

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

25 April 2019

The Mayor and Executive Secretary
Bormla Local Council
Bormla

Dear Sir/Madam,

**AUDIT REPORT and FINANCIAL STATEMENTS
YEAR ENDING 31 DECEMBER 2018**

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 2018.

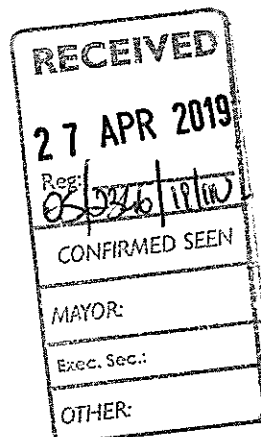
After seeking the Council's approval, you are kindly requested to submit your response to the Director (Local Government), the Local Government Auditor, and to this Office as stipulated in Section P2.06 (d) of the same Procedures, by not later than six weeks following receipt of this letter.

Yours faithfully,



Tanya Mercieca
Asst. Auditor General

Encls.





Bormla Local Council

Annual Report and Financial Statements
31 December 2018



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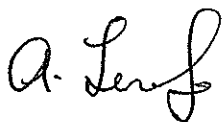
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Statement of Local Council Members' and Executive Secretary's Responsibilities

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

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Council (Financial) Regulations 1993, and the Local Council (Financial) Procedures 1996. The Executive Secretary is also responsible for safeguarding the assets of the Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Local Council on the 16 April 2019 and signed on its behalf by:



Alison Zerafa Civelli
Mayor



Duncan Hall
Executive Secretary

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2018 €	2017 As restated €
Income			
Funds received from central government	3	530,083	484,228
Income raised under Local Enforcement System	5	3,812	7,940
General Income	6	2,550	(310)
Income from Bye Law	7	17,116	6,506
		<u>553,561</u>	<u>498,364</u>
Expenditure			
Personal emoluments	8	136,911	129,433
Operations and Maintenance	9	254,535	210,796
Administrative and other Expenditure	10	277,676	70,572
		<u>669,122</u>	<u>410,801</u>
Operating (loss)/profit for the year		<u>(115,561)</u>	<u>87,563</u>
Investment Income	4	7	111
(Loss)/Profit for the year		<u>(115,554)</u>	<u>87,674</u>
Total comprehensive (expenditure)/income for the year		<u>(115,554)</u>	<u>87,674</u>

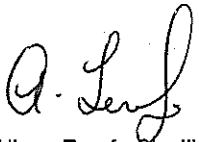
The notes on pages 6 to 27 form an integral part of these financial statements

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Statement of Financial Position

	Notes	2018 €	2017 As restated €	2016 As restated €
ASSETS				
Non-current assets				
Intangible asset	11	1,129	0	0
Tangible assets				
Property, plant and equipment	12	95,321	230,255	358,908
Current assets				
Receivables	13	41,674	46,675	46,056
Cash and cash equivalents	14	338,450	273,891	180,979
		380,124	320,566	227,035
Total Assets		476,574	550,821	585,943
Reserves				
Retained Fund		346,269	461,823	374,149
Non-current Liabilities				
Deferred Income		0	0	142,692
Current Liabilities				
Payables	15	130,305	88,998	69,102
		130,305	88,998	69,102
Total Liabilities		130,305	88,998	211,794
Total Reserves and Liabilities		476,574	550,821	585,943

These financial statements were approved by the Local Council on the 16 April 2019 and are signed on its behalf by:


Alison Zerafa Civelli
Mayor


Duncan Hall
Executive Secretary

The notes on pages 6 to 27 form an integral part of these financial statements

Statement of Changes in Equity

	Retained Earnings €	Total €
Balance at 1 January 2017 as previously stated	373,771	373,771
Prior Year Adjustment	378	378
Balance at 1 January 2017 as restated	374,149	374,149
Total comprehensive income for the year as previously stated	85,820	85,820
Prior Year Adjustment	1,854	1,854
Total comprehensive income for the year as restated	87,674	87,674
Balance at 31 December 2017 as restated	461,823	461,823
Balance at 1 January 2018	461,823	461,823
Total comprehensive expenditure for the year	(115,554)	(115,554)
Balance at 31 December 2018	346,269	346,269

Statement of Cash Flows

	Notes	2018	2017
		€	As restated €
Cash flows from operating activities			
(Loss)/Profit for the year		(115,554)	87,674
Adjustments for:			
Depreciation	12a	178,707	20,005
Amortisation charge	11	336	0
Provision for bad debts		(126)	(471)
Government Grant Released		0	(659)
Investment income receivable		(7)	(111)
Loss on disposal		0	(392)
		63,356	106,046
Surplus for the period before working capital movements			
Decrease in receivables		5,127	977
Increase/(Decrease) in payables		41,307	(36,476)
		109,790	70,547
Cash flows used in investing activities			
Investment income receivable		7	111
Payment to acquire property, plant and equipment	12a	(43,773)	(35,046)
Payment to acquire intangible asset	11	(1,465)	0
Proceeds from disposal of property, plant and equipment	12a	0	2,300
Grants received		0	55,000
		(45,231)	22,365
Movement in cash and cash equivalents		64,559	92,912
Cash and cash equivalents at the beginning of the year		273,891	180,979
Cash and cash equivalents at the end of the year	14	338,450	273,891

Notes to the Financial Statements
For the year ended 31 December 2018**1. Statutory Information**

Bormla Local Council is the local authority of Bormla setup in accordance with the Local Councils Act. The Office of the Local Council is situated at 2A, The Rest, St. Margerita Square, Bormla.

2. Accounting policies

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

a. Basis of preparation

The financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap 363). The financial statements are prepared under the historical cost convention, in accordance to the requirements of International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

b. Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

However, in the opinion of the Council members, there are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

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

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

The Council's liabilities arising from financing activities consist of borrowings (note 16) and certain other financial liabilities (note 18). A reconciliation between the opening and closing balances of these items is provided in Statement of Cash Flows. Consistent with the transition provisions of the amendments the Council has not disclosed comparative information for the prior period. Apart from the additional disclosure in Statement of Cash Flows, the application of these amendments has had no impact on the Council's financial statements.

IFRS 9 – Financial Instruments

A finalized version of IFRS 9 was issued on 24 July 2014 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments.

IFRS 9 'Financial Instruments' addresses the classification and measurement of financial assets and replaced the multiple classification and measurement tools in IAS 39 with a single model that only has two classification categories: amortized cost and fair value. Classification under IFRS 9 will be driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. IFRS 9 is effective for financial periods beginning on, or after, 1 January 2018.

d. New and revised IFRSs in issue but not yet effective

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

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

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. Applying IFRS 15, an entity recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

2. Accounting policies - continued**d. New and revised IFRSs in issue but not yet effective – continued****IFRS 16 Leases**

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

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

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

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

Furthermore, extensive disclosures are required by IFRS 16.

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

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

2. Accounting policies – continued**e. Revenue recognition**

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs, to the extent that it is probable that the economic benefits will flow to the Bormla Local Council and the revenue can be reliably measured, regardless of when the payment is received.

Revenue is recognised upon transfer of funds from the Central Government when there are no significant uncertainties concerning the derivation of consideration or associated costs.

Interest income is recognised in the income statement as it accrued under finance income.

f. Functional and presentation currency

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

g. Local Enforcement System

The amount disclosed in the financial statements under Local Enforcement Income represents the administrative charges to Regional Committees.

h. Government Grants

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

i. Depreciation of Fixed Assets

During 2018, a change in Depreciation method has been affected according to the instructions in DLG Directive 1/2017, whereby from reducing balance method, depreciation is now being calculated on the straight-line method. This is a change in accounting estimate, which according to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, has been accounted for prospectively.

2. Accounting policies - continued**j. Intangible assets**

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

k. Property, plant and equipment

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

• Land	0%
• Trees	0%
• Buildings	1%
• Office furniture and fittings	7.5%-100%
• Construction works	10%-100%
• Urban Improvements (Street Furniture)	10%-100%
• Special Projects	10%-100%
• Office Equipment	20%-100%
• Motor Vehicles	20%-46%
• Plant and Machinery	20%-100%
• Plants	100%
• Computer Equipment	25%-100%
• Litter Bins	Replacement Basis
• Traffic and Road Signs	Replacement Basis
• Street Mirrors	Replacement Basis
• Street Lights	100%
• Playground Furniture	100%

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

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

l. Impairment of assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

2. Accounting policies - continued**m. Amounts receivable**

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

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

n. Cash and cash equivalents

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

o. Profits and losses

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

p. Payables

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

q. Provisions

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

r. Operating leases

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

2. Accounting policies - continued**s. Borrowings**

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

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

t. Capital Management

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

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

To achieve the above, the Council carries out a quarterly review of the working capital ratio ('Financial Situation Indicator'). The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

u. Financial instruments

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

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

v. Financial assets

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

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

2. Accounting policies - continued**v. Financial assets - continued**

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

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

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considerable to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counter party 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.

w. Financial liabilities

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

All interest-related charges are included within finance costs.

x. Prior Year Adjustment

As from 1st January 2018, the capital approach, according to IAS 20 has been adopted, in line with the Directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting policy, and according to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, it has been accounted for retrospectively.

In view of this, the financial statements for the year ended 31 December 2017 have been restated to reflect the change in accounting estimates and errors.

Another prior year adjustment has been passed for the electric motor vehicle batteries which are being treated as a finance lease and not an operating lease.

In view of this, the financial statements for the year ended 31 December 2016 and 31 December 2017 have been restated to reflect this change.

x. Prior Year Adjustment - continued

	Notes	2017 Originally reported €	Adjustment €	2017 Restated €
Funds received from Central Government	3	(505,599)	21,371	(484,228)
Administration and other expenditure	10	93,797	(23,225)	70,572
Operating profit for the year		85,709	1,854	87,563
Property, plant and equipment	12	339,380	(109,125)	230,255
Receivables	13	56,462	(9,787)	46,675
Retained fund		(459,591)	(2,232)	(461,823)
Non-current deferred income		(168,806)	168,806	-
Trade and other payables	15	(41,336)	(47,662)	(88,998)
	Notes	2016 Originally reported €	Adjustment €	2016 Restated €
Property, plant and equipment	12	347,618	11,290	358,908
Receivables	13	56,968	(10,912)	46,056
Retained fund		(373,771)	(378)	(374,149)

3. Funds Received from Central Government

	2018 €	2017 €
In terms of Section 55 of the Local Councils Act (Cap 363)	471,957	452,562
Other Government Income	56,114	21,503
Other supplementary Government income	2,012	10,163
	<u>530,083</u>	<u>484,228</u>

4. Investment income

	2018 €	2017 €
Bank interest receivable	7	111

5. Local Enforcement System

	2018 €	2017 €
Admin charges to Regional Committees and LESA	5,054	5,225
Contraventions	(1,242)	(273)
LESA distribution	0	2,988
	<u>3,812</u>	<u>7,940</u>

6. General Income

	2018 €	2017 €
Contributions and donations	2,550	(310)
	<u>2,550</u>	<u>(310)</u>

7. Income from bye law

	2018	2017
	€	€
Income from permits related to construction	15,569	6,506
Income from advertising on street furniture	1,547	0
	<u>17,116</u>	<u>6,506</u>

8. Personal Emoluments

	2018	2017
	€	€
Mayor's allowance	11,196	11,018
Executive Secretary and allowances	35,001	29,881
Employees' salaries	73,345	71,445
Social Security Contributions	9,262	8,821
Councillors' remuneration	8,107	8,268
	<u>136,911</u>	<u>129,433</u>

Average number of people employed

Employees	5	5
Mayor and Councillors	7	7

9. Operations and Maintenance

	2018	2017
	€	€
Repairs and Upkeep:		
Road and street pavements (Patching works)	651	1,995
Road markings	1,400	1,123
Signs	2,074	1,443
Repair plant and equipment	193	38
Office Furniture & Fittings	1,793	2,261
Sundry repairs	9,184	2,345
	<u>15,295</u>	<u>9,205</u>

9. Operations and Maintenance - continued

	2018 €	2017 €
Contractual Services:		
Refuse collection (including bins on wheels)	104,540	87,322
Waste disposal	28,991	29,370
Bulky refuse collection (including open skips)	23,860	12,707
Cleaning Council Premises	180	543
Cleaning Services	988	975
Road and street cleaning (mechanical and manual)	31,158	29,191
Cleaning and Maintenance of Public Conveniences	3,043	2,541
Cleaning and Maintenance of Parks and Gardens	32,775	32,775
Street Lighting	13,705	6,167
	<u>239,240</u>	<u>201,591</u>
	<u>254,535</u>	<u>210,796</u>

10. Administrative and other expenditure

	2018 €	2017 €
Utilities	8,832	9,438
Other repairs and upkeeps	1,584	5,683
Rent	2,139	2,140
Library	55	100
National & International membership	533	260
Office services	3,108	3,111
Transport	2,558	1,656
Information services	1,570	3,185
Insurance	4,504	3,042
Other contractual services	0	678
Professional services	19,136	5,941
Community and hospitality	19,725	7,362
Social events	7,276	568
Cultural events	21,152	3,318
Uniforms	761	1,783
Bank interest and charges	134	119
Depreciation	178,707	20,005
Amortisation charge	336	0
Loss on disposal	0	(393)
Provision for bad debts	(126)	(471)
Travel	0	403
LES related expenses	3,289	23
Sundry minor expenses	1,880	2,077
Cleaning materials	495	544
Penalties	28	0
	<u>277,676</u>	<u>70,572</u>

11. Intangible asset

	Computer Software €
At 1 January 2017	
Cost	510
Accumulated amortisation	(510)
	<u>0</u>
Net book amount	<u>0</u>
Movements for the year ended 31 December 2017	
Opening net book amount	0
Additions	0
Amortisation charge	0
	<u>0</u>
Closing net book amount	<u>0</u>
At 31 December 2017	
Cost	510
Accumulated amortisation	(510)
	<u>0</u>
Net book amount	<u>0</u>
Movements for the year ended 31 December 2018	
Opening net book amount	0
Additions	1,465
Amortisation charge	(336)
	<u>1,129</u>
Closing net book amount	<u>1,129</u>
At 31 December 2018	
Cost	1,975
Accumulated amortisation	(846)
	<u>1,129</u>
Net book amount	<u>1,129</u>

Amortisation of €336 (2017: €0) is included in administrative expenses.

12a. Property, plant and equipment

Asset	Trees	Office Furn. & Fittings	Comp. & Office Equip.	Urban Improv.	Plant & Machinery	Motor Vehicles	New Street Signs	Construction Works	Assets under construction €	Total €
	€	€	€	€	€	€	€	€	€	€
Cost										
As at 1 January 2018	13,609	53,647	32,782	213,691	12,881	72,466	21,693	794,348	4,675	1,219,792
Additions	0	4,251	6,374	5,357	458	20,060	0	0	7,273	43,773
Capitalizations	0	3,313	0	1,702	0	0	0	0	(5,015)	0
Disposals	0	0	0	0	0	0	0	0	0	0
As at 31 December 2018	13,609	61,211	39,156	220,750	13,339	92,526	21,693	794,348	6,933	1,263,565
Grants and other disbursements										
As at 1 January 2018	0	0	2,300	30,000	7,500	69,000	0	100,432	0	209,232
Additions	0	0	0	0	0	0	0	0	0	0
As at 31 December 2018	0	0	2,300	30,000	7,500	69,000	0	100,432	0	209,232
Accumulated Depreciation										
As at 1 January 2018	0	35,918	23,808	160,802	1,811	94	21,693	536,179	0	780,305
Charge for the year	0	9,649	5,428	22,373	682	4,682	0	135,893	0	178,707
Released on disposal	0	0	0	0	0	0	0	0	0	0
As at 31 December 2018	0	45,567	29,236	183,175	2,493	4,776	21,693	672,072	0	959,012
Net Book Value										
As at 31 December 2018	13,609	15,644	7,620	7,575	3,346	18,750	0	21,844	6,933	95,321

12b. Property, plant and equipment

Asset	Trees	Office Furn. & Fittings	Comp. & Office Equip.	Urban Improv.	Plant & Machinery	Motor Vehicles	New Street Signs	Construction Works	Assets under Construction	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
As at 1 January 2017	13,609	52,407	32,127	210,483	15,186	44,409	21,693	798,600	1,041	1,189,555
Additions	0	1,240	1,313	2,016	721	36,210	0	0	4,826	46,326
Disposals	0	0	(658)	0	(3,026)	(8,153)	0	(4,252)	0	(16,089)
Capitalisations	0	0	0	1,192	0	0	0	0	(1,192)	0
As at 31 December 2017	13,609	53,647	32,782	213,691	12,881	72,466	21,693	794,348	4,675	1,219,792
Grants and other disbursements										
As at 1 January 2017	0	0	0	0	0	0	0	0	0	-
Adjusted	0	0	2,300	30,000	7,500	69,000	0	100,432	0	209,232
As at 31 December 2017	0	0	2,300	30,000	7,500	69,000	0	100,432	0	209,232
Accumulated Depreciation										
As at 1 January 2017	0	34,366	23,362	178,682	6,532	9,439	21,693	556,573	0	830,647
Adjusted	0	0	(726)	(15,173)	(2,928)	(2,800)	0	(34,539)	0	(56,166)
Charge for the year	0	1,552	2,079	4,198	1,341	8,023	0	24,183	0	41,376
Adjusted	0	0	(315)	(6,905)	(412)	(7,150)	0	(6,589)	0	(21,371)
On Disposals	0	0	(592)	0	(2,722)	(7,418)	0	(3,449)	0	(14,181)
As at 31 December 2017	0	35,918	23,808	160,802	1,811	94	21,693	536,179	0	780,305
Net Book Value										
As at 31 December 2017	13,609	17,729	6,674	22,889	3,570	3,372	0	157,737	4,675	230,255

13. Receivables

	2018 €	2017 €
Receivables	24,268	31,561
Provision for doubtful debts	(762)	(286)
LES Debtors	324,720	325,609
Provision for doubtful LES debts	(324,720)	(325,609)
Accrued income	14,004	14,006
Financial assets	37,510	45,281
Prepayments	4,164	1,394
	41,674	46,675

The total financial assets for the year amounted to €37,510 (2017: €45,281).

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

	2018 €	2017 €
Age of receivables that are past due but not impaired		
60-90 days	5,828	3,162
91-120 days	6,313	5,726
More than 120 days	12,127	22,673
Total	24,268	31,561

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

The impairment loss on receivables is included in administrative expenses in the statement of comprehensive income.

Receivables are stated net of a provision for doubtful debts of €325,482 (2017: €325,895).

14. Cash and cash equivalents

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

	2018 €	2017 €
Petty Cash	138	116
Bank balances:		
Current	3,866	(13,838)
Savings	333,879	287,583
Cash in hand	567	30
	<u>338,450</u>	<u>273,891</u>

15. Payables

	2018 €	2017 €
Payables	35,527	13,318
Accruals	26,746	9,884
Other creditors	9,989	10,796
Financial liabilities	<u>72,262</u>	<u>33,998</u>
Deferred Income	3,043	0
Advance Payment - Peppi Del Ceppo Project	55,000	55,000
	<u>130,305</u>	<u>88,998</u>

The total financial liabilities for the year amounted to €72,262 (2017: €33,998)

16. Contingent liabilities

There were no Contingent Liabilities as at 31 December 2018.

17. Related party transactions

During the year, the Local Council had affected transactions with related parties resulting mainly in connection with income and administrative transactions, are disclosed in notes 8 and 10 to these financial statements. The following were the related parties:

Name of Entity	Nature of relationship
Department of Local Councils	Significant Control
Gozo Regional Committee	No Control
Central Regional Committee	No Control
North Regional Committee	Joint Control
South Regional Committee	No Control
South Eastern Regional Committee	No Control
Local Enforcement Systems Agency	No Control
ARMS Ltd	No Control
Commissioner of Data Protection	No Control
Department of Information	No Control
Ministry of Finance	No Control
Police General Head Quarters	No Control
Malta Environment and Planning Authority	No Control
Water Services Corporation	No Control
Enemalta Corporation	No Control
Cleansing Directorate	No Control
Department of Lands	No Control
Wasteserv Malta Limited	No Control
Bank of Valletta plc	No Control
Department of Lands	No Control
Local Councils' Association	No Control
Central Bank of Malta	No Control
Department of Inland Revenue	No Control
Ministry for Justice, Culture and Local Government	No Control

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

	2018 €	2017 €
(a) Funds received from Local Government	471,957	452,562

Key management compensation

Transactions with key management personnel are disclosed in note 8.

Ultimate controlling party

The ultimate controlling party of the local council is Central Government since the Council's main revenue is from the Government allocation received every quarter. Apart from the normal funds received from Government, the Council also receives funds relating to specific projects as well as other funds for the improvement of the locality.

18. Financial risk management

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

Credit risk

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

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

	2018 €	2017 €
Classes of financial assets – carrying amounts		
Trade and other receivables	37,510	45,281
Cash and cash equivalents	338,450	273,891
	375,960	319,172

18. Financial risk management – continued**Market Risk**

Refer to Interest rate risk.

Foreign Currency Risk

Foreign currency transactions arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The council does not trade in any foreign currency transactions.

Interest Rate Risk

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

Liquidity risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short-term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact, at year end, the Council has as cash in bank and in hand the amount of €338,450. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net asset position of €249,819 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

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

At 31 December 2018

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	35,527	-	-
Accruals	26,746	-	-
Other Creditors	9,989	-	-

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

At 31 December 2017

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	13,318	-	-
Accruals	9,884	-	-
Other Creditors	10,796		

Foreign currency risk

Foreign currency transaction arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Council does not trade in any foreign currencies.

Interest rate risk

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

19. Fair values estimation

The nominal values less estimated credit adjustments of receivables and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair values.

20. Summary of financial assets and liabilities

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

	2018 €	2017 €
Current assets		
Loans and receivables:		
Trade and other receivables	37,510	45,281
Cash and cash equivalents	338,450	273,891
	<u>375,960</u>	<u>319,172</u>
Current liabilities		
Financial liabilities measured at amortised costs:		
Payables	35,527	13,318
Other payables	9,989	10,796
Accruals	26,746	9,884
	<u>72,262</u>	<u>33,998</u>

21. Capital commitments**Capital expenditure**

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

	2018 €	2017 €
Contracted but not provided for	-	-
Authorised but not contracted	360,699	24,930
	<u>360,699</u>	<u>24,930</u>

The Capital Expenditure of €360,699 will be financed: €145,000 out of the Capital Projects Scheme, €148,699 out of DPF Funds, €12,000 out of Regional Committee funds and €55,000 out of Council funds.

22. Comparative figures

Certain amounts have been reclassified to conform with the current year's presentation.

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 2 to 27 which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows 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 2018, 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 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

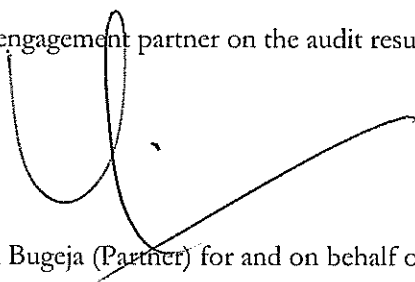
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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
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Birkirkara BKR 3000
Malta

16 April 2019