

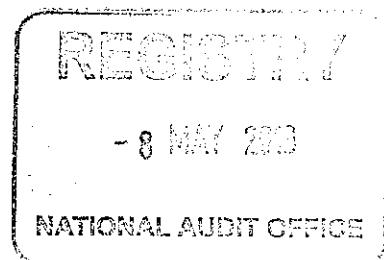
IŻ-ŻEBBUĠ (GOZO) LOCAL COUNCIL

**Annual Report
and
Financial Statements**

for the year ended 31 December 2018

Prepared by

Daniel Galea B. Accty. (Hons.) CPA



ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2018

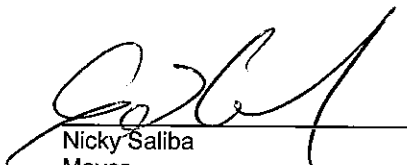
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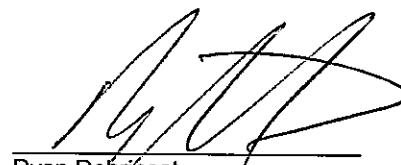
Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2018

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

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

This statement was approved by the Local Council on the 23rd April 2019 and signed on its behalf by


Nicky Saliba
Mayor


Ryan Debrincat
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

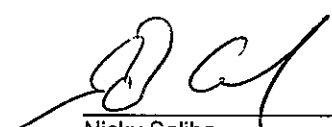
		2018	2017
		€	€
	<i>Notes</i>		
INCOME			
Funds received from Central Government	4	525,533	531,321
Income raised under Local Enforcement System	5	480	3,714
General Income	6	30,026	16,239
		<u>556,039</u>	<u>551,274</u>
EXPENDITURE			
Personal emoluments	8	(93,656)	(80,874)
Operations and maintenance expenses	9	(206,209)	(226,518)
Administrative and other expenditure	10	(433,488)	(207,768)
		<u>(733,353)</u>	<u>(515,160)</u>
Operating (deficit) / surplus for the year	7	(177,314)	36,114
Finance income	11	197	234
Total comprehensive (deficit) / surplus for the year		<u>(177,117)</u>	<u>36,348</u>

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	<i>Notes</i>	2018 €	2017 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	<u>800,303</u>	<u>875,316</u>
		<u>800,303</u>	<u>875,316</u>
Current Assets			
Inventories		4,083	-
Receivables	13	13,683	22,965
Cash and Cash Equivalents	14	<u>695,631</u>	<u>173,588</u>
		<u>713,397</u>	<u>196,553</u>
Total Assets		<u><u>1,513,700</u></u>	<u><u>1,071,869</u></u>
RESERVES AND LIABILITIES			
Reserves			
Retained Earnings		<u>665,138</u>	<u>842,255</u>
		<u>665,138</u>	<u>842,255</u>
Non-Current Liabilities			
Deferred income	16	<u>-</u>	<u>115,135</u>
		<u>-</u>	<u>115,135</u>
Current Liabilities			
Payables	15	321,665	114,479
Deferred income	16	<u>526,897</u>	<u>-</u>
		<u>848,562</u>	<u>114,479</u>
Total Reserves and Liabilities		<u><u>1,513,700</u></u>	<u><u>1,071,869</u></u>

These financial statements were approved by the Local Council on 23rd April 2019 and signed on its behalf by:


 Nicky Saliba
 Mayor


 Ryan Debrincat
 Executive Secretary

The notes on pages 8 to 24 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Retained Funds €
At 1 January 2017	805,907
Surplus for the year 2017	36,348
	<hr/>
At 31 December 2017	842,255
	<hr/> <hr/>
At 1 January 2018	842,255
Deficit for the year 2018	(177,117)
	<hr/>
At 31 December 2018	665,138
	<hr/> <hr/>

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 €	2017 €
	Note	
Cash flows from Operating Activities		
Total comprehensive (deficit) / surplus for the year	(177,117)	36,348
Reconciliation to cash generated from operations:		
Depreciation	139,549	79,978
Reduction in value in line with Directive 1/2017	184,316	-
Increase in provision for doubtful debts	1,964	1,618
Interest receivable	(197)	(234)
Operating Profit before Working Capital Changes	<u>148,515</u>	<u>117,710</u>
Increase in Inventories	(4,083)	-
Decrease/(increase) in receivables	7,318	(17,615)
Increase/(decrease) in Payables	<u>207,186</u>	<u>(9,030)</u>
Cash generated from operating activities	<u><u>358,936</u></u>	<u><u>91,065</u></u>
Cash flows from Investing Activities		
Interest received	197	234
Purchase of property, plant & equipment	(377,049)	(152,176)
Receipt of grant	<u>539,959</u>	<u>71,180</u>
Cash generated from/(used in) investing activities	<u><u>163,107</u></u>	<u><u>(80,762)</u></u>
Net Increase in Cash and Cash Equivalents	522,043	10,303
Cash and Cash Equivalents at the Beginning of the year	<u>173,588</u>	<u>163,285</u>
Cash and Cash Equivalents at the End of the year	16 <u><u>695,631</u></u>	<u><u>173,588</u></u>

The notes on pages 8 to 24 form an integral part of these financial statements

Notes to the Financial Statements for the year ended 31 December 2018

1. General Information

The Iż-Żebbuġ (Gozo) Local Council is the local Authority of Iż-Zebbug (Gozo) set up in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at Church Street, Iż-Żebbuġ, Gozo. These financial statements were approved for issue by the Council Members on 23rd April 2019. The Local Council's presentation as well as functional currency is denominated in €.

2. Accounting Policies and Reporting Procedures

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

Accounting convention

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

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

New and amended standards adopted by the Local Council

In the current year, the Local Council has applied a number of amendments to IFRS issued by the International Accounting Standards Boards (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018.

IFRS 9 Financial Instruments

The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

IFRS 15 Revenue from Contracts with Customers

The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Notes to the Financial Statements for the year ended 31 December 2018**2. Accounting Policies and Reporting Procedures***New Standards and amendments not yet effective:*

A number of new International Financial Reporting Standards and amendments and revisions thereto were in issue but not yet effective during the financial period under review. These include the following:

IFRS 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces IAS 17 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset and an interest expense on the recognised lease liability. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The Councillors and Executive Secretary are assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Council anticipates that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses to date. Depreciation is calculated on a monthly basis using the straight line method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

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

The change in the depreciation method from reducing balance to straight line method took place as of January 2018 and has been effected according to the instructions in the DLG Directive 1/2017.

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

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

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

Accounting Policies and Reporting Procedures (cont.)

Impairment of Assets

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

Amounts receivable

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

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 and the redemption value is recognised in the income and expenditure account 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 after the statement of financial position date.

Other payables

Other payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material in which case other payables are measured at amortised cost using the effective interest method.

Financial instruments

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of a 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 transactions costs. They are measured subsequently as described below.

Financial assets

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

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

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

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

Accounting Policies and Reporting Procedures (cont.)

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

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

Financial liabilities

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

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

Related parties

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

Revenue

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs and it can be measured reliably. Interest income is recognised in the statement of comprehensive income as it accrues.

Income from central government is not recognised until there is reasonable assurance that the Council will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross and any deductions made for non-compliance are to be disclosed separately with expenses.

Local Enforcement System

The income recognised in the Statement of Comprehensive Income was derived from the five Regional Committees and Local Enforcement System Agency. During the previous year, the Council also received income from LESA under the pooling system.

Government grants

Government grants relating to operating expenditure are recognized in the statement of Comprehensive Income in the same period that the related expenditure is incurred.

Government grants relating to the purchase of property, plant and equipment are accounted for using the capital approach, and are thus deducted from the carrying amount of the relative non-current asset.

Up to year ended 31st December 2017, government grants were accounted for using the income approach according to IAS20 *Accounting for Government Grants and Disclosure of Government Assistance*. On 1st January 2018, the capital approach, according to IAS20, 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 IAS8 *Accounting Policies, Changes in Accounting Estimates and Errors*, it has been accounted for retrospectively.

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

Accounting Policies and Reporting Procedures (cont.)

Foreign currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the Local Council operates. These financial statements are presented in €, which is the Council's functional and presentation currency.

Transactions denominated in foreign currencies are translated into € at the rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into € at the rates of exchange prevailing at the date of the Statement of Financial Position.

Borrowing costs

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

Profits and losses

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

Cash and cash equivalents

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

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"). This ratio was positive at the reporting date and has not changed significantly from the previous year. 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.

3. Judgments in applying accounting policies and key sources of estimation

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

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

4. Funds received from central government

	2018	2017
	€	€
In terms of section 55 of the Local Councils Act	520,130	498,755
Supplementary Government Income	4,803	3,318
Other Government Income	600	29,248
	<u>525,533</u>	<u>531,321</u>

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)**5. Local Enforcement system**

	2018	2017
	€	€
Administrative charges to Regional Committees	480	720
Distributions by LESA	-	2,994
	<u>480</u>	<u>3,714</u>

6. General Income

	2018	2017
	€	€
Community services	750	88
Temporary permits	14,476	9,239
Other Income	14,800	6,912
	<u>30,026</u>	<u>16,239</u>

7. Operating (deficit)/surplus for the year

	2018	2017
	€	€
Operating (deficit)/surplus for the year is stated after charging		
Staff salaries	93,656	80,874
Depreciation of non-current assets	139,549	79,978
	<u>139,549</u>	<u>79,978</u>

8. Personal Emoluments

	2018	2017
	€	€
Mayor's Honoraria	7,463	7,345
Mayor's and Councillors' Allowances	6,400	6,400
Executive Secretary Salary and Allowances	33,619	33,181
Employees' Salaries	39,516	30,077
Social Security Contributions	6,658	3,871
	<u>93,656</u>	<u>80,874</u>

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

	2018	2017
	€	€
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	15,377	56,366
Street Signs and markings	7,889	9,976
Public property	17,727	7,047
	<u>40,993</u>	<u>73,389</u>
<i>Contractual Services:</i>		
Waste Disposal	28,002	30,649
Refuse Collection	64,039	56,973
Bulky Refuse Collection	10,171	11,471
Hiring of skips	-	34
Cleaning and Maintenance of Non-Urban Roads	-	8,531
Cleaning and Maintenance of Public Conveniences	11,791	11,767
Cleaning and Maintenance of Parks and Gardens	22,279	6,582
Cleaning and Maintenance of Soft Areas	6,084	2,424
Cleaning and Maintenance of Beach and Coastal areas	1,908	-
Road & Street Cleaning	316	2,823
Other contractual services	94	694
Street Lighting	19,968	20,738
Local enforcement expenses	564	443
	<u>165,216</u>	<u>153,129</u>
Total Operations and Maintenance Costs	<u>206,209</u>	<u>226,518</u>

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)**10. Administrative and other expenditure**

	2018	2017
	€	€
Utilities	3,297	4,842
Other repairs and upkeep	4,630	6,523
Rent	7,700	7,466
National and International Memberships	695	2,923
Office Services	6,958	9,352
Transport and Travel	5,103	6,627
Information Services	2,682	4,989
Insurance Coverage	1,692	1,027
Bank charges	274	152
Professional Services	26,108	23,385
Community and Hospitality	5,036	10,162
Social and cultural events	42,122	39,154
Training	207	1,692
Other expenses	768	1,074
Twinning expenses	387	6,804
Increase in provision for doubtful debts	1,964	1,618
Reduction in value of PPE in line with Directive 1/2017	184,316	-
Depreciation and amortisation	139,549	79,978
	<u>433,488</u>	<u>207,768</u>

11. Finance Income

	2018	2017
	€	€
Bank Interest Receivable	197	234
	<u>197</u>	<u>234</u>

ĠŻEBBUĠ (GOZO) LOCAL COUNCIL

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

12. Property, plant and equipment

	Office Furniture/ Fittings	Office/ Computer Equipment	Plant & Machinery	Urban Improvements	Assets under Construction	New Street Signs	Construction/ Special Programmes	Total
	€	€	€	€	€	€	€	€
Cost								
At 1 January 2018	33,170	32,671	5,620	493,661	50,150	59,235	2,230,240	2,904,747
Additions	-	-	-	35,028	119,272	-	222,749	377,049
At 31 December 2018	33,170	32,671	5,620	528,689	169,422	59,235	2,452,989	3,281,796
Depreciation								
At 1 January 2018	18,258	25,633	2,150	329,330	-	59,235	843,122	1,277,728
Charge for the year	1,343	1,797	139	32,926	-	-	103,344	139,549
Adjustment Directive 1/2017	4,216	1,228	-	12,200	-	-	166,672	184,316
At 31 December 2018	23,817	28,658	2,289	374,456	-	59,235	1,113,138	1,601,593
Grants								
At 1 January 2018	-	2,242	4,484	-	-	-	744,977	751,703
At 31 December 2018	-	2,242	4,484	-	-	-	873,174	879,900
Net Book values								
At 31 December 2018	9,353	1,771	(1,153)	154,233	169,422	-	466,677	800,303

İZ-ZĒBBUĠ (GOZO) LOCAL COUNCIL

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

12. Property, plant and equipment (cont.)

	Office Furniture/ Fittings €	Office/ Computer Equipment €	Plant & Machinery €	Urban Improvements €	Assets under Construction €	New Street Signs €	Construction/ Special Programmes €	Total €
Cost								
At 1 January 2017	32,410	30,767	5,620	478,242	-	59,235	2,146,297	2,752,571
Additions	760	1,904	-	15,419	50,150	-	83,943	152,176
At 31 December 2017	33,170	32,671	5,620	493,661	50,150	59,235	2,230,240	2,904,747
Depreciation								
At 1 January 2017	16,971	25,114	3,814	312,349	-	59,235	988,526	1,406,009
Charge for the year Adjusted	1,287	1,539 (1,020)	361 (2,025)	16,981	-	-	59,810 (205,214)	79,978 (208,259)
At 31 December 2017	18,258	25,633	2,150	329,330	-	59,235	843,122	1,277,728
Grants								
At 1 January 2017	-	-	-	-	-	-	84,498	84,498
Government grants prior years	-	2,242	4,484	-	-	-	660,479	667,205
At 31 December 2017	-	2,242	4,484	-	-	-	744,977	751,703
Net Book values								
At 31 December 2017	14,912	4,796	(1,014)	164,331	50,150	-	642,141	875,316

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

	2018	2017
	€	€
Accounts receivables	4,379	9,974
Prepayments and accrued income	9,304	12,991
	<u>13,683</u>	<u>22,965</u>

Receivables

General receivables are analysed as follows:

	2018	2017
	€	€
Within credit period	6,755	17,931
Exceeded credit period but not impaired	6,928	5,034
Impaired and provided for	35,316	33,654
Provision for doubtful debts	<u>(35,316)</u>	<u>(33,654)</u>
	<u>13,683</u>	<u>22,965</u>

Included in the accounts receivable are amounts due from related parties amounting to €9,459 (2017 : €9,974). The amounts from related parties which are impaired are €5,080 (2017: €3,116) These amounts are unsecured, interest free and repayable on demand.

14. Cash & cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts.

	2018	2017
	€	€
Cash at Bank	692,519	102,684
Cash and Cheques in Hand	3,112	70,904
	<u>695,631</u>	<u>173,588</u>

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

15. Payables

	2018	2017
	€	€
Payables	152,460	27,171
Accruals	169,205	87,308
	<u>321,665</u>	<u>114,479</u>

Included in the accounts payable are amounts due to related parties amounting to €4,205 (2017 : €2,324). These amounts are unsecured, interest free and repayable on demand.

16. Deferred Income

	2018	2017
	€	€
Government grants		
At 1 January	115,135	502,901
Allocation against property, plant and equipment	(128,197)	-
Increase in year	539,959	71,180
	<u>526,897</u>	<u>574,081</u>
Released in year	-	(48,255)
Adjustment in line with Directive 1/2017	-	(410,691)
	<u>526,897</u>	<u>115,135</u>
Current Deferred Income	<u>526,897</u>	<u>-</u>
Non-Current Deferred Income	<u>-</u>	<u>115,135</u>
Deferred Government Grants		
Deferred between one and two years	-	115,135
Deferred between two and five years	-	-
Deferred in five years or more	-	-
	<u>-</u>	<u>115,135</u>
Deferred after five years or more:		
Government Grants	<u>-</u>	<u>-</u>

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)**17. Capital Commitments**

	2018	2017
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	379,000	79,400
- Contracted for but not provided in the financial statements	<u>671,337</u>	<u>141,034</u>
(i) Approved but not yet contracted for:		
Printing of Book about locality written by Profs Horatio	-	6,400
Resurfacing of New Street in Triq Ħal Sagħtrija	-	73,000
Furniture & Fittings	2,000	-
PA Development Planning Fund Funded projects	375,000	-
Computer equipment	2,000	-
	<u>379,000</u>	<u>79,400</u>
(i) Contracted for but not provided in the Financial Statements:		
Galvanised Steel Canopy for Bocci pitch	-	7,702
Re-surfacing Triq Għar Qawqla	-	52,172
War Monument Żebbuġ	-	1,400
War Monument Marsalforn	5,900	-
Improving Farm Access in the Locality	350,547	-
Resurfacing of Triq Ghajn Mhelhel	314,890	-
Railings at Sqaq Anton Mallia and Triq Onici	-	13,562
Xwejni Quay	-	38,199
Re-surfacing Triq Għajn Mhelel (over Xwejni Public Convenience)	-	18,000
Public Convenience - Xwejni	-	10,000
	<u>671,337</u>	<u>141,034</u>

The Council had received a payment from Ministry for Gozo to finance the resurfacing of Triq Ghajn Mhelhel and the Improving Farm Access in the Locality project is EU funded. Furthermore, the Council will be receiving a grant from the Development Planning Fund for the projects funded under this scheme.

18. Contingent liabilities and Assets

There were no contingent liabilities in respect of bank guarantees at year end. The Council had received judicial letters from two individuals for two separate claims for damages on their vehicles, which amounts did not exceed €4,500 in total. The Council has refused these claim and as at year end, did not receive further communication from the claimants. Furthermore, at year end the council has a trade dispute with Gatt Tarmac for €29,736 which claim from this supplier had been brought forward for a number of years.

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)**19. 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, Councils also receive funds relating to specific projects as well as other funds for the improvement and betterment of the locality.

20. Financial Risk Management

The Council's activities expose it to credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Council is not exposed to any market risk. The Council's risk management is coordinated by the council members and focuses on actively securing the council's short to medium term cash flow by minimising exposure to financial risks.

The most significant financial risks to which the council is exposed are described below.

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.

	2018	2017
	€	€
Current Assets		
Loans and receivables:		
Accounts and other receivables	13,683	22,965
Cash and Cash Equivalents	695,631	173,588
	<u>709,314</u>	<u>196,553</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	<u>321,665</u>	<u>114,479</u>

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 and cash equivalents the amount of €695,631. This should ensure an ongoing working capital of the Council for the next 12 months.

Going Concern Risk

The Council had a net loss of €177,117 (2017: profit of €36,348) during the year ended 31 December 2018, and as at that date, the Council had a net current deficit position of €135,165 (2017: surplus of €82,074). These financial statements have been prepared on a going concern basis in view of the fact that it is understood that the ultimate controlling party will provide adequate funds for the Council to cover present liabilities as well as short term obligations and commitments arising.

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

20. Financial Risk Management (cont.)

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

The Council operates bank accounts without any financing facilities. As a result, the Council is not exposed to cash flow interest rate risk on bank balances.

Other risks

Borrowings issued at variable rates expose the Council to cash flow interest rate risk. In general, the Council's exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows are not deemed to be substantial by the Councillors and Executive Secretary in view of the nature of the assets and liabilities. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.

21. Related party transactions

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Government	Significant control
North Joint Committee (Local Enforcement)	Joint Control
North Regional Committee	Joint Control
Central Regional Committee	No control
Gozo Regional Committee	No control
South Eastern Regional Committee	No control
South Regional Committee	No control
Local Enforcement System Agency	No control
Planning Authority	No control
Malta Information Technology Agency	No control
Water Services Corporation	No control
Enemalta Corporation	No control
ARMS Limited	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Police General Headquarters	No control
Department of Lands	No control
Airmalta plc	No control
Bank of Valletta plc	No control
Malta Tourism Authority	No control
Office of the Prime Minister	No control
Office of the Commissioner for Data Protection	No control

The amounts due from / to related parties at year-end are disclosed in notes 13 and 15. The terms and conditions do not specify the nature of the consideration to be provided in settlement. These amounts are unsecured, interest free and repayable on demand.

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)**21. Related party transactions (cont.)**

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

	2018			2017		
	Related party activity €	Total activity €	%	Related party activity €	Total activity €	%
<i>Income</i>						
Transactions with central government	524,933			531,321		
Transactions with regions	480			948		
	<u>525,413</u>	<u>556,039</u>	<u>94</u>	<u>532,269</u>	<u>551,274</u>	<u>97</u>
<i>Expenditure</i>						
Transactions with government entities	32,191			34,838		
Key personnel remuneration	93,656			80,874		
	<u>125,847</u>	<u>733,353</u>	<u>17</u>	<u>115,712</u>	<u>515,160</u>	<u>22</u>

22. Fair values estimation

At 31 December 2018 and at 31 December 2017, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively, approximated their fair values due to the short term maturities of these assets and liabilities. The fair values of non-current financial assets and non-current financial liabilities are not materially different from their carrying amount.

23. Prior year figures

The comparative figures in these financial statements have been changed as per the instructions of DLG Directive 1/2017

IZ-ZEBBUG (GOZO) LOCAL COUNCIL**REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL****Qualified Opinion**

We have audited the accompanying financial statements of Iz-Zebbug (Gozo) Local Council, which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 4 - 23.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the financial statements give a true and fair view of the financial position of the Local Council as of 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Qualified Opinion

When the comparative figures were restated following the application of Directive 01/2017, the amount that should have remained under deferred income in Note 16 should have been €70,325 being funds received with respect to the project of resurfacing works in Triq Is-Saghtrija that was carried out during the year ended 31 December 2018. The difference should have been accounted for under property, plant and equipment.

From the letter obtained from the architect, it transpired that most of the projects that are classified under the category assets under construction in Note 12, have been concluded during the year, but were not yet certified. Only €17,750 should have remained classified under this category. Depreciation should have been calculated on these completed assets as from the date of completion.

Included in the accruals in Note 15, is an amount of €15,500 with respect to resurfacing works carried out in Triq Il-Ponta. No adequate audit evidence was made available to support this accrual and this project was not even mentioned in the report that we obtained from the architect of the Local Council about the projects undertaken by the Local Council during the year ended 31 December 2018. Therefore, we could not satisfy ourselves as to the correctness of this accrual and the respective asset being shown under property, plant and equipment in the category assets under construction.

REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL - continued

Basis for Qualified Opinion - continued

With respect to the disclosures in the financial statements, we have noticed the following:

- The financial statements do not contain the disclosure requirements emanating from paragraph 29 of IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors.
- IAS 1 – Presentation of Financial Statements, requires an entity to present a third statement of financial position when an entity applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements and the effect is material. The effect of the change in the accounting policies in accordance with Directive 01/2017 are deemed to be material. These financial statements do not include a third statement of financial position.
- Whilst Note 2 is stating that the Local Council has adopted IFRS 9, other disclosures such as the accounting policy on amounts receivable in Note 2 and the credit risk in Note 20, are still in line with the old IAS 39 – Financial Instruments: Recognition and Measurement.

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

Material Uncertainty Related to Going Concern

We draw attention to the Local Council's Statement of Financial Position on page 5 which shows that as at 31st December 2018, the current liabilities of the Local Council exceeded its current assets by €135,165. This condition indicates that a material uncertainty exists that may cast significant doubt as to whether the Local Council will be able to meet its liabilities as and when they fall due. Our opinion is not modified in respect of this matter.

Other Information

The Executive Secretary and the Local Council Members are responsible for the other information. The other information comprises the Statement of Local Council Members' and Executive Secretary's Responsibilities. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL - continued

Other Information - continued

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Council Responsibilities for the Financial Statements

As described on page 3, the Executive Secretary and the Local Council Members are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Executive Secretary and the Local Council Members 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 Local Council Members are responsible for assessing the Local Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to presume that the Local Council will continue as a going concern.

The Executive Secretary and the Local Council Members are responsible for overseeing the Local 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 Local Council's internal control.

REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL - continued

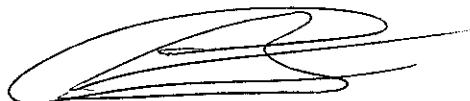
Auditor's Responsibilities for the Audit of the Financial Statements - continued

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

We communicate with the Executive Secretary and the Local Council Members 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.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been properly prepared in accordance with the Local Councils Act (Cap. 363), the Financial Regulations issued in terms of the said Act and the Local Councils (Financial) Procedures.



*This copy of the audit report has been signed by
Conrad Borg (Partner)
for and on behalf of*

RSM Malta
Certified Public Accountants

Date: 23rd April 2019