

Local Council Floriana
Annual Audit Report
for the year ended 31 December 2017



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 2017

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 18th April 2018 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 27 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 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 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act, the Local Councils (Financial) Procedures 1996 (the "Legislation").

Basis for qualified opinion

Included with Accrued Income in note 14 is an amount of € 9,783 which the Council intends to charge for advertisement billboards. The said billboards are not licenced and the council is still trying to identify to whom the invoices should be raised. In view of this we were unable to satisfy ourselves as the existence and recoverability of this amount.

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

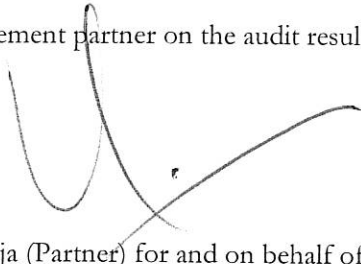
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

Fort Business Centre
Mrieħel Bypass
Birkirkara BKR 3000
Malta

18 April 2018

**Statement of Comprehensive Income
for the year ended 31 December 2017**

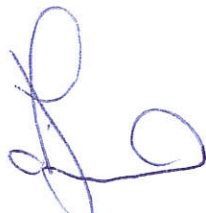
	Notes	2017 €	2016 €
Revenue			
Funds received from Central Government	3	384,034	366,550
Income raised under Local Council Bye-Laws	4	15,567	17,047
Income raised under Local Enforcement System	5	20,399	5,591
General Income	7	39,602	31,996
		<u>459,602</u>	<u>421,184</u>
Expenditure			
Personal Emoluments	8	(123,118)	(101,979)
Operations and maintenance	9	(126,107)	(130,443)
Administration and other expenditure	10	(191,027)	(184,451)
		<u>(440,252)</u>	<u>(416,873)</u>
Operating profit for the year		19,350	4,311
Finance income	6	62	57
		<u>62</u>	<u>57</u>
Profit for the year		<u>19,412</u>	<u>4,368</u>

The notes on pages 8 to 27 form an integral part of these financial statements.

Statement of Financial Position
as at 31 December 2017

	Notes	2017 €	2016 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	642,885	644,936
Intangible assets	11	1,658	1,336
		<u>644,543</u>	<u>646,272</u>
Current Assets			
Inventories	13	12,962	14,842
Receivables	14	97,859	61,519
Cash and cash equivalents	15	125,774	129,105
Total Current Assets		<u>236,595</u>	<u>205,466</u>
Total Assets		<u>881,138</u>	<u>851,738</u>
RESERVES			
Retained earnings		745,547	726,135
Total reserves		<u>745,547</u>	<u>726,135</u>
Non-Current Liabilities			
Non-current Deferred Income	18	83,352	73,447
		<u>83,352</u>	<u>73,447</u>
Current Liabilities			
Trade and other payables	16	52,239	50,483
Short-term borrowings	17	-	1,673
		<u>52,239</u>	<u>52,156</u>
Total Liabilities		<u>135,591</u>	<u>125,603</u>
Total reserves and liabilities		<u>881,138</u>	<u>851,738</u>

These financial statements were approved by the Local Council on 18th April 2018 and signed on its behalf by:



Davina Sammut Hili
Mayor



Mary Lourdes Lautier
Executive Secretary

The notes on pages 8 to 27 form an integral part of these financial statements.

**Statement of Changes in Equity
for the year ended 31 December 2017**

	Retained Funds	Total
	€	€
At 1 January 2016	721,767	721,767
Profit for the year	4,368	4,368
At 31 December 2016	<u>726,135</u>	<u>726,135</u>
 At 1 January 2017	 726,135	 726,135
Profit for the year	19,412	19,412
At 31 December 2017	<u>745,547</u>	<u>745,547</u>

Statement of Cash Flows
for the year ended 31 December 2017

	2017		2016	
	€	€	€	€
Net profit for the year	19,412		4,368	
Reconciliation to cash generated from operations:				
Amortisation and Depreciation	73,495		81,435	
Movement in Provision for Doubtful Debts	(1,224)		(699)	
Interest receivable	(62)		(57)	
Government grant released	(12,430)		(9,340)	
Operating surplus before working capital changes	79,191		75,707	
Decrease in inventories	1,880		204	
Increase in receivables	(18,288)		(3,828)	
(Increase)/ decrease in other receivables	(16,828)		8,318	
Increase / (decrease) in payables	1,663		(1,293)	
Increase in other payables	2,428		2,939	
Cash generated from operating activities		50,046		82,047
Cash flow from investing activities				
Interest received	62		57	
Purchase of intangible fixed assets	(836)		(358)	
Purchase of property, plant & equipment	(70,930)		(47,301)	
Grants received	20,000		14,320	
Cash (used in) investing activities		(51,704)		(33,282)
Net (decrease)/increase in cash in the year		(1,658)		48,765
Cash and equivalents at beginning of year		127,432		78,667
Cash and equivalents at end of year		125,774		127,432

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 18th April 2018. 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 2017.

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.

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 2017, 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.

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. 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 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.

Directive No 1/2017 issued by the Department for Local Government. As from 1st January 2018, the capital approach according to IAS 20 Accounting for Government Grants & Disclosure of Government Assistance is going to be adopted. Also with respect to depreciation, as from 1st January 2018, the Council is going to adopt the straight line method on a monthly basis as its depreciation method.

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

	2017	2016
	€	€
In terms of section 55 of the Local Councils Act	354,902	344,873
Supplementary Government Income	7,138	3,338
Other Government Income	21,994	18,339
	<u>384,034</u>	<u>366,550</u>

4. Income raised from Bye-Laws

	2017	2016
	€	€
Bye-Laws - Advertising on Street Furniture	15,567	17,047
	<u>15,567</u>	<u>17,047</u>

5. Local Enforcement Income

	2017	2016
	€	€
LESA income	15,648	-
Income from LES administration fees	4,751	5,591
	<u>20,399</u>	<u>5,591</u>

6. Investment Income

	2017	2016
	€	€
Bank Interest	62	57
	<u>62</u>	<u>57</u>

7. General Income

	2017	2016
	€	€
Sponsorships	300	1,300
General Income	3,547	1,453
Tender Documents/Info. Charges	200	15
Media Advertising	28	56
Contractors' Guarantees Withdrawn	466	(1,165)
Donations	1,511	1,000
Contributions	(1,200)	4,292
Income from Permits	34,750	25,045
	<u>39,602</u>	<u>31,996</u>

8. Personal Emoluments

	2017	2016
	€	€
Mayor's Allowance	7,345	7,228
Councillors' Allowance	6,400	6,325
Executive Secretary Salary and Allowances	29,002	17,915
Employees' Salaries	72,496	64,537
Social Security Contributions	7,875	5,974
	<u>123,118</u>	<u>101,979</u>

9. Operations and Maintenance

	2017	2016
	€	€
<i>Repairs and Upkeep:</i>		
Public Property	112	2,675
Road/Street Pavements	723	563
Signs	850	2,726
Road Markings	1,246	522
Office Furniture and Equipment	95	334
Plant & Equipment	252	227
Maintenance of motor vehicle	563	1,177
Other repairs and Upkeep	6,517	7,418
Council Property	-	89
	<u>10,358</u>	<u>15,731</u>
 <i>Contractual Services:</i>		
Waste Disposal	19,824	19,954
Refuse Collection	27,027	26,483
Bulky Refuse Collection	4,850	3,471
Hiring of Skips - Bins on Wheels	977	1,370
Cleaning Services	697	1,310
Road & Street Cleaning	30,162	26,855
Cleaning - Public Conveniences	3,000	4,000
Cleaning - Council Premises	1,372	1,222
Other Contractual Services	71	-
Cleaning & Maintenance Parks & Gardens	16,042	16,192
Clean. & Maint. Soft Areas	4,313	4,578
Street Lighting	7,097	8,978
Local Enforcement Expenses	317	299
	<u>115,749</u>	<u>114,712</u>
	<u>126,107</u>	<u>130,443</u>

10. Administration and other expenditure

	2017	2016
	€	€
Utilities	12,280	8,517
Sundry materials & supplies	4,204	6,853
Rent	3,337	3,140
Participation fee - Nat. Mtg.	665	282
Printing	3,577	362
Stationery	2,661	2,697
Subscriptions	20	20
Postages	9	3
Other Office Services	1,257	851
Transport	2,005	1,880
Travel	2,526	1,040
Information Services	3,349	3,053
Lease of Equipment	2,502	1,119
Insurance Coverage	4,000	3,441
Bank Charges	100	115
IT Development Services	4,377	3,520
Legal services	4,119	4,216
Accountancy services	2,880	2,860
Professional services	2,185	2,612
Other support services	6,239	4,125
Other Hospitality Costs	478	390
Social Events	18,631	18,900
Cultural Events	35,423	30,053
Community Services	1,932	3,559
Sundry Minor Expenses	-	82
Provision for LES receivables	(1,224)	(699)
Bad debts written off	-	25
Amortisation and Depreciation	73,495	81,435
	<u>191,027</u>	<u>184,451</u>

11. Intangible fixed assets

	Computer Software	Total
	€	€
Cost		
At 1 January 2016	3,155	3,155
Additions	358	358
At 31 December 2016	<u>3,513</u>	<u>3,513</u>
Amortisation		
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>
Net book values		
At 31 December 2016	<u>1,336</u>	<u>1,336</u>

11. Intangible assets

	Computer Software	Total
	€	€
Cost		
At 1 January 2017	3,513	3,513
Additions	836	836
At 31 December 2017	<u>4,349</u>	<u>4,349</u>
Amortisation		
At 1 January 2017	2,177	2,177
Charge for year	514	514
At 31 December 2017	<u>2,691</u>	<u>2,691</u>
Net book values		
At 31 December 2017	<u>1,658</u>	<u>1,658</u>

Notes to the Financial Statements
for the year ended 31 December 2017

12. Property, plant and equipment										
	Construction Works	New Street Signs	Urban Improvements	Plant and Machinery	Office Equipment	Office Furniture & fittings	Computer Equipment	Special Programmes	Motor vehicles	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
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
Grants										
At 1 January 2016	-	-	-	-	-	-	-	51,783	-	51,783
At 31 December 2016	-	-	-	-	-	-	-	51,783	-	51,783
Depreciation										
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
Net book values										
At 31 December 2016	429,738	-	169,484	12,781	12,445	17,545	2,207	-	736	644,936

Notes to the Financial Statements
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12. Property, plant and equipment

	Construction Works	New Street Signs	Urban Improvements	Plant and machinery	Office Equipment	Office Furniture & fittings	Computer Equipment	Special Programmes	Motor vehicles	Assets under construction	Total
	€	€	€	€	€	€	€	€	€	€	€
Cost											
At 1 January 2017	1,000,806	18,458	450,879	33,175	38,644	35,201	9,576	51,783	1,150	-	1,639,672
Additions	61,394	-	1,782	290	270	3,934	-	-	-	3,260	70,930
At 31 December 2017	1,062,200	18,458	452,661	33,465	38,914	39,135	9,576	51,783	1,150	3,260	1,710,602
Grants											
At 1 January 2017	-	-	-	-	-	-	-	51,783	-	-	51,783
At 31 December 2017	-	-	-	-	-	-	-	51,783	-	-	51,783
Depreciation											
At 1 January 2017	571,068	18,458	281,395	20,394	26,199	17,656	7,369	-	414	-	942,953
Charge for the year	45,532	-	20,198	2,576	2,524	1,452	552	-	147	-	72,981
At 31 December 2017	616,600	18,458	301,593	22,970	28,723	19,108	7,921	-	561	-	1,015,934
Net book values											
At 31 December 2017	445,600	-	151,068	10,495	10,191	20,027	1,655	-	589	3,260	642,885

13. Inventories

	2017	2016
	€	€
Inventory	12,962	14,842

14. Receivables

	2017	2016
	€	€
Receivables	49,114	30,826
Accrued income	42,149	25,581
Financial assets	91,263	56,407
Prepayments	6,596	5,112
	97,859	61,519

Receivables

General receivables are analysed as follows:

	2017	2016
	€	€
Within credit period	23,319	503
Exceeded credit period but not impaired	25,795	30,323
	49,114	30,826

LES Debtors

LES debtors are stated after a specific provision for doubtful debts amounting to € 196,994 (2016: € 198,217).

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

	2017	2016
	€	€
Balance at 1 January	198,217	198,916
Decrease in provision for LES Debtors	(1,223)	(699)
Balance at 31 December	196,994	198,217

15. Cash and equivalents

	2017	2016
	€	€
Bank Balances	125,139	128,989
Cash in Hand	635	116
Cash at bank an in hand	<u>125,774</u>	<u>129,105</u>
Bank balance overdrawn	-	(1,673)
Cash and cash equivalent	<u><u>125,774</u></u>	<u><u>127,432</u></u>

16. Payables

	2017	2016
	€	€
Payables	19,149	17,486
Other payables	1,165	1,165
Accruals	22,664	20,236
Financial Liabilities	<u>42,978</u>	<u>38,887</u>
Deferred income	9,261	11,596
	<u><u>52,239</u></u>	<u><u>50,483</u></u>

17. Short-term Borrowings

	2017	2016
	€	€
Current		
Bank balance overdrawn	<u><u>-</u></u>	<u><u>1,673</u></u>

18. Deferred income	2017 €	2016 €
Government grants		
Balance at the beginning of the year	85,043	80,063
Increase during year	20,000	14,320
Released during year	(12,430)	(9,340)
	<u>92,613</u>	<u>85,043</u>
Current Deferred Income	<u>9,261</u>	<u>11,596</u>
Non-Current Deferred Income	<u>83,352</u>	<u>73,447</u>
Deferred Government Grants		
Deferred within one year	9,261	11,596
Deferred between one and five years	29,070	25,259
Deferred in five years or more	54,282	48,188
	<u>92,613</u>	<u>85,043</u>
19. Capital commitments		
	€	€
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	<u>345,127</u>	<u>44,000</u>
These could be analysed as follows:		
<i>(i) Approved but not yet contracted for:</i>		
Construction	311,127	20,000
Office furniture	-	3,000
Urban improvement	-	20,000
Plant and machinery	-	1,000
Office equipment	34,000	-
	<u>345,127</u>	<u>44,000</u>

20. Contingent asset

The Council has a contingent asset amounting to € 15,000 from a third party. Although the Council won the arbitrage, it had to apply prohibited injunction. No provision was provided for in the financial statements but only included this note.

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
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:

	2017	2016
	€	€
Annual Financial Allocation	<u>354,902</u>	<u>344,873</u>

Key management compensation

Transactions with key management personnel are disclosed in note 8.

22. 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>	2017	2016
<i>Financial assets</i>	€	€
Cash and bank balances	125,774	129,105
Receivables	91,263	56,407
	<u>217,037</u>	<u>185,512</u>
<i>Financial liabilities</i>		
Trade payables and other payables	42,978	40,560
	<u>42,978</u>	<u>40,560</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:

	2017	2016
	€	€
Classes of financial assets - carrying amounts		
Receivables	91,263	56,407
Cash and cash equivalents	125,774	129,105
	<u>217,037</u>	<u>185,512</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 € 184,356 (2016 : € 153,310). 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 2017 the Council's financial liabilities have contractual maturities which are summarised below:

	Current		Non- Current	
	<i>Payable within 1 year</i>	<i>Payable within 1 & 2 years</i>	<i>Payable within 2 & 5 years</i>	<i>Payable after more than 5 years</i>
	€	€	€	€
31 December 2017				
Payables	19,149	-	-	-
Other payables	1,165	-	-	-
Accruals	22,664	-	-	-
	<u>42,978</u>	<u>-</u>	<u>-</u>	<u>-</u>
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>

23. 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.