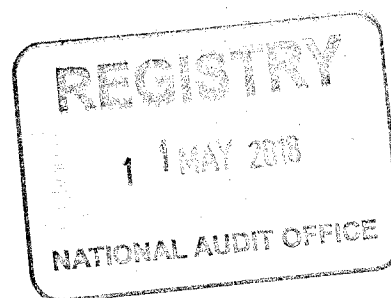


XAGHRA LOCAL COUNCIL

**Annual Report and
Financial Statements**

For the year ended 31 December 2017



Prepared by: Laurence Manicaro
Certified Public Accountant
On behalf of Parker Randall Turner
Chartered Certified Accountants & Auditors
13, Curate Fenech Street
Birzebbugia BBG 2032

ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2017

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Financial Statements for the year ended 31 December 2017

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

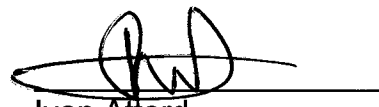
The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's Statement of Comprehensive Income for the year and of the Council's retained funds at the end of year. By virtue of the same regulations it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

Approved by the Council and signed on its behalf on the 07 May 2018 by:



Joseph Cordina
Mayor



Ivan Attard
Executive Secretary


STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

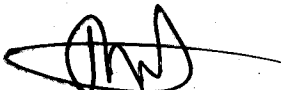
	Notes	2017 €	2016 €
ASSETS			
Non-current assets			
Property, plant and equipment	3	1,786,623	1,931,584
Current Assets			
Receivables	4	44,566	36,741
Cash and Cash Equivalents	5	345,978	365,341
		<u>390,544</u>	<u>402,082</u>
Total Assets		<u>€ 2,177,167</u>	<u>€ 2,333,666</u>
RESERVES AND LIABILITIES			
Reserves			
Retained Fund		917,500	844,824
Non-current Liabilities			
Deferred income	6	661,796	798,602
Non-current payables		122,575	162,954
		<u>784,371</u>	<u>961,556</u>
Current Liabilities			
Payables	7	475,296	527,286
Total reserves and liabilities		<u>€ 2,177,167</u>	<u>€ 2,333,666</u>

The notes on pages 8 to 24 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on the 07 May 2018 and signed on its behalf by:



 Joseph Cordina
 Mayor



 Ivan Attard
 Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 €	2016 €
REVENUE			
Funds received from central government	8	587,625	607,977
Income from LES	10	4,510	1,941
General Income	11	19,634	12,329
		<u>611,769</u>	<u>622,247</u>
EXPENDITURE			
Personal emoluments	12	(90,835)	(88,653)
Operations and maintenance	13	(150,338)	(237,789)
Administration and other expenditure	14	(298,220)	(301,495)
		<u>(539,393)</u>	<u>(627,937)</u>
Operating surplus/ (deficit) for the year		<u>72,376</u>	<u>(5,690)</u>
Investment income	9	<u>300</u>	<u>201</u>
Total Comprehensive Income/ (Loss) for the year		<u>€ 72,676</u>	<u>€ (5,489)</u>

The notes on pages 8 to 24 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Retained Funds 2017 €	Retained Funds 2016 €
At 1 January	844,824	850,313
Total Comprehensive Income/ (Loss) for the year	72,676	(5,489)
At 31 December	<u>€ 917,500</u>	<u>€ 844,824</u>

The notes on pages 8 to 24 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 €	2016 €
Cash Flows from Operating Activities			
Total Comprehensive income/ (loss) for the year		72,676	(5,489)
Adjustments for:			
Depreciation		185,167	197,831
Investment Income		(300)	(201)
Deferred income released		(73,090)	(111,321)
Operating Surplus before working capital changes		<u>184,453</u>	<u>80,820</u>
(Increase)/decrease in Receivables		(7,825)	220,476
(Decrease) in Payables		(56,549)	(236,072)
Net Cash generated operating activities		<u>120,079</u>	<u>65,224</u>
Cash flows from Investing Activities			
Purchase of property, plant and equipment		(40,206)	(170,909)
Investment Income		300	201
New grants received		-	175,117
Grants refunded back		(73,970)	-
Net Cash (used in)/ generated from Investing Activities		<u>(113,876)</u>	<u>4,409</u>
Net movement in Cash and Cash Equivalents		<u>6,203</u>	<u>69,633</u>
Cash and Cash Equivalents at the beginning of Year		285,106	215,473
Cash and Cash Equivalents at the end of year	5	<u>291,309</u>	<u>€ 285,106</u>

The notes on pages 8 to 24 are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. General Information

Xaghra Local Council is the local authority of Xaghra setup in accordance with the Local Councils Act. The office of the Local Council is situated at 8th September Avenue, Xaghra, Gozo.

2. Accounting Policies and Reporting Procedures

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

(a) Accounting convention

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

The financial statements are prepared under the historical cost convention as modified to include fair values stated in the accounting policies below. These Financial Statements are prepared in accordance to the requirements of International Financial Reporting Standards as adopted by the 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) Standards, amendments and interpretations to existing standards

New and amended standards adopted by the council

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

Standards, amendments and interpretations to existing standards that are not yet effective.

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the council. These include the following.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

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

IFRS 9 'Financial Instruments' (2014)

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

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

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

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. The council has started to assess the impact of IFRS 15 but is not yet in a position to provide quantified information.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

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

The Councillors and the Executive Secretary are still assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application.

(c) Revenue recognition

Revenue is recognised when the amount of revenue and the associated costs can be measured reliably. Interest income is recognised in the statement of comprehensive income as it accrues.

(d) Local Enforcement System

During 2017 the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is chargeable to LESA and the various Regional Committees for contraventions paid at the Council. During the year, the Local Council received income from the distributions made from the LESA pooling system

(e) Property, Plant and Equipment

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

(e) Property, Plant and Equipment - continued

	%
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
Road and traffic Signs	replacement basis
Street Mirrors	replacement basis
Street Lights	100

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

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Local 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 year in which they are incurred.

(f) Government Grants

Government grants are accounted for on the Income Approach according to IAS 20. They are accounted for on a systematic basis in the Statement of Comprehensive Income over the years necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related cost, then the grant is accounted for when it becomes receivable.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

(g) 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 cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the statement of comprehensive income.

(h) 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 amounts of the asset in the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

(i) 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 Euro, which is the Council's functional and presentation currency.

(j) Surplus and deficits

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

(k) Cash and 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

(l) Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24.

During the year under review, the Local Council's related party that exercises a significant control was the Department for Local Government. The parties that exercise no control were Water Services Corporation and Malta Environment and Planning Authority whereas there was joint control with the Gozo Joint Committee.

(m) Payables

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

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

(n) 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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

(n) Financial Instruments – 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 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 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'.

(o) Critical accounting estimates and judgements

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

3. PROPERTY, PLANT AND EQUIPMENT

Cost	Office Furniture & Fittings €	Office & Computer Equipment €	Urban Improvements €	New Street Signs €	Special Programmes €	Plant and Equipment €	Assets Under Construction €	Total €
At 1 Jan 2017	21,397	28,557	367,385	42,145	3,278,650	8,558	33,063	3,779,755
Additions	650	1,672	12,554	-	25,330	-	-	40,206
At 31 Dec 2017	€ 22,047	€ 30,229	€ 379,939	€ 42,145	€ 3,303,980	€ 8,558	€ 33,063	€ 3,819,961
Grants and other reimbursements								
At 1 Jan 2017	-	-	-	-	(176,237)	-	-	(176,237)
Additions	-	-	-	-	-	-	-	-
At 31 Dec 2017	€ -	€ -	€ -	€ -	€ (176,237)	€ -	€ -	€ (176,237)
Depreciation								
At 1 Jan 2017	(18,530)	(23,603)	(205,255)	(42,145)	(1,378,475)	(3,926)	€ -	(1,671,934)
Charge for the year	(296)	(905)	(16,393)	-	(167,131)	(442)	-	(185,167)
At 31 Dec 2017	€ (18,826)	€ (24,508)	€ (221,648)	€ (42,145)	€ (1,545,606)	€ (4,368)	€ -	€ (1,857,101)
Net Book Value								
At 31 Dec 2017	€ 3,221	€ 5,721	€ 158,291	€ -	€ 1,582,137	€ 4,190	€ 33,063	€ 1,786,623

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

3. PROPERTY, PLANT AND EQUIPMENT – Continued

	Office Furniture & Fittings €	Office & Computer Equipment €	Urban Improvements €	New Street Signs €	Special Programmes €	Plant and Equipment €	Assets Under Construction €	Total €
Cost								
At 1 Jan 2016	21,397	28,148	326,759	42,145	3,151,378	5,956	33,063	3,608,846
Additions		409	40,626		127,272	2,602		170,909
At 31 Dec 2016	€ 21,397	€ 28,557	€ 367,385	€ 42,145	€ 3,278,650	€ 8,558	€ 33,063	€ 3,779,755
Grants and other reimbursements								
At 1 Jan 2016	-	-	-	-	(176,237)	-	-	(176,237)
Additions	-	-	-	-	-	-	-	-
At 31 Dec 2016	€ -	€ -	€ -	€ -	€ (176,237)	€ -	€ -	€ (176,237)
Depreciation								
At 1 Jan 2016	(18,306)	(22,503)	(191,069)	(42,145)	(1,196,368)	(3,712)	€ -	(1,474,103)
Charge for the year	(224)	(1,100)	(14,186)	-	(182,107)	(214)	-	(197,831)
At 31 Dec 2016	€ (18,530)	€ (23,603)	€ (205,255)	€ (42,145)	€ (1,378,475)	€ (3,926)	€ -	€ (1,671,934)
Net Book Value								
At 31 Dec 2016	€ 2,867	€ 4,954	€ 162,130	€ -	€ 1,723,938	€ 4,632	€ 33,063	€ 1,931,584

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

4. Receivables	2017	2016
	€	€
Accounts receivable	18,060	6,115
Prepayments and accrued income	26,506	30,626
	<u>€ 44,566</u>	<u>€ 36,741</u>

Receivables	2017	2016
	€	€
Within the current period	17,401	18,337
Exceeded credit period but not yet impaired	27,165	18,404
	<u>€ 44,566</u>	<u>€ 36,741</u>

5. Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the statement of cash flow comprise the following amounts in the Local Council statement of financial position:

	2017	2016
	€	€
Bank Balances:		
Ordinary funds	343,121	363,225
Cash in hand	2,857	2,116
Overdrawn balances	(54,669)	(80,235)
	<u>291,309</u>	<u>285,106</u>
Transfer to payables	54,669	80,235
	<u>€ 345,978</u>	<u>€ 365,341</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016 – continued

	2017	2016
	€	€
6. Deferred Income		
Between one and two years	63,315	72,563
Between two and five years	155,828	178,373
Over five years	442,653	547,666
	<u>661,796</u>	<u>798,602</u>

	2017	2016
	€	€
Opening balance	878,880	815,084
Increase in grants	-	175,117
Refund of grants	(73,970)	-
Release of grants	(73,090)	(111,321)
Closing balance	<u>731,820</u>	<u>878,880</u>
Less: Current portion	(70,024)	(80,278)
Non-current portion	<u>€ 661,796</u>	<u>€ 798,602</u>

	2017	2016
	€	€
7. Payables		
Accounts payable	447,436	32,148
Other payables	8,410	5,562
Accruals	17,332	492,017
Deferred income within one year	70,024	80,278
Overdrawn bank balances	54,669	80,235
	<u>597,871</u>	<u>690,240</u>
Less: Non-current payables	(122,575)	(162,954)
	<u>€ 475,296</u>	<u>€ 527,286</u>

	2017	2016
	€	€
Non-current payables		
Between one and two years	24,515	30,412
Between two and five years	73,545	91,236
Over five years	24,515	41,306
Closing balance	<u>€ 122,575</u>	<u>€ 162,954</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

8. Funds received from Central Government	2017	2016
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	496,434	483,140
Supplementary Government Income	8,000	3,410
Other Government Income	73,090	121,427
Income from EU funds	10,101	-
	<u>€ 587,625</u>	<u>€ 607,977</u>
9. Investment income	2017	2016
Bank Interest Receivable	€ 300	€ 201
	<u> </u>	<u> </u>
10. Income form LES	2017	2016
	€	€
Administrative income under LES	2,146	1,941
Distribution from LESA pooling system	2,364	-
	<u>€4,510</u>	<u>€1,941</u>
11. General Income	2017	2016
	€	€
Income from permits	7,018	8,232
Income from tender documents	-	32
Contributions and donations	2,231	4,065
Income from organic waste collection	10,385	-
	<u>€ 19,634</u>	<u>€ 12,329</u>
12. Personal Emoluments	2017	2016
	€	€
Personal emoluments include, inter alia:		
Mayor's honoraria	7,345	7,229
Mayor and Councillors' Allowance	6,333	6,400
Executive Secretary salary and allowance	29,456	28,652
Employee salaries	41,431	40,523
Social Security Contributions	6,270	5,849
Total	<u>€ 90,835</u>	<u>€ 88,653</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

13. Operations and Maintenance

Operations and maintenance includes, inter alia:	2017	2016
Repairs and Upkeep:	€	€
Road and Street Pavements (patching works)	26,410	66,120
Street signs and markings	7,931	9,244
Other repairs and upkeep	18,052	19,044
Plants and trees	5,699	25,013
Total	€ 58,092	€ 119,421

Contractual Services:

	2017	2016
	€	€
Refuse Collection (including bins on wheels)	48,933	46,723
Bulky Refuse Collection (incl tipping fees)	20,658	23,537
Road and street cleaning (mechanical and manual)	15,325	22,858
Cleaning and maintenance of Public Conveniences	4,372	5,175
Street Lighting	2,958	20,075
	92,246	118,368
Total Operations and Maintenance Expenses	€ 150,338	€ 237,789

14. Administration and other expenditure

	2017	2016
	€	€
Utilities	4,771	4,352
Rent	500	500
National and International Memberships	1,523	1,650
Office Services	2,815	4,702
Travel	5,071	4,606
Transport	6,077	6,730
Information services	3,944	3,756
Professional Services	12,862	20,733
Community and Hospitality	20,552	15,660
Cultural events	54,938	40,975
Depreciation	185,167	197,831
	€ 298,220	€ 301,495

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

15. Related Parties Disclosures

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

Name of entity	Nature of relationship
Department of Local Councils	Significant control
Regional Committees	No control
Ministry for Gozo	No control
Malta Environment and Planning Authority	No control

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

	2016	2016
Significant control		
Revenue:		
Annual financial allocation	€ 496,434	€ 483,140
	<u> </u>	<u> </u>

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.

16. Capital Commitments

At the end of the financial year there was one capital projects approved but not yet contracted for.

Details of capital commitments are as follows	2017	2016
	€	€
Contracted for but not provided for	-	-
Approved but not contracted for	5,000	175,000
	<u>€ 5,000</u>	<u>€ 175,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

16. Capital Commitments (continued)

	2017 €	2016 €
Approved but not contracted for:		
Fixtures and fittings	5,000	-
Xaghra – Marsalforn landscape	-	175,000
	<u>€ 5,000</u>	<u>€ 175,000</u>

17. Risk management objectives and policies

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.

17.1 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, as summarised below:

	2017 €	2016 €
Class of financial assets – carrying amounts		
Trade and other receivables	44,566	36,741
Cash and Cash Equivalents	345,978	365,341
	<u>€ 390,544</u>	<u>€ 402,082</u>

The council continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The council's policy is to deal with only creditworthy counterparties.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

17. Risk management objectives and policies - continued

17.2 Liquidity risk

The council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See notes 4 and 5 for further information on impairment or financial assets that are past due.

None of the council's financial assets is secured by collateral or other credit enhancements

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

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

The council manage its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis.

Payables	2017	2016
Within one year	475,296	527,286
Within more than one year	122,575	162,954
	<hr/>	<hr/>
	€ 597,871	€ 690,240
	<hr/>	<hr/>

17.3 Interest rate risk

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 5), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017 – continued

17. Risk management objectives and policies - continued

17.4 Summary of the financial assets and liabilities by category

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

Current Assets	2017	2016
	€	€
Loans and receivables:		
Trade and other receivables	44,566	36,741
Cash and Cash Equivalents	345,978	365,341
	<u>€ 390,544</u>	<u>€ 402,082</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Within one year	€ 475,296	€ 527,286
	<u>€ 475,296</u>	<u>€ 527,286</u>

17.5 Capital risk management

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

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

18. Fair value estimation

At 31 December 2017 and 31 December 2016, the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

XAGHRA LOCAL COUNCIL**REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL****Qualified Opinion**

We have audited the accompanying financial statements of Xaghra Local Council, which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 4 - 24.

In our opinion, except for the effects of the matter 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 2017, 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

Included in the accounts payable, there is an amount due to a supplier of €412,222 with respect to resurfacing works carried out in Marsalforn Road and construction of storm water culvert carried out in the same road. No confirmation of such balance was obtained from the supplier by the time we concluded our audit and hence we could not confirm the correctness of such balance.

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.

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

Material Uncertainty Related to Going Concern

We draw attention to the Local Council's Statement of Financial Position on page 4 which shows that as at 31 December 2017, the current liabilities of the Local Council, after deducting the current deferred income, exceeded its current assets by €14,728. 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.

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.

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

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.
- 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.

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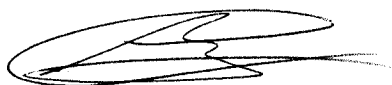
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REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL - continued

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: 7th May 2018