statement of Local Council Members' and Executive Secretary's Responsibilities**

The Local Councils (Financial) Regulations 1993 require the Executive Secretary to prepare a detailed Annual Administrative Report which includes the Local Council's Statement of Profit or Loss and Other Comprehensive Income for the year and of the Council's retained funds at the end of this year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Council (Financial) Regulations, and the Local Council (Financial) Procedures issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act 1993, Local Council (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Local Council on 26/11/2018 and signed on its behalf by:

  
\_\_\_\_\_  
Dr. Charlene Muscat  
(Mayor)

  
\_\_\_\_\_  
Mr. Anthony Bonello  
(Executive Secretary)

## Report of the Local Government Auditors' on the Mgabba Local Council to the Director of Audit

### Report on the Audit of the Financial Statements

#### Qualified Opinion

We have audited the financial statements of Mgabba Local Council, set out on pages 4 to 25, which comprise the Statement of Financial Position as at 31 December 2017, and the statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows statement for the 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 matter described in the Basis for Qualified Opinion, the financial statements give a true and fair view of the financial position of the Mgabba Local Council as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

#### Basis for Qualified Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the 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 were not able to determine if the written down value of the fixed assets stated in the accounts, amounting to €910,871, is complete and free from material misstatement as we were not provided with sufficient evidence to support the amounts disclosed in the financial statements.

#### Responsibilities of the Executive Secretary

The Executive Secretary is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the EU, and for such internal control as the Executive Secretary determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Secretary.

- Conclude on the appropriateness of the Executive Secretary's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

### Report on Other Legal and Regulatory Requirements

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

Mr Manuel Castagna

For and on behalf of

Nexia BT

Certified Public Accountants

The Penthouse, Suite 2

Capital Business Centre, Entrance C

Triq taz-Zwejt

San Gwann SGN 3000

Malta

Date: 26th April 2018

**Statement of Profit or Loss and Other Comprehensive Income for the year ended 31<sup>st</sup> December 2017**

	Year Ended 2017	Year Ended 2016
<b>Income</b>	€	€
Funds received from Central Government	361,149	339,473
4		
Income raised by Local Council Bye-Laws	7,678	5,328
5		
Income from Law Enforcement System	5,206	5,492
6		
General Income	3,737	1,110
7		
	<b>377,770</b>	<b>351,403</b>
<b>Expenditure</b>		
Personnel emoluments	86,773	83,964
8		
Operations and maintenance	104,646	111,888
9		
Administrative and other expenditure	131,321	149,642
10		
	<b>322,740</b>	<b>345,494</b>
<b>Operating surplus for the year</b>	<b>55,030</b>	<b>5,909</b>
Investment income	55	32
11		
	<b>55,085</b>	<b>5,941</b>
<b>Surplus for the year</b>	<b>55,085</b>	<b>5,941</b>
<b>Total comprehensive income for the year</b>	<b>55,085</b>	<b>5,941</b>

The notes on pages 8 to 25 form an integral part of these financial statements.



**Statement of Changes in Equity for the year ended 31st December 2017**

Retained Earnings €	At 1 January 2016	Surplus for the year	Other comprehensive income	Total comprehensive expense for the year	At 31 December 2016
402,211	402,211	5,941	-	5,941	408,152
408,152	At 1 January 2017	Surplus for the year	Other comprehensive income	Total comprehensive income for the year	At 31 December 2017
55,085	408,152	55,085	-	55,085	463,237
55,085					
463,237					



**Statement of Cash Flows for the year ended 31st December 2017**

	2017	2016
	€	€
<b>Cash flows from operating activities</b>	<b>55,085</b>	<b>5,941</b>
Surplus for the year		
Adjustments for:		
Depreciation	96,257	105,989
Increase in provision for doubtful debts	2,814	2,641
Grants released to income	(61,702)	(67,733)
Interest receivable	(55)	(32)
Operating surplus before working capital changes	<b>92,399</b>	<b>46,806</b>
Movements in working capital:		
Movement in receivables	(11,213)	1,720
Movement in payables	(11,829)	(16,853)
<b>Net cash generated by operating activities</b>	<b>69,357</b>	<b>31,673</b>
Cash flows from investing activities	(2,554)	(2,053)
Payment to acquire property, plant and equipment		
Interest received	55	32
<b>Net cash generated used in investing activities</b>	<b>(2,499)</b>	<b>(2,021)</b>
Cash flows from financing activities	8,619	31,730
Grants received		
<b>Net cash generated by financing activities</b>	<b>8,619</b>	<b>31,730</b>
<b>Net movement in cash and cash equivalents in the year</b>	<b>75,477</b>	<b>61,382</b>
Cash and cash equivalents at beginning of year	110,975	49,593
<b>Cash and equivalents at end of year</b>	<b>186,452</b>	<b>110,975</b>
<b>Cash and equivalents – cash at bank &amp; in hand</b>	<b>186,452</b>	<b>110,975</b>

Notes

The notes on pages 8 to 25 form an integral part of these financial statements.

## Notes to the Financial Statements for the year ended 31<sup>st</sup> December 2017

### 1. General Information

Mqabba Local Council is the local authority of Mqabba set up in accordance with the Local Councils Act 1993. The office of the Local Council is situated at 29, Triq il-Parrocca, Mqabba, Malta. These financial statements were approved by the Council on \_\_\_\_\_.

The Local Council's presentations as well as functional currency are denominated in Euro (€). Its ultimate controlling party is the Department for Local Government within the Ministry for Justice, Culture and Local Government.

### 2. Accounting Policies and Reporting Procedures

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

The 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

The financial statements are prepared under the historical cost convention as modified to include fair values stated in the accounting policies below. These Financial Statements are prepared in accordance with the requirements of International Financial Reporting Standards (IFRSs) as adopted by the European Union and comply with the Local Councils Act Cap363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires the council to exercise its judgment in the process of applying its accounting policies (see Note 3 – Critical accounting estimates and judgments).

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

Certain new standards, amendments and interpretations to existing standards have been published and effective for the current period, however these changes are not expected to have a material effect on the Local Council's financial statements:

- IAS 7 (amendment) – Disclosure Initiative (effective from 1 Jan 2017)
- IAS 12 (amendment) Recognition of Deferred Tax Assets for Unrealised Losses (effective 1 January 2017)

## Notes to the Financial Statements for the year ended 31<sup>st</sup> December 2017

### New Relevant Standards and not yet adopted/not yet early adopted

The following standards and amendments to existing standards have been published and are mandatory (as applicable) for the Local Council's accounting periods beginning on or after 1 January 2018 or later periods and the Local Council has not yet early adopted them:

- IFRS 9 Financial Instruments (effective from 1 January 2013). This IFRS addresses the classification and measurement of financial assets and replaces the multiple classification and measurement tools in IAS 39 with a single model that only has two classification categories: amortised cost and fair value. Classification under IFRS 9 will be driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. Subject to adoption by the EU, IFRS 9 will be effective for financial periods beginning on, or after, 1 January 2018. The Council is considering the implications of the standard and its impact on the Council's financial results and position.
- IAS 15 (amendment) Revenue from Contracts with Customers (effective from 1 January 2018).
- IAS 16 Leases (effective date 1 January 2019)

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Local Council

The principal accounting policies and reporting procedures used by the Local Council are as follows:

### Income recognition

Income in general is stated when there is reasonable certainty that the income would be receivable and thus can be accrued for. Other income such as that derived from the organization of courses, cultural, sporting and social activities is only recognized on a cash basis. Income from investment activities is recognized when the rights of receipt have been established. Interest income from financial assets is recognized when it is probable that the economic benefits will flow to the Council and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### Local Enforcement System

Local Enforcement Income represents the income as it accrues from contraventions as controlled by the Local Enforcement System (L.E.S). The amount receivable from the Local Enforcement System is disclosed in the statement of financial position. A full provision for bad debts is accounted for receivables aged over two years. As from the 1<sup>st</sup> September 2011, the Council forms part of the Southern Regional Committee, which is responsible for the L.E.S income of the locality. The contract provides for a 10% administration fee payable to the Council for contraventions collected by the Council and remitted to the respective Regional Committees. During the year the L.E.S. undergone changes with the introduction of the LESA which has taken over the functions previously undertaken by the Regional Committees.

**Notes to the Financial Statements for the year ended 31st December 2017 (cont..)**

**Financial instruments**

The Council recognises a financial instrument in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Receivables are initially recognised at fair value plus transaction costs. Receivables are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all risks and rewards of ownership or has not retained control of the financial asset.

The Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If there is objective evidence that an impairment loss on receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

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

**Property, Plant and Equipment**

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment loss to date. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The present values of property, plant and equipment do not differ materially from those that would be determined by using fair values at the end of each reporting period.

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

Depreciation is calculated on a monthly basis using the reducing balance method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

Category	%
Land / Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works / Special Projects / Urban Improvements (Street Furniture)	10
Office Equipment / Motor Vehicles / Plant and Machinery / Air conditioners	20
Computer Equipment / Computer software	25
Plants / Litter Bins / Playground furniture	100
Traffic / Road Signs / Street Mirrors / Lights	replacement basis

**Notes to the Financial Statements for the year ended 31<sup>st</sup> December 2017(cont..)**

**Property, Plant and Equipment (cont..)**

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Subsequent costs are included in the carrying amount of the asset or recognized 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 Comprehensive Income Statement during the financial year in which they are incurred.

**Impairment of property, plant and equipment**

At the end of each reporting period, the Council reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Council estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**Notes to the Financial Statements for the year ended 31st December 2017 (cont..)**

**Impairment of financial assets other than inventories**

At the end of each reporting period, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

In the case of financial assets that are carried at amortised cost, objective evidence of impairment includes observable data about the following loss events - significant difficulty of the issuer (or counterparty) and/or breach of contract. An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

For loans, and receivables or, if there is objective evidence that an impairment loss has been incurred, the loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

In the case of other assets tested for impairment, the recoverable amount is the higher of fair value less costs to sell (which is the amount obtainable from sale at arm's length transaction between knowledgeable, willing parties, less the costs of disposal) and value in use (which is the present value of the future cash flows expected to be derived, discounted using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Impairment losses are recognized immediately in the statement of comprehensive income, unless the asset is carried at a revalued amount, in which case, the impairment loss is recognized directly against the asset's revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for the asset.

For loans and receivables, if, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed directly.

In the case of assets tested for impairment, an impairment loss recognized in a prior period is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but in a manner that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods. Impairment reversals are recognized immediately in the comprehensive income statement, unless the asset is carried at a revalued amount, in which case, the impairment reversal is recognized directly in reserves, unless an impairment loss on the same asset was previously recognized in the comprehensive income statement.

## Notes to the Financial Statements for the year ended 31<sup>st</sup> December 2017 (cont..)

### Government Grants

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Council recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Council should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Council with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a Central Government loan at a below-market rate of interest is treated as a government grant, measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

### Amounts Receivable

Amounts receivable are recognized initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying 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 profit or loss.

### Payables

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of the Council's activities from suppliers. Payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest rate method. 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.

### 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 currency. Transactions denominated in foreign currencies are translated into € using the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

**Notes to the Financial Statements for the year ended 31<sup>st</sup> December 2017 (cont.)**

**Related Parties**

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

**Profits and Losses**

Only profits that were realized at the reporting date 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 Cash Equivalents**

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

**3. Critical accounting estimates and judgments**

In the process of applying the council's accounting policies, the council has made no judgments which can significantly affect the amounts recognised in the financial statements.

At the reporting date, there were no key assumptions concerning the future, or any other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**4. Funds received from Central Government**

	2017	2016
	€	€
In terms of section 55 of the Local Councils Act (Cap 363)	270,039	258,206
Government Grants	8,134	-
Other Government Income	21,274	13,534
Grants released for the year (note 15)	61,702	67,733
	<b>361,149</b>	<b>339,473</b>



**Notes to the Financial Statements for the year ended 31 December 2017(cont..)**

<b>5. Income raised from Bye-Laws</b>	
Income raised under Local Council Bye-Laws	
2017	7,678
2016	5,328
€	€
<b>6. Local Enforcement Income</b>	
Fines, Penalties and fees	
2017	5,206
2016	5,492
€	€
<b>7. General Income</b>	
Income from permits	
Contributions and donations	
Other income	
2017	3,737
2016	1,110
€	€
<b>8. Personal Emoluments</b>	
Mayor's allowance	
Councillors' allowances	
Executive Secretary's salary and allowances	
Employees' salaries	
Social Security Contributions	
2017	86,773
2016	83,964
€	€
<b>9. Operations and Maintenance</b>	
Road and street pavements	
Street signs	
Road markings	
2017	12,866
2016	13,013
€	€

Notes to the Financial Statements for the year ended 31 December 2017(cont.)

9. Operations and Maintenance (cont..)

	2017	2016
<b>Contractual Services:</b>	€	€
Refuse collection	31,250	31,309
Bulky refuse collection	1,304	2,804
Road and Street Cleaning & premises	21,232	22,351
Waste disposal	20,971	21,838
Cleaning and Maintenance of Public Conveniences	4,273	4,275
Cleaning and Maintenance of Parks and Gardens	3,765	4,220
Street lighting expenses	5,672	7,464
Local Enforcement System (L.E.S) Expenses	3,312	4,614
	<u>91,779</u>	<u>98,875</u>
	104,646	111,888

10. Administration and other expenditure

	2017	2016
Utilities	8,305	7,013
Other repairs and upkeep	1,823	1,422
Rent	582	1,746
National and International Memberships	24	345
Office Services	3,143	3,317
Transport	1,856	2,251
Information Services	2,937	5,612
Insurance	1,211	801
Professional services	3,253	2,666
Community and hospitality	7,426	13,028
Sundry expenses	359	1,276
Other interest	1,331	1,535
Depreciation	96,257	105,989
Increase in provision for doubtful L.E.S debtors	2,814	2,641
	<u>131,321</u>	<u>149,642</u>

Notes to the Financial Statements for the year ended 31 December 2017(cont.)

11. Investment Income

		Bank Interest
2017	€	55
2016	€	32

MQABBA LOCAL COUNCIL

REPORT AND FINANCIAL STATEMENTS  
FOR YEAR ENDED 31st DECEMBER 2017

Notes to the Financial Statements for the year ended 31st December 2017(cont..)

12a. Property, plant and equipment	Council Admin Offices Buildings	Office & Fittings	Furniture & machinery	Plant & machinery	Computer Equip.	Computer Software	Office Equipment	Urban Improvement	NewStreet Signs	Construction works	Special Projects	Total
Cost	€	€	€	€	€	€	€	€	€	€	€	€
At 1 January 2017	106,324	22,095	6,986	15,453	985	29,593	419,443	7,932	1,568,588	360,680	2,538,079	
Additions	-	649	-	-	-	805	1,100	-	-	-	2,554	
At 31 December 2017	106,324	22,744	6,986	15,453	985	30,398	420,543	7,932	1,568,588	360,680	2,540,633	
Depreciation												
At 1 January 2017	(13,916)	(12,187)	(5,342)	(10,734)	(985)	(16,732)	(81,161)	(7,932)	733,012	-	(882,001)	
Current charge	(920)	(669)	(300)	(483)	-	(2,537)	(8,615)	-	82,733	-	(96,257)	
At 31 December 2017	(14,836)	(12,856)	(5,642)	(11,217)	(985)	(19,269)	(89,776)	(7,932)	815,745	-	(978,258)	
Government Grants												
At 1 January 2017	-	-	-	(2,637)	-	-	(255,231)	-	(32,956)	(360,680)	(651,504)	
& at 31 December 2017	-	-	-	-	-	-	-	-	-	-	-	
N.B. V. at 31 December 2017	91,488	9,888	1,344	1,599	-	11,129	75,536	-	719,887	-	910,871	
N.B. V. at 31 December 2016	92,408	9,908	1,644	2,082	-	12,861	83,051	-	802,620	-	1,004,574	

MQABBA LOCAL COUNCIL

REPORT AND FINANCIAL STATEMENTS  
FOR YEAR ENDED 31st DECEMBER 2017

Notes to the Financial Statements for the year ended 31<sup>st</sup> December 2017(cont..)

12b. Property, plant and equipment	Council											Total
	Admin Offices	Office &Fittings	Furniture &Fittings	Plant& machinery	Computer Equip.	Computer Software	Office Equipment	Urban Improvement	NewStreet Signs	Construction works	Special Projects	
Cost	€	€	€	€	€	€	€	€	€	€	€	€
At 1 January 2016	106,324	22,095	6,986	14,913	985	28,080	419,443	7,932	1,568,588	360,680	2,536,026	
Additions	-	-	-	540	-	1,513	-	-	-	-	2,053	
At 31 December 2016	106,324	22,095	6,986	15,453	985	29,593	419,443	7,932	1,568,588	360,680	2,538,079	
Depreciation												
At 1 January 2016	(12,987)	(11,793)	(4,974)	(10,196)	(985)	(14,758)	(71,616)	(7,932)	(640,771)	-	(776,012)	
Current charge	(929)	(394)	(368)	(538)	-	(1,974)	(9,545)	-	(92,241)	-	(105,989)	
At 31 December 2016	(13,916)	(12,187)	(5,342)	(10,734)	(985)	(16,732)	(81,161)	(7,932)	(733,012)	-	(882,001)	
Government Grants												
At 1 January 2016	-	-	-	(2,637)	-	-	(255,231)	-	(32,956)	(360,680)	(651,504)	
Movement	-	-	-	-	-	-	-	-	-	-	-	
At 31 December 2016	-	-	-	(2,637)	-	-	(255,231)	-	(32,956)	(360,680)	(651,504)	
N.B.V. at 31 December 2016	92,408	9,908	1,644	2,082	-	12,861	83,051	-	802,620	-	1,004,574	
N.B.V. at 31 December 2015	93,337	10,302	2,012	2,080	-	13,322	92,596	-	894,861	-	1,108,510	

Notes to the Financial Statements for the year ended 31st December 2017 (cont.)

13. Receivables

	2017	2016
Trade receivables (Note 13.1)	5,295	5,099
Provision for doubtful debts	(4,317)	(3,450)
Other receivables	1,566	244
LES debtors (Note 13.2)	884	992
Prepayments and accrued income	16,997	9,141
	<b>20,425</b>	<b>12,026</b>

Note 13.1

Receivables within credit period  
Receivables not within credit period\*

	2017	2016
	601	1,649
	4,694	3,450
	<b>5,295</b>	<b>5,099</b>

The credit period on receivables (Note 13.1) is 90 days. No interest is charged on receivables for the first 90 days from the date of request of payment. Thereafter, the Council may consider to impose an interest charge of 2% per annum on the outstanding balance. Allowances for doubtful debts are recognised against receivables after 730 days (two years). Receivables disclosed in (Note 13.1) include amounts (see below for aged analysis) that are past due at the end of the reporting date for which the Council has not recognised an allowance for doubtful debts, as these are still considered recoverable. The aging of receivables that are past due but not impaired are as follows:

Receivables within credit period - 1 - 89 days  
Receivables not within credit period\* - 90 - 730 days

	2017	2016
	€	€
	601	1,649
	4,694	3,450
	<b>5,295</b>	<b>5,099</b>

Note 13.2

L.E.S receivables  
Provision for L.E.S doubtful debts (reconciled in the next page)

	2017	2016
	€	€
	114,026	112,187
	(113,142)	(111,195)
	<b>884</b>	<b>992</b>

Notes to the Financial Statements for the year ended 31st December 2017(cont..)

13. Receivables - cont.  
Note 13.2 - cont.

2017	€	111,195	Balance at beginning of the year
2016	€	108,554	Balance at beginning of the year
		1,947	Movement in provision
		2,641	Movement in provision
		113,142	Balance at the end of the year
		111,195	Balance at the end of the year

Movement in the allowance for doubtful debts:  
The credit period on L.E.S receivables (Note 13.2) is of 60 days. As the system is controlled by the Central Government, the Council has no control on the charging of interest of the imposition of penalties. Allowances for doubtful debts are recognised against receivables after 730 days (two years).

14. Cash and Cash Equivalents

2017	€	202,354	Cash at bank
2016	€	122,830	Cash at bank
		(16,152)	Bank balances overdrawn
		250	Cash in hand
		186,452	Cash in hand
		110,975	Cash in hand

15. Deferred income

2017	€	609,597	Deferred income as at 1st January
2016	€	659,994	Deferred income as at 1st January
		1,200	Amount increased during the year
		31,730	Amount increased during the year
		7,419	(Increase)/Decrease in amount of refundable grants
		(61,702)	Less amount released during the year
		556,514	Deferred income as at 31st December
		609,597	Deferred income as at 31st December

Deferred income relates to grants received from Central Government by the Council. It is composed of an amount which is apportioned between short-term and long-term components. The short-term component represents the amounts expected to be released in the next financial year.

In the opinion of the Local Council's members, disclosure of related party transactions, which are generally carried out, is only necessary when the transactions effected have a material impact on the operating results and financial position of the Council.

The Council also received income derived from the Local Enforcement System amounting to €5,206 (2016: €5,492). The Council's income reflected in the statement of profit or loss and comprehensive income comprises funds received from the Central Government amounting to €361,149 (2016: €339,473). In the ordinary course of its operations, the Council received funds and income from the related parties.

Other related parties through ultimate control of the Central Government, but which have no control on the Mqabba Local Council include Water Services Corporation, Enemalta Corporation, LESEA and Malta Environmental Planning Authority.

Mqabba Local Council is ultimately controlled by the Central Government Local Councils Department.

#### 18. Related party transactions

At the end of the reporting period, the Council had no future capital expenditure plans.

#### 17. Capital commitments

	2017	2016
Payables	39,028	62,649
Other creditors	6,974	-
Current deferred income (Note 15)	56,731	60,960
Accruals	51,995	47,177
	<b>154,728</b>	<b>170,786</b>

#### 16. Trade and other payables

	2017	2016
Non-current deferred income	499,783	548,637
Current deferred income (Note 16)	56,731	60,960
Deferred income as at 31st December	<b>556,514</b>	<b>609,597</b>

#### 15. Deferred income (cont.)

Notes to the Financial Statements for the year ended 31st December 2017(cont.)



Notes to the Financial Statements for the year ended 31st December 2017(cont..)

**19. Capital management policies and procedures**

**Capital Management**

It is the policy of the Executive Secretary to maintain an adequate capital base to sustain the future development of the Local Council and safeguard the ability of the Local Council to continue as a going concern. In this respect, the Executive Secretary monitors the operations and results of the Local Council.

**20. Risk management objectives**

The Council is exposed to credit risk, liquidity risk and contractual maturity risk through its use of financial instruments which result from its operating and investing activities. The most significant financial risks to which the Council is exposed to are described below.

**Credit risk**

The Council's exposure to credit risk is limited to the carrying amount of financial assets recognized at the date of the Statement of Financial Position (as disclosed in Notes 13 and 14, and as referred to hereunder), which arises from cash and cash equivalents and credit exposures from receivables as follows:

Receivables (Note 13.1)	5,295
Other receivables (Note 13)	2,450
Prepayments and Accrued Income (Note 13)	16,997
Cash and cash equivalents (Note 14)	186,452
€	

L.E.S receivables relate to sentenced cases arising from contraventions which are legally due to the Council. The credit risk exposure is high on L.E.S receivables as the Council has no control on such collectables. The amount disclosed is €884 (2016: €992) since total L.E.S receivables of €113,894 (2016: €114,026) have been fully provided for with a provision for bad debts of €113,142 (2016: €111,195)

Receivables arise from legal obligations due to the Council by third parties. The credit risk exposure is considered low as the Council is in direct contact with such debtors. Accrued income represents income receivable from Government and related agencies. Their relative credit exposure is considered low. The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective note to the financial statements and there is no collateral to secure such assets.

Cash at bank relates to balances held as savings accounts placed with a local reliable financial institution. The credit risk exposure in this respect is considered low.

Notes to the Financial Statements for the year ended 31st December 2017 (cont..)

Liquidity risk

The Council's exposure to liquidity risk arises from its obligations to meet financial liabilities, which comprise of trade and other payables. The Council monitors and manages its liquidity risk to a shortage of funds by maintaining sufficient cash and cash at bank, and by monitoring the availability of raising funds to ensure adequate amounts of funding to meet the obligations when they become due.

Contractual maturity risk

At 31 December 2017 and 31 December 2016, the contractual maturities on the financial liabilities of the Council were as summarised below. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the Statement of Financial Position.

		2016		
		Less than 6 months	From 6 to 12 months	From 1 to 5 years
Payables		46,845	46,845	59,740
	More than 5 years			-
		2017		
		Less than 6 months	From 6 to 12 months	From 1 to 5 years
Payables		17,919	17,919	58,476
	More than 5 years			-

Foreign currency risk

Most of the Council's transactions are carried out in Euro. Exposure to foreign currency exchange rates arise from the Council's transactions in foreign currency. There were no figures translates from foreign currency to Euro as at the date of the Statement of the Financial Position, thus putting the foreign currency risk at nil.

**Notes to the Financial Statements for the year ended 31st December 2017 (cont..)****Fair value of financial assets and financial liabilities**

At 31st December 2017, the fair value of non-current financial assets and non-current financial liabilities are not materially different from the carrying amounts.

**21. Contingent liabilities**

The council is currently engaged in legal action initiated by one of the suppliers, whereby the supplier is claiming that an amount of €8,088 is due by the council. The council is resisting these claims. No provision has been made in these financial statements in respect of these actions.

**22. Events after the reporting date**

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of approval of the financial statements by the council members.