



FLORIANA  
Borgo Villena

**Local Council Floriana**

**Annual Audit Report**

**for the year ended 31 December 2016**

Prepared by:  
P & D Consultancy Services



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**Statement of Local Council Members' and Executive Secretary's Responsibilities  
for the year ended 31 December 2016**

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

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

This statement was approved by the Council on 12th April 2017 and signed on its behalf by:



Davina Sammut Hili  
Mayor



Mary Lourdes Lautier  
Executive Secretary

# Report of the Local Government Auditor

To the Auditor General

## Report on the audit of the financial statements

### Qualified opinion

We have audited the financial statements of Floriana Local Council set out on pages 4 to 28 which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for qualified opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Council as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act, the Local Councils (Financial) Procedures 1996 (the "Legislation").

### Basis for qualified opinion

Included with Receivables in note 14 is an amount of € 3,622 due from Water Services Corporation. According to the Corporation the amount due to the Council amounts to € 322, resulting in a difference of €3,300. The Council could not provide an explanation for this difference.

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



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

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

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

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

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

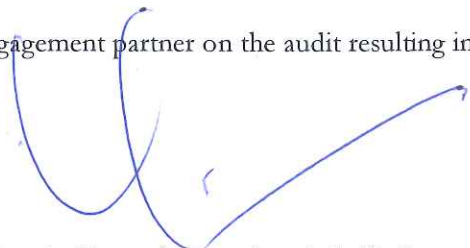
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

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

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

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



Mark Bugeja (Partner) for and on behalf of

**GRANT THORNTON**

Certified Public Accountants

Tower Business Centre, Suite 3  
Tower Street  
Swatar BKR 4013  
Malta

12 April 2017

**Statement of Comprehensive Income**  
for the year ended 31 December 2016

	Notes	2016 €	2015 €
<b>Revenue</b>			
Funds received from Central Government	3	366,550	354,209
Income raised under Local Council Bye-Laws	4	17,047	15,222
Income raised under Local Enforcement System	5	5,591	6,725
General Income	7	31,996	31,689
		<u>421,184</u>	<u>407,845</u>
<b>Expenditure</b>			
Personal Emoluments	8	(101,979)	(111,665)
Operations and maintenance	9	(130,443)	(128,714)
Administration and other expenditure	10	(184,451)	(200,564)
		<u>(416,873)</u>	<u>(440,943)</u>
<b>Operating profit/(loss) for the year</b>		4,311	(33,098)
Finance income	6	<u>57</u>	<u>88</u>
<b>Profit/(loss) for the year</b>		<u><u>4,368</u></u>	<u><u>(33,010)</u></u>

The notes on pages 8 to 28 form an integral part of these financial statements.

Statement of Financial Position  
as at 31 December 2016

	Notes	2016 €	2015 €
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	12	644,936	678,615
Intangible assets	11	1,336	1,433
		<u>646,272</u>	<u>680,048</u>
<b>Current Assets</b>			
Inventories	13	14,842	15,046
Receivables	14	61,519	66,009
Cash and cash equivalents	15	129,105	79,466
<b>Total Current Assets</b>		<u>205,466</u>	<u>160,521</u>
<b>Total Assets</b>		<u>851,738</u>	<u>840,569</u>
<b>RESERVES</b>			
Retained earnings		726,135	721,768
<b>Total reserves</b>		<u>726,135</u>	<u>721,768</u>
<b>Non-Current Liabilities</b>			
Non-current Deferred Income	18	73,447	71,620
		<u>73,447</u>	<u>71,620</u>
<b>Current Liabilities</b>			
Trade and other payables	16	50,483	46,382
Short-term borrowings	17	1,673	799
		<u>52,156</u>	<u>47,181</u>
<b>Total Liabilities</b>		<u>125,603</u>	<u>118,801</u>
<b>Total reserves and liabilities</b>		<u>851,738</u>	<u>840,569</u>

These financial statements were approved by the Local Council on 12th April 2017 and signed on its behalf by:



Davina Sammut Hili  
Mayor



Mary Lourdes Lautier  
Executive Secretary

The notes on pages 8 to 28 form an integral part of these financial statements.



**Statement of Changes in Equity  
for the year ended 31 December 2016**

	<b>Retained Funds</b>	<b>Total</b>
	<b>€</b>	<b>€</b>
<b>At 1 January 2015</b>	754,778	754,778
Loss for the year	(33,010)	(33,010)
<b>At 31 December 2015</b>	<u>721,768</u>	<u>721,768</u>
<b>At 1 January 2016</b>	721,767	721,767
Profit for the year	4,368	4,368
<b>At 31 December 2016</b>	<u>726,135</u>	<u>726,135</u>

**Statement of Cash Flows**  
**for the year ended 31 December 2016**

	2016		2015
	€	€	€
<b>Net profit/(loss) for the year</b>	4,368		(33,010)
Reconciliation to cash generated from operations:			
Amortisation and Depreciation	81,435		92,747
Loss on sale of assets	-		5,091
Movement in Provision for Doubtful Debts	(699)		(1,348)
Interest receivable	(57)		(88)
Government grant released	(9,340)		(6,696)
Operating surplus before working capital changes	75,707		56,696
Decrease in inventories	204		157
(Increase) in receivables	(3,828)		(1,709)
Decrease in other receivables	8,318		21,690
(Decrease) in payables	(1,293)		(26,600)
Increase in other payables	2,939		716
Cash generated from operating activities		82,047	50,950
<b>Cash flow from investing activities</b>			
Interest received	57		88
Purchase of intangible fixed assets	(358)		(180)
Purchase of property, plant & equipment	(47,301)		(34,660)
Grants received	14,320		25,957
Cash (used in) investing activities		(33,282)	(8,795)
<b>Net increase in cash in the year</b>		48,765	42,155
Cash and equivalents at beginning of year		78,667	36,512
<b>Cash and equivalents at end of year</b>		127,432	78,667

**1. General Information**

The Floriana Local Council is the local authority of Malta set up in accordance with the Local Councils Act(1993). The office of the Local Council is situated at 15, Pjazza E.S. Tonna, Floriana. These financial statements were approved for issue by the Council Members on 12th April 2017. The Local Council's company's presentation as well as functional currency is €.

**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 ters of this Act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards.

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 Council has applied the below new and revised IFRS issued by IASB that is mandatory effective for financial year beginning 1st January 2016.

IAS 1 - 'Presentation of financial statements' The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports. Subject to adoption by the EU, amendments will be effective for annual periods beginning on or after 1 January 2016. The council does not expect to have a significant effect on the financial statements of the Local Council.

*New standards and interpretations not yet adopted*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Local Council.

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

IFRS 9, 'Financial instruments' addresses the classification and measurement of financial assets and replaces the multiple classification and measurement tools in IAS 39 with a single model that only has two classification categories: amortised cost and fair value. Classification under IFRS 9 will be driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. Subject to adoption by the EU, IFRS 9 will be effective for financial periods beginning on, or after, 1 January 2018. The Council is considering the implications of the standard and its impact on the Council's financial results and position.

IFRS 15, 'Revenue from Contracts from Customers' requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. Subject to adoption by the EU, IFRS 15, will be effective for financial periods beginning on, or after, 1 January 2018.

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

The Councillors 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 Councillors anticipate 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.



**Intangible Assets**

Computer software is valued at cost less accumulated depreciation and impairment losses to date. Depreciation to write off the cost is calculated on a monthly basis using the reducing balance method at 25% per annum.

**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 reducing balance 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

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 end of the reporting period. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

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

**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.

**Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

**Inventories**

Inventories are valued at the lower of cost and net realisable value. Cost is determined using the first-in first-out (FIFO) method. The cost of finished goods comprises design costs, raw materials, direct labour, other direct costs and related production overheads. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable expenses.

**Related parties**

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

**Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred.

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

**Revenue**

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the profit or loss as it accrues.

**Local Enforcement System**

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

**Government grants**

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

**Profits and losses**

Only losses 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 equivalents**

Cash and Cash Equivalents are carried in the statement of financial position. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and balances held with banks.



**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.

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

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

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

**Critical Accounting Estimates and Judgements**

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.

*Capital management policies*

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 services and benefits to its local community

The Council sets the amount of capital in proportion to risk. The Council manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The Council monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt ÷ adjusted capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Adjusted capital comprises of retained earnings.

**3. Funds received from central government**

	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>
In terms of section 55 of the Local Councils Act	344,873	333,669
Supplementary Government Income	3,338	2,614
Other Government Income	18,339	17,926
	<u>366,550</u>	<u>354,209</u>

**4. Income raised from Bye-Laws**

	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>
Bye-Laws - Advertising on Street Furniture	17,047	15,222
	<u>17,047</u>	<u>15,222</u>

**5. Local Enforcement Income**

	<b>2016</b>	<b>2,015</b>
	<b>€</b>	<b>€</b>
LES income	-	1,000
Income from LES administration fees	5,591	5,725
	<u>5,591</u>	<u>6,725</u>



**Notes to the Financial Statements  
for the year ended 31 December 2016**

**6. Investment Income**

	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>
Bank Interest	57	88
	<u>57</u>	<u>88</u>

**7. General Income**

	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>
Sponsorships	1,300	3,230
General Income	1,453	834
Tender Documents/Info. Charges	15	2,065
Media Advertising	56	50
Contractors' Guarantees Withdrawn	(1,165)	1,165
Donations	1,000	1,956
Contributions	4,292	2,078
Income from Permits	25,045	20,311
	<u>31,996</u>	<u>31,689</u>

**8. Personal Emoluments**

	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>
Mayor's Allowance	7,228	7,049
Councillors' Allowance	6,325	6,325
Executive Secretary Salary and Allowances	17,915	26,394
Employees' Salaries	64,537	64,859
Social Security Contributions	5,974	7,038
	<u>101,979</u>	<u>111,665</u>

**9. Operations and Maintenance**

	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>
<i>Repairs and Upkeep:</i>		
Public Property	2,675	3,551
Road/Street Pavements	563	1,820
Signs	2,726	540
Road Markings	522	1,298
Office Furniture and Equipment	334	80
Plant & Equipment	227	393
Maintenance of motor vehicle	1,177	2,638
Other repairs and Upkeep	7,418	2,985
Council Property	89	139
	<u>15,731</u>	<u>13,444</u>
<i>Contractual Services:</i>		
Waste Disposal	19,954	20,387
Refuse Collection	26,483	32,133
Bulky Refuse Collection	3,471	3,327
Hiring of Skips - Bins on Wheels	1,370	-
Cleaning Services	1,310	-
Road & Street Cleaning	26,855	26,357
Cleaning - Public Conveniences	4,000	5,178
Cleaning - Council Premises	1,222	991
Other Contractual Services	-	813
Cleaning & Maintenance Parks & Gardens	16,192	-
Clean. & Maint. Soft Areas	4,578	18,698
Street Lighting	8,978	6,696
Local Enforcement Expenses	299	690
	<u>114,712</u>	<u>115,270</u>
	<u>130,443</u>	<u>128,714</u>

**10. Administration and other expenditure**

	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>
Utilities	8,517	14,429
Uniforms	-	689
Sundry materials & supplies	6,853	4,785
Rent	3,140	3,372
Participation fee - Nat. Mtg.	282	-
Gardmed project expenses	-	8
Printing	362	1,304
Stationery	2,697	3,013
Subscriptions	20	180
Postages	3	4
Other Office Services	851	1,887
Transport	1,880	1,536
Travel	1,040	3,181
Information Services	3,053	2,471
Lease of Equipment	1,119	1,033
Insurance Coverage	3,441	2,006
Bank Charges	115	79
IT Development Services	3,520	3,840
Legal services	4,216	3,712
Accountancy services	2,860	4,254
Professional services	2,612	2,922
Other support services	4,125	2,505
Other Hospitality Costs	390	521
Social Events	18,900	13,247
Cultural Events	30,053	25,673
Community Services	3,559	2,023
Sundry Minor Expenses	82	-
Provision for LES receivables	(699)	(1,348)
Bad debts written off	25	3,975
Loss on disposal of assets	-	6,516
Amortisation and Depreciation	81,435	92,747
	<u>184,451</u>	<u>200,564</u>

**11. Intangible fixed assets**

	<b>Computer Software</b>	<b>Total</b>
	<b>€</b>	<b>€</b>
<b>Cost</b>		
At 1 January 2015	2,975	2,975
Additions	180	180
At 31 December 2015	<u>3,155</u>	<u>3,155</u>
<b>Amortisation</b>		
At 1 January 2015	752	752
Charge for year	970	970
At 31 December 2015	<u>1,722</u>	<u>1,722</u>
<b>Net book values</b>		
At 31 December 2015	<u>1,433</u>	<u>1,433</u>

**11. Intangible assets**

	<b>Computer Software</b>	<b>Total</b>
	<b>€</b>	<b>€</b>
<b>Cost</b>		
At 1 January 2016	3,155	3,155
Additions	358	358
At 31 December 2016	<u>3,513</u>	<u>3,513</u>
<b>Amortisation</b>		
At 1 January 2016	1,722	1,722
Charge for year	455	455
At 31 December 2016	<u>2,177</u>	<u>2,177</u>
<b>Net book values</b>		
At 31 December 2016	<u>1,336</u>	<u>1,336</u>



**Notes to the Financial Statements  
for the year ended 31 December 2016**

<b>12. Property, plant and equipment</b>										
	<b>Construction Works</b>	<b>New Street Signs</b>	<b>Urban Improvements</b>	<b>Plant and Machinery</b>	<b>Office Equipment</b>	<b>Office Furniture &amp; fittings</b>	<b>Computer Equipment</b>	<b>Special Programmes</b>	<b>Total</b>	
	€	€	€	€	€	€	€	€	€	
<b>Cost</b>										
At 1 January 2015	932,605	18,375	459,761	33,175	40,897	34,498	8,849	51,783	1,579,943	
Additions	28,111	83	3,926	-	831	1,709	-	-	34,660	
Reclassification	-	-	(345)	-	(1,012)	(1,124)	1,959	-	(522)	
Disposals	(225)	-	(13,558)	-	(5,816)	-	(2,111)	-	(21,710)	
At 31 December 2015	960,491	18,458	449,784	33,175	34,900	35,083	8,697	51,783	1,592,371	
<b>Grants</b>										
At 1 January 2015	-	-	-	-	-	-	-	51,783	51,783	
At 31 December 2015	-	-	-	-	-	-	-	51,783	51,783	
<b>Depreciation</b>										
At 1 January 2015	477,882	18,375	227,185	13,205	27,803	15,067	7,298	-	786,815	
On disposals	(93)	-	(6,486)	-	(8,174)	-	(1,866)	-	(16,619)	
Charge for the year	51,336	83	28,890	4,310	4,307	1,395	1,456	-	91,777	
At 31 December 2015	529,125	18,458	249,589	17,515	23,936	16,462	6,888	-	861,973	
<b>Net book values</b>										
At 31 December 2015	431,366	-	200,195	15,660	10,964	18,621	1,809	-	678,615	

**Notes to the Financial Statements  
for the year ended 31 December 2016**

<b>12. Property, plant and equipment</b>		<b>Construction Works</b>		<b>New Street Signs</b>		<b>Urban Improvements</b>		<b>Plant and machinery</b>		<b>Office Equipment</b>		<b>Office Furniture &amp; fittings</b>		<b>Computer Equipment</b>		<b>Special Programmes</b>		<b>Motor vehicles</b>		<b>Total</b>	
		€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>																					
At 1 January 2016		960,491	18,458			449,784	33,175			34,900		35,083		8,697		51,783				1,592,371	
Additions		40,315	-			1,095	-			3,744		118		879		-		1,150		47,301	
At 31 December 2016		1,000,806	18,458			450,879	33,175			38,644		35,201		9,576		51,783		1,150		1,639,672	
<b>Grants</b>																					
At 1 January 2016		-	-			-	-			-		-		-		51,783		-		51,783	
At 31 December 2016		-	-			-	-			-		-		-		51,783		-		51,783	
<b>Depreciation</b>																					
At 1 January 2016		529,125	18,458			249,589	17,515			23,936		16,462		6,888		-		-		861,973	
Charge for the year		41,943	-			31,806	2,879			2,263		1,194		481		-		414		80,980	
At 31 December 2016		571,068	18,458			281,395	20,394			26,199		17,656		7,369		-		414		942,953	
<b>Net book values</b>																					
At 31 December 2016		429,738	-			169,484	12,781			12,445		17,545		2,207		-		736		644,936	

**Notes to the Financial Statements  
for the year ended 31 December 2016**

**13. Inventories**

	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>
Inventory	14,842	15,046

**14. Receivables**

	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>
Receivables	30,826	26,998
Accrued income	25,581	36,735
Financial assets	56,407	63,733
Prepayments	5,112	2,276
	<u>61,519</u>	<u>66,009</u>

**Receivables**

General receivables are analysed as follows:

	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>
Within credit period	503	1,530
Exceeded credit period but not impaired	30,323	25,468
	<u>30,826</u>	<u>26,998</u>

**LES Debtors**

LES debtors are stated after a specific provision for doubtful debts amounting to € 198,217 (2015: € 198,916 - restated).

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

	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>(restated)</b>
Balance at 1 January	198,916	200,264
(Decrease)/Increase in provision for LES Debtors	(699)	(1,348)
Increase in provision for Other Debtors	-	-
Balance at 31 December	<u>198,217</u>	<u>198,916</u>

**15. Cash and equivalents**

	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>
Bank Balances	128,989	79,559
Cash in Hand	116	(93)
Cash at bank an in hand	<u>129,105</u>	<u>79,466</u>
Bank balance overdrawn	(1,673)	(799)
Cash and cash equivalent	<u><u>127,432</u></u>	<u><u>78,667</u></u>

**16. Payables**

	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>
Payables	17,486	18,779
Other payables	1,165	-
Accruals	20,236	15,724
Financial Liabilities	<u>38,887</u>	<u>34,503</u>
Deferred income	11,596	11,879
	<u><u>50,483</u></u>	<u><u>46,382</u></u>

**17. Short-term Borrowings**

	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>
<b>Current</b>		
Bank balance overdrawn	<u><u>1,673</u></u>	<u><u>799</u></u>



18. Deferred income	2016	2015
	€	€
<b>Government grants</b>		
Balance at the beginning of the year	80,063	60,802
Increase during year	14,320	25,957
Released during year	(9,340)	(6,696)
Other movement	-	-
	<u>85,043</u>	<u>80,063</u>
Current Deferred Income	<u>11,596</u>	<u>8,443</u>
Non-Current Deferred Income	<u>73,447</u>	<u>71,620</u>
<b>Deferred Government Grants</b>		
Deferred within one year	11,596	8,443
Deferred between one and five years	25,259	33,546
Deferred in five years or more	48,188	38,074
	<u>85,043</u>	<u>80,063</u>

**19. Prior year adjustment**

Debtors and retained earning for the year ending 31 December 2015, were incorrectly stated, due to errors in revenue recognition and provision for bad debts relating to LES debtors. The overstatement in revenue recognition amounting to 12,956 took place before year ending 31st December 2011 and thereof provision for bad debts was also overstated with the same amount. Following this adjustment, the net effect on the statement of comprehensive income and the statement of financial position is 0, since one adjustment offsets the other.

**20. Capital commitments**

	€	€
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	44,000	10,500
These could be analysed as follows:		
<i>(i) Approved but not yet contracted for:</i>		
Construction	20,000	10,500
Office furniture	3,000	-
Urban improvement	20,000	-
Plant and machinery	1,000	-
	<u>44,000</u>	<u>10,500</u>

**21. Contingent asset**

The Council has a contingent asset amounting to € 15,000 from a third party. Although the Council won the arbitration, the appeal period is still open and hence no provision was provided for in the financial statements but only included this note.

**22. 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 Councils	Significant control
Regional Committee (Local Enforcement)	Joint control
Fgura Joint Committee (Local Enforcement)	Joint control
Local Enforcement System Agency	No control
Gozo Regional Committee	No control
North Regional Committee	No control
South Regional Committee	No control
South Eastern Regional Committee	No control
Central Regional Committee	No control
Public General Head Quarters	No control
Local Councils' Association	No control
Malta Information Technology Agency	No control
Malta Communication Authority	No control
Malta Tourism Authority	No control
Malta Transport Authority	No control
Department of Lands	No control
Department of Inland Revenue	No control
Permanent Secretary - Ministry of Education	No control
Permanent Secretary - Ministry for Family & Social Solidarity	No control
Bank of Valletta plc	No control
Airmalta plc	No control
Jobs plus	No control
Arms Limited	No control
Planning Authority	No control
Environment and Resources Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Cleansing Services Department	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Commissioner for Data Protection	No control

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

	2016 €	2015 €
Annual Financial Allocation	344,873	333,669

**Key management compensation**

Transactions with key management personnel are disclosed in note 8.



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

	2016 €	2015 €
Annual Financial Allocation	344,873	333,669

**Key management compensation**

Transactions with key management personnel are disclosed in note 8.

**23. Financial Risk Management**

The exposure to risk and the way risks arise, together with the Local Council's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below.

The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development.

Where applicable, any significant changes in the Local Council's exposure to financial risks or manner in which the council manages and measures these risks are disclosed below.

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

<i>Categories of financial instruments</i>	<b>2016</b>	<b>2015</b>
<i>Financial assets</i>	€	€
Cash and bank balances	129,105	79,466
Receivables	56,408	63,733
	<u>185,513</u>	<u>143,199</u>
<i>Financial liabilities</i>		
Trade payables and other payables	40,560	35,302
	<u>40,560</u>	<u>35,302</u>

The Council is exposed 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 flows by minimising the exposure to financial risks.

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

***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:

	<b>2016</b>	<b>2015</b>
	€	€
Classes of financial assets - carrying amounts		
Receivables	56,408	63,733
Cash and cash equivalents	129,105	79,466
	<u>185,513</u>	<u>143,199</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 only with creditworthy counterparties. Receivables are presented net of provision for doubtful debts. A provision for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

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.

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

Liquid funds are placed with reputable banks with high quality external credit ratings, therefore credit risk is considered negligible.

#### Liquidity risk

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

The Council manages its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. At the end of the reporting period, the Local Council's net current asset position amounted to € 153,310 (2015 : € 113,340). However the Council's liquidity risk is not deemed to be significant in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments.

At 31 December 2016 the Council's financial liabilities have contractual maturities which are summarised below:

	Current		Non- Current	
	Payable within 1 year	Payable within 1 & 2 years	Payable within 2 & 5 years	Payable after more than 5 years
31 December 2016	€	€	€	€
Payables	17,486	-	-	-
Other payables	1,165	-	-	-
Accruals	20,236	-	-	-
Bank balance overdrawn	1,673	-	-	-
	<u>40,560</u>	<u>-</u>	<u>-</u>	<u>-</u>
31 December 2015				
Payables	18,779	-	-	-
Other payables	-	-	-	-
Accruals	15,724	-	-	-
Bank balance overdrawn	799	-	-	-
	<u>35,302</u>	<u>-</u>	<u>-</u>	<u>-</u>

**24. Fair values estimation**

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

**25. Comparative Figures**

Certain amounts have been re-classified to conform with the current year's presentation.