



MQABBA LOCAL COUNCIL
AUDITED REPORT & FINANCIAL STATEMENTS
For the year ended 31st December 2018

Prepared by: Michael Debono CPA, MBA (Henley)

DConsulta Limited

Amber Court Block C No 1

Qormi Road, Santa Venera SVR1301

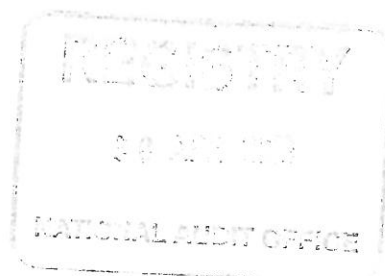


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Statement of Local Council Members' and Executive Secretary's Responsibilities

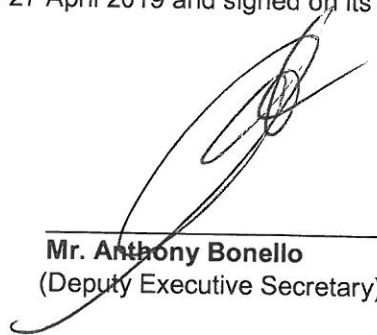
The Local Councils (Financial) Regulations 1993 require the Executive Secretary to prepare a detailed Annual Administrative Report which includes the Local Council's Statement of Profit or Loss and Other Comprehensive Income for the year and of the Council's retained funds at the end of this year. By 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 27 April 2019 and signed on its behalf by:



Dr. Charlene Muscat
(Mayor)



Mr. Anthony Bonello
(Deputy Executive Secretary)

REPORT OF THE LOCAL GOVERNMENT AUDITORS ON THE MQABBA LOCAL COUNCIL TO THE AUDITOR GENERAL**Report on the Audit of the Financial Statements****Opinion**

We have audited the financial statements of Mqabba 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 statement of financial position of Siggiewi Local Council as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Executive Secretary

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

In preparing the financial statements, the Executive Secretary is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council 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 Council'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 Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the 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: 27th April 2019

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31st December 2018

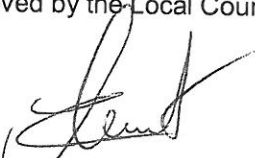
	Notes	Year Ended 2018 €	Year Ended 2017 (As restated) €
Income			
Funds received from Central Government	4	290,995	299,447
Income raised by Local Council Bye-Laws	5	8,183	7,678
Income from Law Enforcement System	6	2,605	5,206
General Income	7	7,502	3,737
		309,285	316,068
Expenditure			
Personnel emoluments	8	77,486	86,773
Operations and maintenance	9	100,161	104,646
Administrative and other expenditure	10	121,366	69,619
		299,013	261,038
Operating surplus for the year		10,272	55,030
Investment income	11	108	55
		108	55
Surplus for the year		10,380	55,085
Total comprehensive income for the year		10,380	55,085

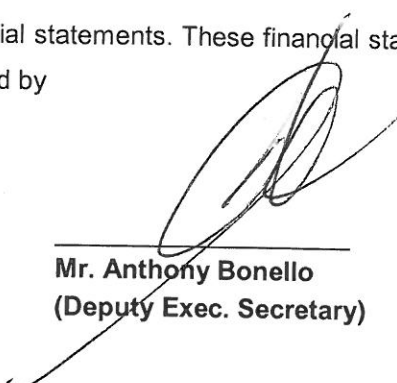
The notes on pages 9 to 25 form an integral part of these financial statements.

Statement of Financial Position as at 31st December 2018

	Notes	Year Ended 2018	Year Ended 2017 (As restated)	Year Ended 2017 (As previously stated)
		€	€	€
Assets				
<u>Non-current assets</u>				
	12 a-			
Property, plant and equipment	b	289,040	355,557	910,871
Total non-current assets		289,040	355,557	910,871
<u>Current assets</u>				
Trade and other Receivables	13	18,101	20,425	20,425
Cash and cash equivalent	14	283,032	186,452	186,452
Total current assets		301,133	206,877	206,877
Total assets		590,173	562,434	1,117,748
Reserves and liabilities				
<u>Reserves</u>				
Retained Earnings		473,617	463,237	463,237
Total Reserves		473,617	463,237	463,237
<u>Current liabilities</u>				
Trade and Other Payables	16	116,556	99,197	154,728
Total current liabilities		116,556	99,197	154,728
Total liabilities		116,556	99,197	654,511
Total reserves and liabilities		590,173	562,434	1,117,748

The notes on page 9 to 25 form an integral part of these financial statements. These financial statements were approved by the Local Council on 27th April 2019 and are signed by


Dr. Charlene Muscat
(Mayor)


Mr. Anthony Bonello
(Deputy Exec. Secretary)

Statement of Changes in Equity for the year ended 31st December 2018

	Retained Earnings €
At 1 January 2017	408,152
Surplus for the year	55,085
Other comprehensive income	-
Total comprehensive income for the year	<u>55,085</u>
At 31 December 2017	<u>463,237</u>
At 1 January 2018	463,237
Surplus for the year	10,380
Other comprehensive income	-
Total comprehensive income for the year	<u>10,380</u>
At 31 December 2018	<u>473,617</u>

Statement of Cash Flows for the year ended 31st December 2018

	Notes	2018 €	2017 (As restated) €
Cash flows from operating activities			
Surplus for the year		10,380	55,085
<u>Adjustments for:</u>			
Depreciation		82,959	34,555
Increase in provision for doubtful debts		466	2,814
Interest receivable		(108)	(55)
Operating surplus before working capital changes		<u>93,697</u>	<u>92,399</u>
<u>Movements in working capital:</u>			
Movement in receivables		(2,324)	(11,213)
Movement in payables		(8,359)	(11,829)
Net cash generated by operating activities		<u>83,014</u>	<u>69,357</u>
Cashflows from investing activities			
Payment to acquire property, plant and equipment		(16,442)	(2,554)
Interest received		108	55
Net cash generated used in investing activities		<u>(16,334)</u>	<u>(2,499)</u>
Cash flows from financing activities			
Grants received		29,900	8,619
Net cash generated by financing activities		<u>29,900</u>	<u>8,619</u>
Net movement in cash and cash equivalents in the year		<u>96,580</u>	<u>75,477</u>
Cash and cash equivalents at beginning of year	14	186,452	110,975
Cash and equivalents at end of year	14	<u>283,032</u>	<u>186,452</u>
Cash and equivalents– cash at bank & in hand		<u>283,032</u>	<u>186,452</u>

Notes to the Financial Statements for the year ended 31st December 2018**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-Parrocča, Mqabba, Malta. These financial statements were approved by the Council on 27 April 2019.

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

These financial statements are prepared under the historical cost convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act, 1993 (Chap. 363), the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures, 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards, as adopted by the EU. 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, 1993 (Cap 363).

New and revised standards that are effective for the current period

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

There 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 Council 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 Council.

Notes to the Financial Statements for the year ended 31st December 2018**New and revised standards that are issued but not yet effective**

IFRS 16, 'Leases' introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised, with the exception of short-term and low-value leases. IFRS 16 will supersede the current lease guidance of IAS 17 and the related interpretations. The standard is mandatory for periods commencing on or after 1 January 2019.

The application of IFRS 16 will have no impact on the Council's financial statements.

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 1st 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.

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.

Financial instruments (cont.)

At 31st December 2018, 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 straight-line 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

Up to the year ending 31st December 2017, depreciation was calculated using the reducing balance method. The change in the depreciation method has been affected according to the instructions in the DLG Directive 1/2017.

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

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

Notes to the Financial Statements for the year ended 31st December 2018(cont.)**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 recognised 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 recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised 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.

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.

Notes to the Financial Statements for the year ended 31st December 2018 (cont.)**Impairment of financial assets other than inventories (cont.)**

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.

Government Grants

Government grants relating to operating expenditure are recognised in the Statement of Comprehensive income in the same period that the related expenditure is incurred. Government grants relating to the purchase of property, plant and equipment are accounted for using the capital approach; and are thus deducted from the carrying amount of the relative non-current asset.

Up to the year ended 31st December 2017, government grants were accounted for using the income approach according to IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance." On 1st January 2018, the capital approach, according to IAS 20, has been adopted, in line with the directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting policy, and; according to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors," it has been accounted for retrospectively.

Amounts Receivable

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

Notes to the Financial Statements for the year ended 31st December 2018 (cont.)**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 recognised 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.

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

	2018	2017
	€	€
In terms of section 55 of the Local Councils Act (Cap 363)	281,612	270,039
Government Grants	571	8,134
Other Government Income	8,812	21,274
	<u>290,995</u>	<u>299,447</u>

Notes to the Financial Statements for the year ended 31 December 2018(cont.)**5. Income raised from Bye-Laws**

	2018	2017
	€	€
Income raised under Local Council Bye-Laws	8,183	7,678

6. Local Enforcement Income

	2018	2017
	€	€
Fines, Penalties and fees	2,605	5,206

7. General Income

	2018	2017
	€	€
Income from permits	2,877	2,235
Contributions and donations	863	1,394
Other income	3,762	108
	<u>7,502</u>	<u>3,737</u>

8. Personal Emoluments

	2018	2017
	€	€
Mayor's allowance	7,452	7,356
Councillors' allowances	8,294	5,884
Executive Secretary's salary and allowances	20,233	30,058
Employees' salaries	36,969	37,994
Social Security Contributions	4,538	5,481
	<u>77,486</u>	<u>86,773</u>

9. Operations and Maintenance

	2018	2017
	€	€
Road and street pavements	4,268	8,303
Street signs	3,898	4,531
Road markings	698	32
	<u>8,864</u>	<u>12,866</u>

Notes to the Financial Statements for the year ended 31 December 2018(cont.)**9. Operations and Maintenance (cont.)**

	2018	2017
	€	€
Contractual Services:		
Refuse collection	33,400	31,250
Bulky refuse collection	2,684	1,304
Road and Street Cleaning & premises	18,157	21,232
Waste disposal	22,641	20,971
Cleaning and Maintenance of Public Conveniences	3,922	4,273
Cleaning and Maintenance of Parks and Gardens	3,943	3,765
Street lighting expenses	4,680	5,672
Local Enforcement System (L.E.S) Expenses	1,870	3,312
	<u>91,297</u>	<u>91,779</u>
	<u>100,161</u>	<u>104,646</u>

10. Administration and other expenditure

	2018	2017
	€	€
Utilities	8,303	8,305
Other repairs and upkeep	2,221	1,823
Rent	558	582
National and International Memberships	208	24
Office Services	3,268	3,143
Transport	1,638	1,856
Information Services	3,003	2,937
Insurance	1,245	1,211
Professional services	4,808	3,253
Community and hospitality	9,955	7,426
Sundry expenses and bank charges	379	359
Other interest	2,355	1,331
Depreciation	82,959	34,555
Increase in provision for doubtful L.E.S debtors	466	2,814
	<u>121,366</u>	<u>69,619</u>

Notes to the Financial Statements for the year ended 31 December 2018(cont.)**11. Investment Income**

	2018	2017
	€	€
Bank Interest	108	55

Notes to the Financial Statements for the year ended 31st December 2018 (cont..)

12a. Property, plant and equipment		Council Admin Offices Buildings	Office Furniture & Fittings	Plant & machinery	Computer Equip.	Computer Software	Office Equipment	Urban Improvement	New Street Signs	Construction works	Special Projects	Assets under Construction	Total
Cost		€	€	€	€	€	€	€	€	€	€	€	€
At 1 January 2018		98,850	12,333	6,986	12,816	3,554	21,436	132,879	7,932	592,689	-	-	889,475
Additions		-	-	-	317	-	1,052	9,680	-	-	-	5,393	16,442
At 31 December 2018		98,850	12,333	6,986	13,133	3,554	22,488	142,559	7,932	592,689	-	5,393	905,917
Depreciation													
At 1 January 2018		(11,379)	(8,317)	(5,642)	(11,217)	(2,037)	(15,750)	(83,300)	(7,932)	(388,344)	-	-	(533,918)
Current charge		(989)	(925)	(1,344)	(1,678)	-	(4,498)	(14,256)	-	(59,269)	-	-	(82,958)
At 31 December 2018		(12,368)	(9,242)	(6,986)	(12,895)	(2,037)	(20,248)	(97,556)	(7,932)	(447,613)	-	-	(616,877)
N.B.V. at 31 December 2018													
		86,482	3,091	-	238	1,517	2,240	45,003	-	145,076	-	5,393	289,040
N.B.V. at 31 December 2017													
		87,471	4,016	1,344	1,599	1,517	5,686	49,579	-	204,345	-	-	355,557

Notes to the Financial Statements for the year ended 31st December 2018(cont.)

12a. Property, plant and equipment	Council Admin										Total
	Buildings	Office Furniture & Fittings	Plant & machinery	Computer Equip.	Office Equipment	Urban Improvement	NewStreet Signs	Construction works	Special Projects		
Cost	€	€	€	€	€	€	€	€	€	€	€
At 1 January 2017	106,324	22,095	6,986	15,453	29,593	419,443	7,932	1,568,588	360,680	2,538,079	
Less Govt Grants prior years	-	649	-	-	805	1,100	-	-	-	-2,554	
Less Govt Grants current year	(7,474)	(10,411)	-	(2,637)	(8,962)	(287,664)	-	(968,480)	(360,680)	(1,643,739)	
At 31 December 2017	98,850	12,333	6,986	12,816	21,436	132,879	7,932	592,689	-	889,475	
Depreciation											
At 1 January 2017	(13,916)	(12,187)	(5,342)	(10,734)	(16,732)	(81,161)	(7,932)	(733,012)	-	(882,001)	
Adjusted for Deferred Income released up till end 2016	3,010	3,887	-	-	2,914	3,592	-	370,119	-	382,638	
Current charge	(920)	(669)	(300)	(483)	(2,537)	(8,615)	-	(82,733)	-	(96,257)	
Adjusted with 2017 Release from Deferred Income	447	652	-	-	605	2,884	-	57,282	-	61,702	
At 31 December 2017	(11,379)	(8,317)	(5,642)	(11,217)	(15,750)	(83,300)	(7,932)	(388,344)	-	(533,918)	
Government Grants											
At 1 January 2017	-	-	-	(2,637)	-	(255,231)	-	(32,956)	(360,680)	(651,504)	
Movement during year	-	-	-	2,637	-	255,231	-	32,956	360,680	651,504	
At 31 December 2017	-	-	-	-	-	-	-	-	-	-	
N.B.V. at 31 December 2017	87,471	4,016	1,344	1,599	5,686	49,579	-	204,345	-	355,557	
N.B.V. at 31 December 2016	92,408	9,908	1,644	2,082	12,861	83,051	-	802,620	-	1,004,574	

Notes to the Financial Statements for the year ended 31st December 2018(cont.)**13. Receivables**

	2018	2017
	€	€
Receivables Related party undertakings (note 13.1)	10,142	5,295
Provision for doubtful debts	(4,783)	(4,317)
Other receivables	750	1,566
LES debtors (Note 13.2)	752	884
Prepayments and accrued income	11,240	16,997
	<u>18,101</u>	<u>20,425</u>

Note 13.1

Receivables within credit period	4,174	601
Receivables not within credit period*	1,185	4,694
Receivables which are impaired and provided for	4,783	-
	<u>10,142</u>	<u>5,295</u>

* None of the receivables are at impaired status

The credit period on receivables (Note 13.1) is of 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;

	2018	2017
	€	€
Receivables within credit period - 1 - 89 days	4,174	601
Receivables not within credit period* - 90 - 730 days	1,185	4,694
	<u>5,359</u>	<u>5,295</u>

Note 13.2

	2018	2017
	€	€
L.E.S receivables	113,894	114,026
Provision for L.E.S doubtful debts (reconciled in the next page)	(113,142)	(113,142)
	<u>752</u>	<u>884</u>

Notes to the Financial Statements for the year ended 31st December 2018(cont.)**13. Receivables - cont.****Note 13.2 - cont.**

	2018	2017
<i>Movement in the allowance for doubtful debts:</i>		
Balance at beginning of the year	€	€
Movement in provision	113,142	111,195
Balance at the end of the year	-	1,949
	<u>113,142</u>	<u>113,142</u>

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

	2018	2017
Cash at bank	€	€
Bank balances overdrawn	282,782	202,354
Cash in hand	-	(16,152)
	250	250
	<u>283,032</u>	<u>186,452</u>

15. Deferred income

As explained in Note 2 – Accounting policies and reporting procedures on Government Grants, as from 01 January 2018, reporting of grants have been changed from Income approach to Capital approach and government grants related to the purchase of property, plant and equipment are deducted from the carrying amount of the relative non-current asset. Therefore, in financial statements no deferred income is reported. Since this is a change in accounting policy according to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, it has been accounted for retrospectively.

Notes to the Financial Statements for the year ended 31st December 2018(cont.)**16. Trade and other payables**

	2018	2017
Trade Payables	€	€
Other payables	13,732	14,167
Capital payables	3,065	2,736
Related Party undertakings	7,636	12,592
Deferred income	23,428	16,507
Accruals	27,500	1,200
	41,195	51,995
	116,556	99,197

17. Capital commitments

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

18. Related party transactions

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

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, LESA and Malta Environmental Planning Authority.

In the ordinary course of its operations, the Council received funds and income from the related parties. The Council's income reflected in the statement of profit or loss and comprehensive income comprises funds received from the Central Government amounting to €290,995 (2017: €299,447). The Council also received income derived from the Local Enforcement System amounting to €2,605 (2017: €5,206).

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.

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.

Notes to the Financial Statements for the year ended 31st December 2018(cont.)**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)	€
Prepayments and Accrued Income (Note 13)	10,142
Cash and cash equivalents (Note 14)	11,240
	283,032

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 €752 (2017: €884) since total L.E.S receivables of €113,894 (2017: €114,026) have been provided for with a provision for bad debts of €113,142 (2017: €113,142).

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.

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.

Notes to the Financial Statements for the year ended 31st December 2018 (cont.)**Contractual maturity risk**

At 31 December 2018 and 31 December 2017, 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.

		2017			
		Less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years
Payables	67,978	31,219	-	-	-

		2018			
		Less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years
Payables	85,991	30,565	-	-	-

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.

Fair value of financial assets and financial liabilities

At 31st December 2018, 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 had no contingent liabilities as at year-end (2017: €8,088).

Notes to the Financial Statements for the year ended 31st December 2018 (cont.)**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.

23. Prior year Comparative amounts

Comparative amounts have been changed to reflect the change in method of calculating depreciation from reducing balance to straight line and 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 to reflect change in Accounting Policy	As restated in 2018 Audit
		€	€
Income			
Other government income	61,702	(61,702)	-
Expenditure			
Depreciation	96,257	(61,702)	34,555
	As reported in 2017 Audit	Adjustment to reflect change in Accounting Policy	As restated in 2018 Audit
		€	€
Non-current assets			
Property, plant and equipment	910,871	(555,314)	355,557
Non-current liabilities			
Deferred Income	499,783	(499,783)	-
Current liabilities			
Deferred Income	56,731	(55,531)	1,200