

**HAŽ-ŽABBAR LOCAL COUNCIL**  
**FINANCIAL STATEMENTS**  
For the year ended 31 December 2017

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***Prepared by: Parker Randall Turner***  
*Chartered Certified Accountants & Auditors*

## HAŻ-ŻABBAR LOCAL COUNCIL

### STATEMENT OF LOCAL COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S RESPONSIBILITIES

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's Statement of Comprehensive Income for the year, and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the 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, 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 Council on 26 April 2018 and signed on its behalf by:



**Marc Vella Bonnici**  
Mayor



**Ranier Busuttil**  
Agent Executive Secretary

## HAŽ-ŽABBAR LOCAL COUNCIL

### STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes:	2017 €	2016 €
<b>Revenue</b>			
Funds received from the Central Government	4	973,812	854,484
Income raised under Council Bye-Laws	5	20,166	19,296
Income Raised under Local Enforcement System	6	17,520	11,216
General Income	7	90	8,911
		<hr/>	<hr/>
		1,011,588	893,907
<b>Expenditure</b>			
Personnel Emoluments	8	(158,776)	(147,483)
Operations and maintenance	9	(372,514)	(447,964)
Administration and other expenditure	10	(187,996)	(164,601)
Other expenditure/income	11	(23,035)	(43,731)
		<hr/>	<hr/>
<b>Total Expenditure</b>		(742,321)	(803,779)
		<hr/>	<hr/>
<b>Operating profit for the year</b>		269,267	90,128
		<hr/>	<hr/>
Finance income	12	205	306
		<hr/>	<hr/>
<b>Surplus for the year</b>		€ 269,472	€ 90,434
		<hr/>	<hr/>

## HAŻ-ŻABBAR LOCAL COUNCIL

### STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 €	2016 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	1,179,402	1,131,003
<b>Current assets</b>			
Inventories	14	11,710	11,935
Receivables	15 / 16	146,833	122,978
Cash and cash equivalents	17	892,181	721,938
		<u>1,050,724</u>	<u>856,851</u>
<b>Total assets</b>		<u>€ 2,230,126</u>	<u>€ 1,987,854</u>
<b>RESERVES</b>			
Retained earnings		<u>1,731,888</u>	<u>1,462,416</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Other financial payables	18	52,574	57,700
Deferred income	19	250,230	241,204
<b>Total Non-current liabilities</b>		<u>302,804</u>	<u>298,904</u>
<b>Current liabilities</b>			
Trade and other payables	20	195,434	226,534
<b>Total reserves and liabilities</b>		<u>€ 2,230,126</u>	<u>€ 1,987,854</u>

These financial statements were approved by the Local Council on 26 April 2018 and signed on its behalf by:

  
\_\_\_\_\_  
**Marc Vella Bonnici**  
Mayor

  
\_\_\_\_\_  
**Ranier Busuttil**  
Agent Executive Secretary



## HAŽ-ŽABBAR LOCAL COUNCIL

### STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Retained Earnings €
At 1 January 2016	1,371,982
Surplus for the year	90,434
At 31 December 2016	<u>€ 1,462,416</u>
At 1 January 2017	1,462,416
Surplus for the year	269,472
As at 31 December 2017	<u>€ 1,731,888</u>

## HAŽ-ŽABBAR LOCAL COUNCIL

### STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 €	2016 €
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net cash generated from operating activities	22	293,898	235,572
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(156,433)	(303,619)
Interest received		205	251
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>		(156,228)	(303,368)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Grants received		32,573	-
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>		170,243	(67,796)
Cash and equivalents at beginning of year		721,938	789,734
<b>Cash and equivalents at end of year</b>	17	€ 892,181	€ 721,938

## **HAŻ-ŻABBAR LOCAL COUNCIL**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

#### **1 GENERAL INFORMATION**

The Haż-Żabbar Local Council is the local Authority of Malta set up in accordance with the Local Councils Act (1993). The office of the Local Council is situated at Civic Centre, Triq ic-Cawsli, Haż-Żabbar. These financial statements were approved for issue by the council members on 26 April 2018. The Local Council's financial statements are presented in Euro (€) which is the functional currency of the council. Its ultimate controlling party is the Department for Local Government within the Office of the Prime Minister.

#### **2 ACCOUNTING POLICIES AND REPORTING PROCEDURES**

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

##### **(a) Basis of preparation**

These financial statements are prepared under the historical cost convention except as disclosed below. These financial statements are prepared in accordance with the provisions of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of International Financial Reporting Standards as adopted by the European Union.

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).

##### **(b) Standards, amendments and interpretations to existing standards**

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

##### **New and amended standards adopted by the council**

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



## **HAŽ-ŽABBAR LOCAL COUNCIL**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

## **2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)**

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

#### **IFRS 9 'Financial Instruments' (2014)**

The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The council has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed
- an expected credit loss-based impairment will need to be recognised on trade receivables
- The new requirements in relation to financial liabilities address the problem of volatility in profit or loss arising from an issuer to measure its own debt at fair value. With the new requirements, any entity choosing to measure the liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within the profit or loss.

This standard is applicable for annual periods beginning on or after 1 January 2018.

#### **IFRS 16 'Leases'**

IFRS 16 presents new requirements for the recognition of leases replacing IAS 17 'Leases, and some lease-related Interpretations. The new standard requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value leases. The standard also provides new guidelines on the application of the definition of lease and on sale and lease back accounting. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. The council has started to assess the impact of IFRS 16 but is not yet in a position to provide quantified information.

## HAŽ-ŽABBAR LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

### (c) Functional and presentation currency

Items included in the financial statements of the Haž-Žabbar Local Council are measured using the current of the primary economic environment in which the Council operates ('the functional currency'). The financial statements are presented in Euro (€), which is the Council's presentation currency which is also the functional currency.

### (d) Property, plant and equipment

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and grants received for specific projects. Depreciation is calculated on a monthly basis using the reducing balance method at rates calculated to write down the cost less residual value of each asset, other than land and trees, over its expected useful life as follows:

	%
Land	-
Trees	-
Office furniture and fittings	7.5
Construction works	10
Road signs	replacement basis
Urban improvements (Street furniture)	10
Special projects	10
Office equipment	20
Motor vehicles	20
Plant and machinery	20
Computer equipment	25
Litter bins	replacement basis
Playground furniture	20
Street lights	100



## **HAŽ-ŽABBAR LOCAL COUNCIL**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

## **2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)**

### **(d) Property, plant and equipment (continued)**

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

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

### **(e) Impairment of assets**

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

### **(f) Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### **(g) 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 and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of comprehensive income.

## **HAŽ-ŽABBAR LOCAL COUNCIL**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

#### **2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)**

##### **(h) Cash and equivalents**

In the statement of financial position and the statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and credit bank balances as per books.

##### **(i) General payables**

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

General payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

General payables are expected to be settled within the short-term and as such cashflows relating to such payables are not discounted since the effect of discounting is immaterial.

##### **(j) Surplus and deficits**

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

##### **(k) Revenue**

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for Central Government allocation in terms of section 55 of the Local Councils Act, 1993, goods supplied services provided and other Central Government Grants. The Haž-Žabbar Local Council recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria has been met for each of the Council's activities, as described below. The Haž-Žabbar Local Council bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.



## **HAŽ-ŽABBAR LOCAL COUNCIL**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

## **2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)**

### **(k) Revenue (continued)**

#### **I. Central Government allocation in terms of section 55 of the Local Councils Act, 1993**

The Council does not have control on the amount of this income stream or the timing of its actual transfer to the Council's bank account. The amount receivable under this heading is communicated to the Council through the Department for Local Government after the annual Central Government budget is approved by Parliament and is transferred directly to the Council's designated bank accounts at the beginning of each quarter. The receipt of such funds is usually net of any deductions deemed by the Department for Local Government and these deductions may include; penalties inflicted, use of the Central Government electronic infrastructure or any other cost that the Department for Local Government passes on to the Council. The income under this heading accounts for major income stream to the Council and is primarily tied up to the specific expenditure headings on which the Councils is bound to allocate.

#### **II. Sales of goods**

The council has a number of items (books) recognized in these financial statements under inventories, that are for sale to general public.

#### **III. Services provided**

The council derives income from permit fees issued to the general public. The council also provides services to the South East Regional Committee or; shares of cleaning expenses; share of electronic infrastructure and Council employees attending Tribunal sittings.

The council also derives income in the form of 10% omission on the payments of contraventions under the Local Enforcement System accruing to the five Regional Committees.

### **(l) Government grants**

Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred Government grants and are credited to the statement of comprehensive income over the expected lives of the related assets.

## **HAŽ-ŽABBAR LOCAL COUNCIL**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

## **2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)**

### **(m) Financial instruments**

Financial assets and financial liabilities are recognised when the council becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs. They are measured subsequently as described below.

#### **Financial assets**

For the purpose of subsequent measurement, financial assets of the council are classified into loans and receivables upon initial recognition.

Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to loans and receivables are presented within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administration and other expenditure'.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The council's other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.



## **HAŽ-ŽABBAR LOCAL COUNCIL**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

#### **2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)**

##### **(m) Provisions, contingent liabilities and contingent assets (continued)**

###### **Financial liabilities**

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

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

##### **(n) Provisions, contingent liabilities and contingent assets**

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the council has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the council can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognised.



## **HAŽ-ŽABBAR LOCAL COUNCIL**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

## **2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)**

### **(o) Capital management policies and procedures**

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

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

To achieve the above, the council carries out a quarterly review of the working capital ratio ('Financial Situation Indicator'). This ratio was negative at the reporting date and the council is working to improve the situation. The council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

### **(p) Significant judgements, estimates and assumptions**

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

In the opinion of the council members, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

## HAŽ-ŽABBAR LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

#### 3 SURPLUS FOR THE YEAR

	Notes	2017 €	2016 €
Surplus for the year is stated after charging:			
Personal emoluments	8	158,776	147,483
Depreciation on property, plant and equipment	10	85,194	88,876
Loss on disposal of property, plant and equipment	11	45	43,731
and after crediting:			
Movement in provision for doubtful debts	10	1,393	1,624

#### 4 FUNDS RECEIVED FROM CENTRAL GOVERNMENT

	2017 €	2016 €
In terms of section 55 of the Local Council Act, (Cap 363)	889,961	821,047
Supplementary government income	62,414	21,237
Grants released to income	21,437	12,200
	<u>€ 973,812</u>	<u>€ 854,484</u>

## HAŽ-ŽABBAR LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

#### 5 INCOME RAISED UNDER COUNCIL BYE-LAWS

	2017	2016
	€	€
Community services	683	699
Placement of tables and chairs	651	590
Machinery permits	12,995	13,385
Kiosks permits	4,029	2,958
Occasional entertainment	79	128
Trenching permits	1,002	1,035
Material permits	156	79
Scaffolding permits	571	422
	<hr/>	<hr/>
	€ 20,166	€ 19,296
	<hr/>	<hr/>

#### 6 INCOME RAISED UNDER LAW ENFORCEMENT SYSTEM

	2017	2016
	€	€
Contraventions received	1,346	1,624
Contraventions – Sentenced cases	(1,346)	(1,624)
Regjun Centru	112	368
Regjun Tramuntana	-	35
Regjun Nofsinhar	-	163
Regjun Xlokk	9	351
Regjun Ghawdex	-	13
L.E.S.A Administration fees	11,819	10,286
L.E.S.A Distributions	5,580	-
	<hr/>	<hr/>
	€ 17,520	€ 11,216
	<hr/>	<hr/>

## HAŽ-ŽABBAR LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

#### 6 INCOME RAISED UNDER LAW ENFORCEMENT SYSTEM (continued)

In accordance with the Local Enforcement System (LES) issued by the Ministry by virtue of Section 72 of the Local Councils Act, (Cap 363), the income relating to contraventions was delegated to the local councils through Legal Notice 32 of 2000.

The recording of income from contraventions for offences was based on reports generated by the contractor entrusted with the system by the Ministry.

As from 1 September 2011 the contraventions previously accruing to the Council started accruing in favour of the 'Regjun Xlokk'. The Council's income from the Law Enforcement System therefore started reflecting four revenue streams as of that date. The revenue streams are as follows:

- (a) Receipts of contraventions that accrued in favour of the Council up to the 31 August 2011;
- (b) Movement in Tribunal Pending cases of contraventions that had accrued in favour of the Councils up to the 31 August 2011;
- (c) 10% on the contraventions accruing to all Regional Committees that are settled at the Council's cash point.
- (d) 10% on the contraventions accruing to L.E.S.A that are settled at the Council's cash point.

#### 7 GENERAL INCOME

	2017	2016
	€	€
Publications	82	93
Refund of expenses	8	8,818
	<hr/>	<hr/>
	€ 90	€ 8,911
	<hr/>	<hr/>



## HAŽ-ŽABBAR LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

#### 8 PERSONNEL EMOLUMENTS

	2017	2016
	€	€
Mayor's Honoraria	14,690	14,457
Council Members' allowance	12,914	13,600
Executive secretary salary and allowance	16,215	33,818
Employees' salaries	104,794	76,680
Social Security Contributions – employer's share	10,163	8,928
	<hr/>	<hr/>
	€ 158,776	€ 147,483

#### 9 OPERATIONS AND MAINTENANCE

	2017	2016
	€	€
<b>Repairs and upkeep:</b>		
Public property	6,033	7,065
Road and street pavements	19,486	103,850
Street signs	4,838	6,810
Road markings	4,961	13,549
Office furniture and equipment	4,176	5,266
Maintenance of equipment	1,256	936
Maintenance Council property	549	4,580
	<hr/>	<hr/>
	€ 41,299	€ 142,056



## HAŽ-ŽABBAR LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

#### 9 OPERATIONS AND MAINTENANCE (continued)

	2017 €	2016 €
<b>Contractual Services:</b>		
Waste disposal	531	413
Refuse collection	85,810	83,519
Bulky refuse collection	19,223	16,192
Open skips	210	1,076
Disposal fees at landfill BIS	94,530	84,845
Cleaning services	2,795	460
Road and street cleaning	56,447	55,149
Cleaning and maintenance of non - urban roads	5,226	5,771
Cleaning - public conveniences	23,836	23,646
Cleaning Council Premises	527	1,596
Other contractual services	1,901	2,154
Clean & maintenance of parks & gardens	10,243	3,685
Cleaning and maintenance soft areas	15,757	13,300
Street lighting	12,670	12,655
Local enforcement expenses	1,509	1,447
	<hr/> 331,215	<hr/> 305,908
<b>Total operations and maintenance costs</b>	<hr/> € 372,514	<hr/> € 447,964

## HAŽ-ŽABBAR LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

#### 10 ADMINISTRATION AND OTHER EXPENDITURE

	2017 €	2016 €
Utilities	8,409	14,793
Fuel (other than transport)	22	6
Operating materials & supplies	857	574
Cleaning materials & supplies	567	307
Uniforms	1,183	1,134
Rents	1,347	2,092
Membership in Local organisations	986	796
Printing	994	926
Stationary	926	1,111
Postages	550	725
Documentation	11	20
Other office services	1,720	-
Maintenance of vehicles	1,074	585
Hire of transport	4,383	861
Fuel costs	1,035	1,117
Payment of use of personal vehicle	212	147
Transportation of goods	165	100
Overseas tickets	569	1,455
Overseas subsistence & accommodation	180	376
Advertising costs	1,706	1,737
Publications and newsletters	-	944
Library expenses	2,393	4,861
Insurance coverage	4,813	4,552
Legal charges	2,046	-
Management & operating services	1,405	-
Bank charges	327	204
Legal services	437	1,138
Accountancy services	3,120	2,510
Course fees – local training	-	550
Conference expenses	231	221
Visits foreign delegations	1,164	1,271
(continues)	42,832	45,113

## HAŽ-ŽABBAR LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

#### 10 ADMINISTRATION AND OTHER EXPENDITURE (continued)

	2017 €	2016 €
Balance brought forward from page 20	42,832	45,113
Other hospitality costs	9	1,200
Social events	30	-
Cultural events	35,400	30,433
Lejl fil-Belt Hompesht	-	214
Summer Youth Camp	24,943	-
Community costs	574	-
Sundry minor expenses	148	389
Summons expenses	259	-
Decrease in provision for LES doubtful debts	(1,393)	(1,624)
Depreciation expense	85,194	88,876
	<u>€ 187,996</u>	<u>€ 164,601</u>

#### 11 OTHER EXPENSES

	2017	2016
Loss on disposal of assets	45	43,731
Impairment losses	22,990	-
	<u>€ 23,035</u>	<u>€ 43,731</u>

#### 12 FINANCE INCOME

	2017	2016
Bank interest receivable	€ 205	€ 306

## HAŽ-ŽABBAR LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

#### 13. PROPERTY, PLANT AND EQUIPMENT

	Trees €	Construction Works €	Furniture & Fittings €	New Street Signs €	Urban Improv- ment €	Office Equip. €	Plant & Machinery €	Motor Vehicles €	Assets Not yet Capitalised €	Total €
<b>Cost</b>										
At 1 January 2017	11,379	2,454,175	74,352	31,395	282,519	34,817	33,153	18,386	330,739	3,270,915
Additions	1,698	115,032	6,639	-	31,294	12,381	2,091	-	-	169,135
Disposals	-	-	-	-	(35,993)	(3,899)	(574)	-	(12,507)	(52,973)
Reclassification	198	209,681	-	-	90,103	-	-	-	(299,982)	-
At 31 December 2017	€ 13,275	€ 2,778,888	€ 80,991	€ 31,395	€ 367,923	€ 43,299	€ 34,670	€ 18,386	€ 18,250	€ 3,387,077
<b>Government Grants</b>										
At 1 January 2017	-	921,147	-	-	-	5,199	-	-	7,485	933,831
Disposal	-	-	-	-	-	(3,899)	-	-	-	(3,899)
At 31 December 2017	-	€ 921,147	-	-	-	€ 1,300	-	-	€ 7,485	€ 929,932
<b>Depreciation</b>										
At 1 January 2017	-	817,339	46,502	31,395	248,759	20,737	23,284	18,065	-	1,206,081
Charge for the year	-	70,410	2,326	-	7,633	2,582	2,180	63	-	85,194
Impairment	-	17,644	90	-	4,810	235	205	6	-	22,990
Eliminated on disposals	-	-	-	-	(35,993)	-	(529)	-	-	(36,522)
At 31 December 2017	€ -	€ 905,393	€ 48,918	€ 31,395	€ 225,209	€ 23,554	€ 25,140	€ 18,134	€ -	€ 1,277,743
<b>Net book value</b>										
At 31 December 2017	€ 13,275	€ 952,348	€ 32,073	€ -	€ 142,714	€ 18,445	€ 9,530	€ 252	€ 10,765	€ 1,179,402



## HAŽ-ŽABBAR LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

#### 13. PROPERTY, PLANT AND EQUIPMENT

	Trees €	Construction Works €	Furniture & Fittings €	New Street Signs €	Urban Improve- ment €	Office Equip. €	Plant & Machinery €	Motor Vehicles €	Assets Not yet Capitalised €	Total €
<b>Cost</b>										
At 1 January 2016	11,379	2,743,609	73,221	31,395	307,785	34,066	32,298	18,386	45,934	3,298,073
Additions	-	13,581	1,131	-	2,496	751	855	-	284,805	303,619
Disposals	-	(303,015)	-	-	(27,762)	-	-	-	-	(330,777)
At 31 December 2016	€ 11,379	€ 2,454,175	€ 74,352	€ 31,395	€ 282,519	€ 34,817	€ 33,153	€ 18,386	€ 330,739	€ 3,270,915
<b>Government Grants</b>										
At 1 January 2016 & at 31 December 2016	-	€ 921,147	-	-	-	€ 5,199	-	-	€ 7,485	€ 933,831
<b>Depreciation</b>										
At 1 January 2016	-	1,002,514	44,374	31,395	268,308	18,460	21,207	17,993	-	1,404,251
Charge for the year	-	78,458	2,128	-	3,864	2,277	2,077	72	-	88,876
Eliminated on disposals	-	(263,633)	-	-	(23,413)	-	-	-	-	(287,046)
At 31 December 2016	€ -	€ 817,339	€ 46,502	€ 31,395	€ 248,759	€ 20,737	€ 23,284	€ 18,065	€ -	€ 1,206,081
<b>Net book value</b>										
At 31 December 2016	€ 11,379	€ 715,689	€ 27,850	€ -	€ 33,760	€ 8,881	€ 9,869	€ 321	€ 323,254	€ 1,131,003



## HAŽ-ŽABBAR LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

#### 14 INVENTORIES

	2017	2016
Books for sale	€ 11,710	€ 11,935

#### 15 RECEIVABLES

	2017 €	2016 €
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##### Falling due within one year

Other related undertakings	9,612	17,421
Prepayments and accrued income	137,221	105,557
	€ 146,833	€ 122,978

2017 €	2016 €
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##### Credit period analysis:

Impaired and provided for	(398,857)	400,250
Provision for doubtful debts	(398,857)	(400,250)
	€ -	€ -

## HAŽ-ŽABBAR LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

#### 16 PROVISION FOR DOUBTFUL DEBTS

The movement in the provision for doubtful debts is as follows:

	2017 €	2016 €
Balance at 1 January	400,250	402,434
(Decrease) in provision for LES doubtful debtors	(1,393)	(2,184)
Balance at 31 December	<u>€ 398,857</u>	<u>€ 400,250</u>

#### 17 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents in statement of cash flows comprise the following amounts in the Council's Statement of Financial Position.

	2017 €	2016 €
Cash in hand	154	100
Bank balances	892,027	721,838
	<u>€ 892,181</u>	<u>€ 721,938</u>

Included with bank balances of € 892,181 there is a balance of € 1,164 that is restricted under a guarantee in favor of a related party.

## HAŽ-ŽABBAR LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

#### 18 OTHER FINANCIAL PAYABLES

	2017 €	2016 €
<u>Non Current</u>		
Public Private Partnership (PPP) agreement	52,574	57,700
<u>Current</u>		
Public Private Partnership (PPP) agreement	16,551	17,497
Total amounts payable under the PPP agreement	69,125	75,197
Amounts payable within one year	16,551	17,497
Amount payable between two and five years	52,574	57,700
	€ 69,125	€ 75,197

## HAŽ-ŽABBAR LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

#### 19 DEFERRED INCOME

	2017 €	2016 €
<b>Government Grants (note)</b>		
Balance at 1 January	262,098	274,298
Additions	32,573	-
Released to income	(21,437)	(12,200)
Balance at 31 December	€ 273,234	262,098
<b>Non-Current</b>	€ 250,230	€ 241,204
<b>Current</b>	€ 23,004	€ 20,894
<b>Deferred Government Grants</b>		
Amounts payable within one year	23,004	20,894
Amount payable between two and five years	83,031	73,388
Amount payable after five more than years	167,199	167,816
	273,234	262,098

Note:

Deferred Government Grants represent agreements signed with the Malta Environment & Planning Authority, the ERDF fund and other Central Government Grants, collectively referred to as 'Government Grant', up to the end of the year under review. The funds are released to income in line with the depreciation charge on the projects that were capitalized up to the end of the year under review.

Deferred grants foregone, represents the amounts previously agreed with the relevant authority but were eventually not received.



## HAŽ-ŽABBAR LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

#### 20 PAYABLES

	2017 €	2016 €
Payables	118,692	75,639
Current portion on PPP Agreement (note 18)	16,551	17,497
Current portion on Deferred Grants (note 19)	23,004	20,894
Law Enforcement Unidentified deposits	4,967	4,967
Amounts owed to other Councils	154	112
Accruals and deferred income	32,066	107,425
	<u>€ 195,434</u>	<u>€ 226,534</u>

#### 21 CAPITAL COMMITMENTS

	2017 €	2016 €
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Details of capital commitments at the reporting date are as follows:

(i) Approved but not yet contracted for:

- Resurfacing	-	-
- Construction – Misrah San Nikola	300,000	-
- Improvements	8,000	-
- Equipment	2,000	-
	<u>€ 310,000</u>	<u>€ -</u>

(ii) Contracted for but not provided in the financial statements:

- Construction (Gnien il-Kunsill)	-	120,000
- Equipment (Gnien il-Kunsill)	-	71,851
- Payment works	-	15,328
- Wood for shelving	124	-
	<u>€ 124</u>	<u>€ 207,179</u>

## HAŽ-ŽABBAR LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

#### 22 CASH GENERATED FROM OPERATIONS

	2017 €	2016 €
Surplus for the year	269,472	90,434
Adjustment for:		
Depreciation	85,194	88,876
Loss on disposal of assets	45	43,731
Impairment loss	22,990	-
Grants released to income	(21,437)	(12,200)
Investment income	(205)	(306)
Provision for doubtful debts	(1,393)	(1,624)
Operating profit before working capital changes	354,666	208,911
Decrease in inventories	225	209
(Increase)/ decrease in general and other receivables	(22,462)	2,793
(Decrease)/ increase in general and other payables	(38,531)	23,659
Cash generated from operations	€ 293,898	€ 235,572

#### 23 CONTINGENT LIABILITIES

	2017 €	2016 €
Claims by suppliers	939	632
Contested claims for damages of motor vehicles	-	645
Claims for damages of motor vehicles	1,188	-
	€ 2,127	€ 1,277

## HAŽ-ŽABBAR LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

#### 24 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operations decisions.

The ultimate controlling party of the Haž-Žabbar Local Council is the Department for Local Government within the Parliamentary Secretariat for Culture.

All the companies, Authorities and Agencies set up by the Central Government are also considered to be related parties to Haž-Žabbar Local Council but do not have significant control. The Joint Committee (up to the 31 August 2011), all Regional Committees (from 1 September 2011), the Local Councils Association and the other Local Councils are also considered to be related parties.

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

<b>Name of entity</b>	<b>Nature of relationship</b>
Department of Local Government	Significant control
Regional Committee – Local Law Enforcement	No control
Southern Harbour District Joint Committee	No control
Bank of Valletta plc	No control
Cleansing Services Department	No control
Lands Department	No control
Enemalta Corporation	No control
ARMS Limited	No control
MITTS	No control
Local Councils Association	No control
Other Local Councils	No control
Police Commissioner	No control
Water Services Corporation	No control
Wasteserv Malta Limited	No control
Works Division – Director General Works	No control



## HAŽ-ŽABBAR LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

#### 24 RELATED PARTY TRANSACTIONS (continued)

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

	2017 €	2016 €
<b>Cash Transactions:</b>		
Income - Annual financial allocation	889,961	821,047
Income – Law Enforcement System	17,520	11,216
	<hr/>	<hr/>
<b>Non-Cash Transactions:</b>		
Government Grants released	€ 21,437	€ 12,200
	<hr/>	<hr/>
<b>Year-end balances arising from related party transactions</b>		
Receivables from related parties (excluding Grants receivable)	€ 6,988	€ 16,706
	<hr/>	<hr/>

The receivables from related parties arise mainly from the annual financial allocations by Central Government, Urban Improvement Funds and income arising from delegation of responsibilities. The receivables are unsecured in nature and bear no interest.

Payables to related parties	€ 31,245	€ 2,195
	<hr/>	<hr/>

The payables to related parties arise mainly from purchases of goods and services and are mainly due 1 month after the date of purchase. The payables bear no interest.

#### 25 FINANCIAL RISK MANAGEMENT OBJECTIVES

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

## HAŽ-ŽABBAR LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

#### 25 FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

Where applicable, any significant changes in the Council's exposure of the financial risks or manner in which the Councils manages and measured these, risks are disclosed below.

Where possible, the Council aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of risk exposure associated with the financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

#### Liquidity risk

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

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

	Less than 3 months €	Between 3 months and 1 year €	Within 1 year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €
<b>At 31 December 2017</b>						
Payables under Private Public Partnership	-	16,551	16,551	16,551	36,023	-
Trade and other payables (excluding Grants deferred income)	105,223	45,340	150,563	-	-	-
	<u>€ 105,223</u>	<u>€ 61,891</u>	<u>€ 167,114</u>	<u>€ 16,551</u>	<u>€ 36,023</u>	<u>€ -</u>

## HAŽ-ŽABBAR LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

#### 25 FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

##### Liquidity risk (continued)

	Less than 3 months €	Between 3 months and 1 year €	Within 1 year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €
<b>At 31 December 2016</b>						
Payables under Private Public Partnership	-	17,497	17,497	16,551	41,149	-
Trade and other payables (excluding Grants deferred income)	124,070	58,994	183,064	-	-	-
	<u>€ 124,070</u>	<u>€ 76,491</u>	<u>€ 200,561</u>	<u>€ 16,551</u>	<u>€ 41,149</u>	<u>€ -</u>

##### Credit risk

With respect to credit risk, the receivables are monitored continuously for recoverability. Receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Known bad debts are therefore maintained to the lowest possible, thereby lowering as much as possible the concentration of credit risk.

Financial assets which potentially subject the Council to concentration of credit risk consist primarily of cash at bank and receivables. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any financial credit history. In this respect, credit with receivables is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

Included in the Council's receivables balance are the following debtors which are past due at the end of the reporting period net of an allowance for doubtful debts and excluding related party receivables. The remaining amounts are still considered recoverable as these customers have not defaulted in the past. The credit period allowed by the Council to its debtors is 60 days.



## HAŽ-ŽABBAR LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

#### 25 FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

##### Credit risk (continued)

	2017 €	2016 €
30 to 60 days	-	-
61 to 90 days	-	-
91 to 120 days	-	-
Over 120 days	€ 45,402	€ 45,662

##### Summary of the financial assets and liabilities by category

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

	2017 €	2016 €
<b>Financial Assets</b>		
<u>Current Assets - Loans and receivables</u>		
General receivables	9,612	17,421
<u>Cash and cash equivalents</u>		
Cash and bank balances	892,181	721,938
	<u>€ 901,793</u>	<u>€ 739,359</u>
<b>Financial Liabilities</b>		
<u>Non – Current Liabilities</u>		
Payables under Public Private Partnership agreement	€ 52,574	€ 57,700
<u>Current Liabilities</u>		
Payables under Public Private Partnership agreement	16,551	17,497
General payables	155,879	188,143
	<u>€ 172,430</u>	<u>€ 205,640</u>

## **HAŽ-ŽABBAR LOCAL COUNCIL**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

#### **25 FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)**

##### **Capital risk management**

The Council's objectives when managing capital are to safeguard the Council's ability to continue as a going concern so that it can continue to provide a service to the residents of the Local Council by maintaining an optimal capital structure to reduce cost of capital.

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

# Report of the Local Government Auditor

To the Auditor General

## Report on the audit of the financial statements

### Qualified opinion

We have audited the financial statements of Zabbar Local Council set out on pages 2 to 35 which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basis for qualified opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Council as at 31 December 2017, and of its financial performance and its cash flows for the year the ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act, the Local Councils (Financial) Procedures 1996 (the "Legislation").

### Basis for qualified opinion

1. Up to 31 August 2011, all income and expenditure from the Local Enforcement System (LES) were centralised through the Joint Committee and LES debtors at that date were transferred to the Joint Committee as well. The Joint Committee ceased operations on 31 August 2011 and LES was centralised through the Regional Committee as from 1 September 2011. During the year under review the Council did not record any income from the Joint Committee. We were unable to determine whether any income was paid to the Council from the Joint Committee since its audited financial statements for the year ended 31 December 2017 were not made available to us.
2. Included with Property, plant and equipment in note 13 is an addition of €19,902 and an impairment of €22,990 in depreciation. No supporting documentation was provided for this addition and impairment. In view of this we were unable to satisfy ourselves as the existence and completeness of these amounts.
3. Our tests on the PPP creditor revealed that the supplier was claiming an amount of €37,874 more than the amounts shown in the accounts. We also noted that the amount of € 69,125 shown in note 18 as PPP creditor in these financial statements does not agree to the detailed workings prepared by the council. No explanations were provided for these discrepancies. In view of this we were unable to satisfy ourselves as the existence and completeness of this amounts shown as due to the PPP creditor.



We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Council in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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

As described on page 1 the Executive Secretary and the members of the Local Council are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Legislation, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

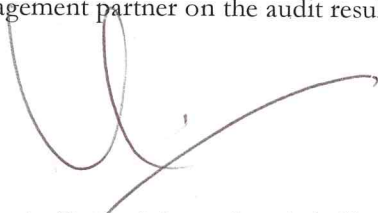
As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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



Mark Bugeja (Partner) for and on behalf of

**GRANT THORNTON**

Certified Public Accountants

Fort Business Centre  
Mriehel Bypass  
Birkirkara BKR 3000  
Malta

26 April 2018