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Our Ref: NAO 107/2015/5
Your Ref:

3 May 2018

The Mayor and Executive Secretary
Bormla Local Council
Bormla

RECEIVED
7 MAY 2018
Reg: 05/1088/18
CONFIRMED SEEN
MAYOR:
Exec. Sec.: <i>J</i>
OTHER:

Dear Sir/Madam,

**AUDIT REPORT and FINANCIAL STATEMENTS
YEAR ENDING 31 DECEMBER 2017**

In terms of Section P2.06 (c.02) of the Local Councils (Audit) Procedures 2006, I am forwarding a copy of the Audit Report and Financial Statements, together with the Management Letter for the financial year ending 31 December 2017.

After seeking the Council's approval, you are kindly requested to submit your response to the Director (Local Government), the Local Government Auditor, and to this Office as stipulated in Section P2.06 (d) of the same Procedures, by not later than six weeks following receipt of this letter.

Yours faithfully,



Tanya Mercieca
Asst. Auditor General

Encls.

BORMLA LOCAL COUNCIL

Annual Report

and

Financial Statements

31 December 2017

Prepared by:

Kevin Farrugia FCCA, FIA, CPA



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BORMLA LOCAL COUNCIL

The BORMLA LOCAL COUNCIL

Council Members

Bormla Local Council Mayor
Bormla Local Council Executive Secretary

Kevin Farrugia FCCA, FIA, CPA
Certified Public Accountant
MALTA

BORMLA LOCAL COUNCIL

ANNUAL REPORT AND FINANCIAL STATEMENTS 31 December 2017

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BORMLA LOCAL COUNCIL

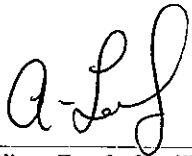
STATEMENT OF COUNCIL MEMBERS' AND EXECUTIVE SECRETARY RESPONSIBILITIES

For the year ended 31 December 2017

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

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

The financial statements were approved by the Council on 25 April 2018 and signed on its behalf by:



Alison Zerafa Civelli
Bormla Local Council
Mayor



Duncan Hall
Bormla Local Council
Executive Secretary

BORMLA LOCAL COUNCIL

STATEMENT OF TOTAL COMPREHENSIVE INCOME

Year ended 31 December 2017

	Notes	2017 EUR	2016 EUR
Income and revenues			
Funds received from Central Government	2	505,599	492,523
Income raised from Council Bye-Laws	3	6,506	9,699
Income from Law Enforcement Systems	4	7,940	4,898
General Income	6	(310)	15,276
Total income for the year		<u>519,735</u>	<u>522,396</u>
Expenditure			
Salaries and bonuses	7	129,433	123,950
Operations and maintenance	8	210,796	234,666
Administrative and other expenditure	9	93,797	114,594
Total expenditure for the year		<u>434,026</u>	<u>473,210</u>
Operating Profit for the year		<u>85,709</u>	<u>49,186</u>
Finance Income	5	111	512
Total Comprehensive income for the year		<u>85,820</u>	<u>49,698</u>

The accounting policies and notes on pages 9 to 26 form an integral part of the financial statements.

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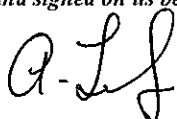
BORMLA LOCAL COUNCIL

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 EUR	2016 EUR
ASSETS			
Non-current assets			
Intangible assets	10	-	-
Property, plant and equipment	11	339,380	347,618
Total non-current assets		339,380	347,618
Current assets			
Trade and other receivables	12	56,462	56,968
Cash and cash equivalents	13	288,894	193,136
Total current assets		345,356	250,104
TOTAL ASSETS		684,736	597,722
EQUITY AND LIABILITIES			
Equity			
Retained earnings		459,591	373,771
Total Equity		459,591	373,771
LIABILITIES			
Non-current liabilities			
Deferred income	16	168,806	142,692
Total non-current liabilities		168,806	142,692
Current liabilities			
Interest bearing borrowings	14	15,003	12,157
Trade and other payables	15	41,336	69,102
Total current liabilities		56,339	81,259
Total liabilities		225,145	223,951
TOTAL EQUITY AND LIABILITIES		684,736	597,722

These financial statements were approved, signed and authorised for issue by the Council on the 25 April 2018 and signed on its behalf by:



Alison Zerafa Civelli
Bormla Local Council
Mayor



Duncan Hall
Bormla Local Council
Executive Secretary

The accounting policies and notes on pages 9 to 26 form an integral part of the financial statements.

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BORMLA LOCAL COUNCIL

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2017

	Retained Earnings EUR	Total EUR
FINANCIAL YEAR ENDED 31 DECEMBER 2016		
At 1 January 2016	324,073	324,073
Total comprehensive income for the year		
Profit for the year	49,698	49,698
At 31 December 2016	<u>373,771</u>	<u>373,771</u>
FINANCIAL YEAR ENDED 31 DECEMBER 2017		
At 1 January 2017	373,771	373,771
Total comprehensive income for the year		
Profit for the year	85,820	85,820
At 31 December 2017	<u>459,591</u>	<u>459,591</u>

The accounting policies and explanatory notes on pages 9 to 26 form an integral part of the financial statements.

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BORMLA LOCAL COUNCIL

STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	2017 EUR	2016 EUR
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	85,820	49,698
Adjustments for:		
Dépreciation of property, plant and equipment	41,376	47,176
Amortisation	-	97
Loss on disposal of property, plant and equipment	(392)	
Interest received	(111)	(512)
Provision for bad debts	(471)	(8,746)
Grants released to income	(22,030)	(32,808)
Adjustments for working capital changes		
Movements in trade and other receivables	977	(17,574)
Movements in trade and other payables	(34,622)	(36,506)
<i>Net cash generated from operating activities</i>	<u>70,547</u>	<u>825</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	2,300	8,594
Acquisition of property, plant and equipment	(35,046)	(48,119)
Interest received	111	512
<i>Net cash used in investing activities</i>	<u>(32,635)</u>	<u>(39,013)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Grants received	55,000	97,917
<i>Net cash generated from financing activities</i>	<u>55,000</u>	<u>97,917</u>
MOVEMENT IN CASH AND CASH EQUIVALENTS	92,912	59,729
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	180,979	121,250
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 13&14)	<u>273,891</u>	<u>180,979</u>

The accounting policies and notes on pages 9 to 26 form an integral part of the financial statements

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BORMLA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

1.1 GENERAL INFORMATION

The Bormla Local Council is a local government set up by the Local Council Act 1993. Its ultimate controlling party is the Local Councils Department within the Office of the Prime Minister. The financial statements of the Bormla Local Council for the year ended 31 December 2017 were authorised for issue by the Council Members on the 25 April 2018.

1.2 BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Euro, which is the Council's functional currency.

BASIS OF PREPARATION

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and IFRS Interpretations Committee (IFRS IC) applicable to the Council reporting under IFRS and comply with the Companies Act, Cap 386 of the Laws of Malta under the historical cost basis.

The preparation of financial statements in conformity with IFRS as adopted by the European Union requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the notes to the financial statements.

1.3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements:

New and amended standards adopted by the Local Council

IAS 7 - 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. Subject to adoption by the EU, the amendments are effective for annual periods beginning on or after 1 January 2017.

Standards, amendments and interpretations that are not yet effective

IFRS 9, 'Financial Instruments' addresses the classification and measurement of financial assets and replaces the multiple classification and measurement tools in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. Classification under IFRS 9 will only be driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. Subject to adaption by the EU, IFRS 9 will be effective for financial periods beginning on, or after 1 January 2018. IFRS 9 has not yet been adopted by the EU.

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BORMLA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

1.3. SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 16, 'Leases', introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows. IFRS 16 contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee. Subject to adoption by the EU, IFRS 16, will be effective for financial periods beginning on, or after, 1 January 2019.

Income and revenue recognition

Income and revenue is recognised to the extent that it is probable that the economic benefits will flow to the Council and the income and revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Income from investment activities is recognised when the rights of receipts have been established.

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 organisation of courses, cultural, sporting and social activities is only recognised on a cash basis.

Interest income from financial assets is recognised when it is probably 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 assets to the asset's net carrying amount on initial recognition.

Local Enforcement System

Up till August 2011, the Council used to manage the Local Enforcement System in its locality and used to receive all the income generated from the fines. As from 1 September 2011, the Council started to form part of the Southern Region, which took over the management of Local Enforcement System and the Council is receiving a 10% administration fee on every fine paid at the Council. As from October 2015 LESA took over the administration of the Local Enforcement System.

BORMLA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

1.3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Functional and presentation currency

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

Provisions

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

Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Council.

Cash and cash equivalents

Cash in hand and at banks and short-term deposits are held to maturity and carried at cost.

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. For the purpose of the cash flows statement, cash and cash equivalents consist of cash in hand and deposits at banks, net of outstanding bank overdrafts.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred

Government Grants

Government grants relating to costs are deferred and recognised in the Statement of Profit or Loss and Other 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 under non-current liabilities as deferred government grants and are credited to the Statement of Profit or Loss and Other Comprehensive Income over the expected lives of the related assets.

Intangible Assets

Intangible assets are initially recorded at cost. They are subsequently stated at cost less accumulated amortisation and impairment losses. Intangible assets are amortised at 25% per annum, using the straight line method.

BORMLA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

1.3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on a monthly basis using the reducing balance method at rates estimated to write down the cost of all tangible fixed assets, other than land and trees over their expected useful lives as follows:

	%
Trees	0
Motor Vehicles	20
Office Equipment	20
Urban improvements (street furniture)	10
Plant and machinery	20
Furniture and fittings	7.5
Computer equipment	25
New street signs	Replacement basis
Road signs	Replacement basis
Litter bins	Replacement basis
Street Mirrors	Replacement basis
Construction works	10
Assets not yet capitalised	0

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 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 income statement during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised within 'Other income/(expenses)' in the income statement.

When revalued assets are sold, the amounts included in the revaluation reserve relating to the assets are transferred to retained earnings.

Land and buildings held for use in the production or supply of goods or services, or for administration purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

A revaluation increase arising on the revaluation of such land and building is recognised in other comprehensive income and accumulated in equity, except to the extent that it reserves a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed.

BORMLA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

1.3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserves relating to a previous revaluation of that asset.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Furniture and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the reducing balance method. The estimated useful lives, residual values and depreciation method are renewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis.

Any item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

Impairment of property, plant and equipment

At the end of each reporting period the Council reviews the carrying amounts to its property, plant and equipment 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 for which a reasonable and consistent allocation basis can be identified.

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 (or cash-generating unit) is reduced to its recoverable amount, an impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When 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, but 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 the statement of comprehensive income, 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.

BORMLA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

1.4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Members have made in the process of applying the Council's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

In making their judgement, the Council Members considered the detailed criteria for the recognition of revenue from the Law Enforcement System.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of property, plant and equipment

The useful lives of property, plant and equipment is determined by the Local Government Department, within the Office of the Prime Minister and the Council reviews the fixed assets register items at the end of each accounting period with a view to identify any obsolete items.

1.5. GOING CONCERN

The statement of financial position suggests that the going concern assumption used in the preparation of these financial statements is dependent on further sources of funds. This factor indicates that the Council may be unable to continue as a going concern, unless with the continued support of Central Government and/or Department of Local Councils.

2. FUNDS RECEIVED FROM CENTRAL GOVERNMENT

	2017	2016
	EUR	EUR
In terms of section 55 of the Local Council Act 1993	452,562	442,770
Supplementary Government Income – WasteServ allocation	10,163	1,301
Amortisation of Government Grants	22,030	32,808
Other Government Income	20,844	15,644
	<u>505,599</u>	<u>492,523</u>

3. INCOME RAISED FROM COUNCIL BYE-LAWS

	2017	2016
	EUR	EUR
Permits related to construction	6,506	9,699
	<u>6,506</u>	<u>9,699</u>

BORMLA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

4. INCOME FROM LAW ENFORCEMENT SYSTEM

	2017 EUR	2016 EUR
Contraventions received	198	1.145
Contraventions accrued	(471)	(1.145)
LES commissions	5,225	4,898
LESA Distribution	2,988	-
	<u>7,940</u>	<u>4,898</u>

5. FINANCE INCOME

	2017 EUR	2016 EUR
Bank interest	111	512
	<u>111</u>	<u>512</u>

6. GENERAL INCOME

	2017 EUR	2016 EUR
Adverts in council magazine	-	158
Contributions	(310)	14,568
Tender document fees	-	550
	<u>(310)</u>	<u>15,276</u>

7. SALARIES AND BONUSES

	2017 EUR	2016 EUR
Salaries and bonuses include, inter alia:		
Mayor's honoraria and allowance	11,018	10,843
Council members' allowance	8,268	8,457
Executive salary allowance	29,881	32,560
Employees' salaries	71,445	64,596
Social security costs	8,821	7,494
	<u>129,433</u>	<u>123,950</u>

BORMLA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

8. OPERATIONS AND MAINTENANCE

	2017 EUR	2016 EUR
Repairs and upkeep		
Patching	632	166
Office furniture and equipment	2,261	46
Plant and equipment	38	-
Street signs	1,443	1,266
Other repairs and upkeep	2,345	2,444
Pavements	1,363	1,150
Council property	-	349
Street markings	1,123	986
	<u>9,205</u>	<u>6,407</u>
Contractual services		
Refuse collection	83,985	91,319
Bulky effuse collection	12,230	13,466
Tipping fees	29,370	29,889
Cleaning services	975	605
Road and street cleaning	29,191	25,309
Cleaning and maintenance – public conveniences	2,541	4,483
Cleaning council premises	543	3,665
Cleaning and maintenance – Soft areas	32,775	35,990
Cleaning and maintenance – Parks and gardens	-	14,528
Hire and emptying of bins on wheels	3,337	2,750
Hire and emptying of open skips	477	-
Street lighting	6,167	6,255
	<u>201,591</u>	<u>228,259</u>
Total operations and maintenance	<u>210,796</u>	<u>234,666</u>

BORMLA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

9. ADMINISTRATIVE AND OTHER EXPENSES

	2017	2016
	EUR	EUR
Accountancy services	3,717	5,364
Advertising	523	657
AGM	69	69
Amortisation – IT Development costs	-	97
Assets disposal	(393)	-
Bad debts	-	7,566
Bank charges	116	172
Battery lease	1,854	378
Charge – electric vehicle	393	202
Christmas activities	3,899	20,077
Cleaning material	544	471
Comm equipment rental	1,082	1,160
Comm telephone charges	392	265
Course subsidies local residents	-	250
Cultural events	3,318	120
Depreciation of property, plant and equipment	41,376	47,176
Documentation	12	18
E-government and web space rental	120	(24)
Environmental hours	850	-
EU Organisation	150	290
Fuel	50	995
Hire of transport	-	201
Insurance coverage	3,042	2,524
Interreg IIIB – emed – IT	-	(179)
Internet services	507	-
IT Development services	1,474	1,076
Jum il-Kunsill	1,362	2,896
Legal services	1,374	(174)
Librarian fees	-	66
Library books	100	515
Local enforcement bank charges	3	11
Maintenance of vehicles	124	1,935
Motor vehicle licences	1,030	329
Operational materials	4,714	4,303
Other expenses	969	198
Other hospitality costs	966	1,346
Other support services	678	177
Overseas hospitality	-	425
Overseas subsistence	207	739
Overseas tickets	196	1,497
Participation fee meetings	110	628
Photocopier paper	95	149
Photocopier service	247	1,065
Postage	133	217
Printing	1,586	478
Provisions for bad debts	(471)	(8,746)
Public relations expenses	143	1,081
Subtotal	<u>76,661</u>	<u>98,060</u>

BORMLA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

9. ADMINISTRATIVE AND OTHER EXPENSES (continued)

	2017 EUR	2016 EUR
Subtotal	76,661	98,060
Publications and newsletters	349	4,137
Reimbursements to council staff	-	81
Rent	2,140	2,261
Social events	568	-
Spare parts	-	24
Sports events	1,135	(80)
Stationery	1,038	706
Summons expenses	23	111
Sundry minor expenses	2,077	3,229
Town planning consultancy	-	-
Transportation of goods	59	-
TV licence	-	(446)
Uniforms	1,783	143
Water and electricity	7,964	6,368
Total administrative and other expenses	93,797	114,594

BORMLA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

10. INTANGIBLE ASSETS

	Development costs EUR	Total EUR
At 1 January 2016		
Cost		
Accumulated amortisation	510 (413)	510 (413)
Net book amount	97	97
Year ended 31 December 2016		
Opening net book amount	97	97
Amortisation charge	(97)	(97)
Closing net book amount	-	-
At 31 December 2016		
Cost	510	510
Accumulated depreciation	(510)	(510)
Net book amount	-	-
Year ended 31 December 2017		
Opening net book amount	-	-
Amortisation charge	-	-
Closing net book amount	-	-
At 31 December 2017		
Cost	-	-
Accumulated amortisation	-	-
Net book amount	-	-

BORMLA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

11. Property, plant and equipment	Trees	Motor Vehicles	Office Equipment	Urban Improvements	Plant and machinery	Furniture and fittings	New street Signs	Construction works	Assets not yet capitalised	Total
Cost										
At 1 January 2016	13,609	8,269	29,565	199,970	6,033	62,879	21,693	798,600	-	1,140,618
Additions	-	24,850	2,562	10,513	9,153	-	-	-	1,041	48,119
Disposals	-	-	-	-	-	(10,472)	-	-	-	(10,472)
At 31 December 2016	13,609	33,119	32,127	210,483	15,186	52,407	21,693	798,600	1,041	1,178,265
Depreciation										
At 1 January 2016	-	7,143	21,309	165,924	5,011	34,584	21,693	529,686	-	785,350
Charge for the year	-	2,296	2,053	12,758	1,521	1,660	-	26,887	-	47,175
On Disposals	-	-	-	-	-	(1,878)	-	-	-	(1,878)
At 31 December 2016	-	9,439	23,362	178,682	6,532	34,366	21,693	556,573	-	830,647
Net book value										
At 31 December 2016	13,609	23,680	8,765	31,801	8,654	18,041	-	242,027	1,041	347,618
Cost										
At 1 January 2017	13,609	33,119	32,127	210,483	15,186	52,407	21,693	798,600	1,041	1,178,265
Additions	-	24,930	1,313	2,016	721	1,240	-	-	4,826	35,046
Disposals	-	(8,153)	(658)	-	(3,026)	-	-	(4,252)	-	(16,089)
Reclassifications	-	-	-	1,192	-	-	-	-	(1,192)	-
At 31 December 2017	13,609	49,896	32,782	213,691	12,881	53,647	21,693	794,348	4,675	1,197,222
Depreciation										
At 1 January 2017	-	9,439	23,362	178,682	6,532	34,366	21,693	556,573	-	830,647
Charge for the year	-	8,023	2,079	4,198	1,341	1,552	-	24,183	-	41,376
On Disposals	-	(7,418)	(592)	-	(2,722)	-	-	(3,449)	-	(14,181)
At 31 December 2017	-	10,044	24,849	182,880	5,151	35,918	21,693	577,307	-	857,842
Net book value										
At 31 December 2017	13,609	39,852	7,933	30,811	7,730	17,729	-	217,041	4,675	339,380

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BORMLA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

12. TRADE AND OTHER RECEIVABLES

	2017 EUR	2016 EUR
Current		
Trade receivables	31,561	21,351
Provision for doubtful debts	(286)	(286)
Law enforcements system	325,609	326,080
Provision for LES doubtful debts	(325,609)	(326,080)
Accrued income	14,006	22,003
Financial assets	45,281	43,068
Prepayments	11,181	13,900
	<u>56,462</u>	<u>56,968</u>

13. CASH AND CASH EQUIVALENTS

	2017 EUR	2016 EUR
Cash in hand	30	3,156
Petty cash	116	123
Bank balances - current	1,165	46,758
Bank balances - savings	287,583	143,099
	<u>288,894</u>	<u>193,136</u>

14. INTEREST BEARING BORROWINGS

	2017 EUR	2016 EUR
Bank balance overdrawn	15,003	12,157
	<u>15,003</u>	<u>12,157</u>

15. TRADE AND OTHER PAYABLES

	2017 EUR	2016 EUR
Current		
Trade payables	13,318	30,270
Law enforcement unidentified deposits	245	245
Short term deferred income	17,889	11,030
Accruals and deferred income	9,884	27,557
	<u>41,336</u>	<u>69,102</u>

BORMLA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

16. DEFERRED INCOME

	2017 EUR	2016 EUR
At 1 January	142,692	78,550
Increase	55,000	97,918
Release to income statement	(22,030)	(32,808)
Deferred income transferred to short term	(6,856)	(968)
	<u>168,806</u>	<u>142,692</u>
Current deferred income	17,889	11,034
	<u>186,695</u>	<u>153,726</u>
Repayable within one year	17,889	11,034
Repayable between one and five years	47,494	44,056
Repayable in five years or more	121,312	98,636
	<u>186,695</u>	<u>153,726</u>

Deferred income represents grants received from the Ministry for Sustainable Development, the Environment and Climate Change and TM 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 capitalised up to the end of the year under review.

17. RELATED PARTY TRANSACTIONS

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

Name of Entity	Nature of relationship
Department of Local Councils	Significant control
Regional Committee (Local Enforcement)	Joint control
Fgura Joint Committee (Local Enforcement)	Joint control
Local Enforcement System Agency	No control
Gozo Regional Committee	No control
North Regional Committee	No control
South Regional Committee	No control
South Eastern Regional Committee	No control
Central Regional Committee	No control
Public General Head Quarters	No control
Local Councils' Association	No control
Malta Information Technology Agency	No control
Malta Communication Authority	No control

BORMLA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

17. RELATED PARTY TRANSACTIONS (continued)

Name of Entity	Nature of relationship
Malta Tourism Authority	No control
Malta Transport Authority	No control
Department of Lands	No control
Department of Inland Revenue	No control
Permanent Secretary – Ministry of Education	No control
Permanent Secretary – Ministry for Family & Social Solidarity	No control
Bank of Valletta plc	No control
Airmalta plc	No control
Jobs plus	No control
ARMS Ltd	No control
Planning Authority	No control
Environment and Resources Authority	No control
Water Services Corporation	No control
Enemalta plc	No control
Cleansing Services Department	No control
Director General Works Division	No control
Wasteserv Malta Ltd	No control
Commissioner for Data Protection	No control

During the year, the Local Council effected transactions with related parties mainly in connection with income and expenditure transactions as disclosed in note 2, 3, and 4 to these financial statements. The following material transactions were carried out with related parties:

	2017 EUR	2016 EUR
Funds received from central government	<u>452,562</u>	<u>442,770</u>

18. OTHER INFORMATION

Capital commitments

The Local council has committed to acquire two electric vehicles with the first vehicle amounting to €36,370 which will be funded through a capital grant from Transport Malta amounting to €60,000 for placing first in the SUMP 2014/2015 competitions. One of the electric motor vehicles was acquired during the year 2016. The second vehicle was acquired during the year under review.

Operating lease

The Local council has committed to the payment in advance for the batteries to operate the electric motor vehicles. The Local council has shifted the risks of the batteries to the lessor, therefore the expenditure is allocated to the profit and loss account over the period of the lease.

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BORMLA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

19. FINANCIAL INSTRUMENTS

Financial risk factors

The Council's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Council's overall risk management programme focuses on the unpredictability of market conditions and therefore seeks to minimise potential adverse effects on the Council's financial performance. Risk management is carried out by the Council. The Council evaluates, on a periodical basis, financial risk factors based on appropriate skills, experience and supervision.

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

	2017 EUR	2016 EUR
Current Assets		
Trade and other receivables	45,281	43,068
Cash and Cash Equivalents	288,894	193,136
Financial Assets	<u>334,175</u>	<u>236,204</u>
	2017 EUR	2016 EUR
Current Liabilities		
Trade payables	13,318	30,270
Accruals	9,884	27,557
Bank balance overdrawn	15,003	12,157
Other payables	245	245
Financial Liabilities	<u>38,450</u>	<u>70,229</u>

Market Risk

Market risk is the risk that the fair value of future cash flows will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. The Council's policy is designed to minimise such risks by implementing the necessary safeguards to counter market risks.

BORMLA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

19. FINANCIAL INSTRUMENTS (continued)

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions (note 13), as well as credit exposures to customers, including outstanding receivables and committed transactions (Note 12). For banks and financial institutions, only independently rated parties are accepted. Risk control assesses the credit quality of customers, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. No credit limits were exceeded during the year and management does not expect any losses from non-performance by these counterparties.

Classes of financial assets – carrying amounts

	2017 EUR	2016 EUR
Receivables	45,281	43,068
Cash and cash equivalents	288,894	193,136
	<u>334,175</u>	<u>236,204</u>

Liquidity risk

The Council is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, comprising trade and other payables (note 15). Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Council maintains flexibility in funding by maintaining availability under committed credit lines. The Council monitors its liquidity on the basis of expected cash flow. This entails projecting cash flows and considering the level of liquid assets necessary to meet the Council's obligations as they fall due.

At 31 December 2017 and 31 December 2016, the contractual maturities on the financial liabilities of the Council were as summarized below. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the Statement of Profit and Loss and Other Comprehensive Income.

	Current Payable within 1 year EUR	Payable within 1&2 years EUR	Non-Current Payable within 2&5 years EUR	Payable after more than 5 years EUR
31 December 2017				
Payables	13,318	-	-	-
Accruals	9,884	-	-	-
Bank balance overdrawn	15,003	-	-	-
Other payables	245	-	-	-
	<u>38,450</u>	<u>-</u>	<u>-</u>	<u>-</u>
31 December 2016				
Payables	30,270	-	-	-
Accruals	27,557	-	-	-
Bank balance overdrawn	12,157	-	-	-
Other payables	245	-	-	-
	<u>70,229</u>	<u>-</u>	<u>-</u>	<u>-</u>

BORMLA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

19. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 13), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

Capital risk management

The Council's objectives when managing capital are to safeguard its ability to continue to operate as a going concern in order to provide returns for shareholder and to maintain an optimal structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Council may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Council monitors capital on the basis of its gearing ratio.

Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Council uses a variety of methods and makes assumptions that are based on market conditions existing at the balance sheet date. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar instruments.

Report of the Local Government Auditor

To the Auditor General

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Bormla Local Council set out on pages 5 to 26 which comprise the statement of financial position as at 31 December 2017, and the statement of total comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for 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 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 opinion.

Responsibilities of those charged with governance for the financial statements

As described on page 4 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

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25 April 2018