

Local Council Floriana
Annual Audit Report
for the year ended 31 December 2018

Prepared by:
Doreen Minto



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

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes 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 9 April 2019 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

Opinion

We have audited the financial statements of Floriana Local Council set out on pages 4 to 29 which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Council as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act, the Local Councils (Financial) Procedures 1996 (the "Legislation").

Basis for opinion

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

Responsibilities of those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

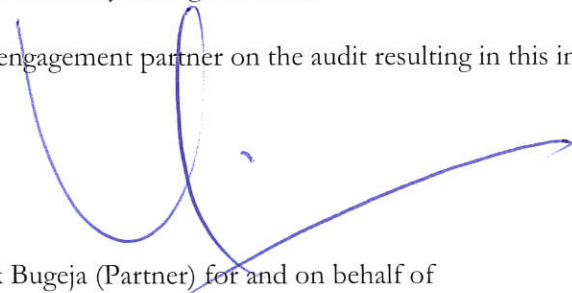
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

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

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

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



Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

Fort Business Centre
Mriehel Bypass
Birkirkara BKR 3000
Malta

9 April 2019

**Statement of Comprehensive Income
for the year ended 31 December 2018**

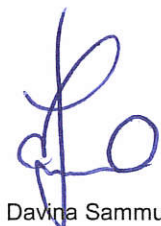
		2018	2017 (Restated)
	Notes	€	€
Revenue			
Funds received from Central Government	3	403,614	375,040
Income raised under Local Council Bye-Laws	4	(7,222)	15,567
Income raised under Local Enforcement System	5	4,148	20,399
General Income	7	43,064	39,602
		<u>443,604</u>	<u>450,608</u>
Expenditure			
Personal Emoluments	8	(126,260)	(123,118)
Operations and maintenance	9	(136,753)	(126,107)
Administration and other expenditure	10	(408,703)	(182,033)
		<u>(671,716)</u>	<u>(431,258)</u>
Operating (loss)/ profit for the year		(228,112)	19,350
Finance income	6	<u>67</u>	<u>62</u>
(Loss)/profit for the year		<u>(228,045)</u>	<u>19,412</u>

The notes on pages 8 to 29 form an integral part of these financial statements.

Statement of Financial Position
as at 31 December 2018

		2018	2017
		€	(Restated)
	Notes		€
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	292,234	550,272
Intangible assets	11	1,808	1,658
		<u>294,042</u>	<u>551,930</u>
Current Assets			
Inventories	13	12,956	12,962
Receivables	14	27,969	97,859
Cash and cash equivalents	15	234,662	125,774
Total Current Assets		<u>275,587</u>	<u>236,595</u>
Total Assets		<u>569,629</u>	<u>788,525</u>
RESERVES			
Retained earnings		517,502	745,547
Total reserves		<u>517,502</u>	<u>745,547</u>
Current Liabilities			
Trade and other payables	16	48,337	42,978
Short-term borrowings	17	3,790	-
		<u>52,127</u>	<u>42,978</u>
Total Liabilities		<u>52,127</u>	<u>42,978</u>
Total reserves and liabilities		<u>569,629</u>	<u>788,525</u>

These financial statements were approved by the Local Council on 9th April 2019 and signed on its behalf by:



Davina Sammut Hili
Mayor



Mary Lourdes Lautier
Executive Secretary

The notes on pages 8 to 29 form an integral part of these financial statements.

Statement of Changes in Equity
for the year ended 31 December 2018

	Retained Funds	Total
	€	€
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>
At 1 January 2018	745,547	745,547
Loss for the year	(228,045)	(228,045)
At 31 December 2018	<u>517,502</u>	<u>517,502</u>

Statement of Cash Flows
for the year ended 31 December 2018

	2018		2017
	€	€	€
Net (loss)/ profit for the year	(228,045)		19,412
Reconciliation to cash generated from operations:			
Amortisation and Depreciation	279,646		64,501
Movement in Provision for Doubtful Debts	(1,262)		(1,224)
Interest receivable	(67)		(62)
Government grant released	-		(3,436)
Operating surplus before working capital changes	50,272		79,191
Decrease in inventories	6		1,880
Decrease/(increase) in receivables	44,749		(18,288)
Decrease/(increase) in other receivables	26,403		(16,828)
(Decrease) /increase in payables	(2,094)		1,663
Increase in other payables	7,453		2,428
Cash generated from operating activities		126,789	50,046
Cash flow from investing activities			
Interest received	67		62
Purchase of intangible fixed assets	(1,324)		(836)
Purchase of property, plant & equipment	(49,811)		(70,930)
Grants received	29,377		20,000
Cash (used in) investing activities		(21,691)	(51,704)
Net increase/ (decrease) in cash in the year		105,098	(1,658)
Cash and equivalents at beginning of year		125,774	127,432
Cash and equivalents at end of year		230,872	125,774

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 9 April 2019. 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 2018.

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 is effective for financial periods beginning on, or after, 1 January 2018.

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 2018, 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 1 and IAS 8 Definition of Material include amendments to its definition of material to make it easier for companies to make materiality judgements. Subject to adoption by EU, IAS 1 and IAS 8 Definition of Material, will be effective for financial periods beginning on, or after, 1 January 2020.

IFRS 9 Prepayment Features with Negative Compensation allow instruments with symmetric prepayment options to qualify for amortised cost or fair value through other comprehensive income measurement. It will be effective for financial periods beginning on, or after, 1 January 2019.

Amendments to references to the Conceptual Framework in IFRS standards include some important issues which were not covered or were unclear or out of date. It contain a new chapter on measurement; guidance on reporting financial performance; improved definitions of an asset and a liability and clarifications in important areas. Subject to adopted by EU, it will be effective for financial periods beginning on, or after, 1 January 2020.

Annual improvements to IFRS Standards 2015-2017. Subject to adopted by EU, it will be effective for financial periods beginning on, or after, 1 January 2019.

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. 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 Fixed Assets

Computer software is valued at cost less accumulated amortisation and impairment losses to date. Depreciation to write off the cost is calculated on a monthly basis using the straight line method at 25% - 100% per annum.

Up to the year ended 31st December 2017, depreciation was 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 according to IAS 16 Property, Plant and Equipment. On 1st January 2018, the straight line method in line with IAS 16, has been adopted, in line with the Directive No.1/2017 issued by the Department for Local Government. This is a change in accounting estimate, and according to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, it has been accounted for prospectively.

Property, plant and equipment

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

	%
Land	0
Trees	0
Buildings	1
Office Furniture and Fittings	7.5 - 100
Construction Works	10 - 100
Urban Improvements (Street Furniture)	10 - 100
Special Projects	10 - 100
Office Equipment	20 - 100
Motor Vehicles	20 - 33.33
Plant and Machinery	20 - 100
Computer Equipment	25 - 100
Plants	100
Litter Bins	Replacement Basis
Playground Furniture	100
Traffic Signs	Replacement Basis
Road Signs	Replacement Basis
Street Mirrors	Replacement Basis
Street Lights	100

Up to the year ended 31st December 2017, depreciation was 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 according to IAS 16 Property, Plant and Equipment. On 1st January 2018, the straight line method in line with IAS 16, has been adopted, in line with the Directive No.1/2017 issued by the Department for Local Government. This is a change in accounting estimate, and according to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, it has been accounted for prospectively.

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 trade and other receivables

Trade and other assets are measured at fair value, with changes in fair value subsequently recognised in profit and loss. The Council applies the simplified approach for all trade receivables and contract assets. Accordingly, the assessment to determine whether there is a significant increase in credit risk is not applicable for such financial assets.

Where the Council does not have reasonable and supportable information that is available without undue cost or effort to measure life time expected credit loss on an individual instrument basis and in order to ensure the life time expected credit losses are recognised before an asset becomes credit-impaired or an actual default occurs, life time expected credit losses on the remaining financial assets are measured on a collective basis. In such instances and where appropriate, the financial instruments are grouped on the basis of shared credit risk characteristics and the life time expected credit losses are estimated using a provision matrix based on actual credit loss experience over past years, which is adjusted to reflect current conditions and the Council's view of economic conditions over the expected lives of the receivables.

Such adjustments are based on factors that are specific to the debtors and economic and industry indicators such as GDP, unemployment rates and/or industry projections, where applicable, unless the effect is considered to be immaterial.

The Council's trade receivables are of a short-term nature as they are based on credit terms of less than one year and, thus, do not include a significant financing component.

For the purpose of the provision matrix, loss rates are calculated using a 'roll rate' method based on the probability a receivable progressing through successive stages of delinquency over a selected period, taking into consideration the applicable credit terms for such debtors and the past due status. Unless the effect is immaterial, for receivables after 360 days, the loss rate was adjusted to take into consideration the proportion of actual recoveries over the selected period.

Impairment of cash and cash equivalents

Cash and cash equivalents are demand deposits, a 1-day probability of default has been applied, based on the respective external ratings of the counterparty banks and an adequate loss given default rate to the carrying amount at the measurement date.

The Council banks with local financial institutions with high quality standing and rating and management consider the probability of default to be close to zero.

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 operating expenditure are recognized in the Statement of Comprehensive Income in the same period that the related expenditure is incurred.

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

Up to the year ended 31st December 2017, government grants were accounted for using the income approach according to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. On 1st January 2018, the capital approach, according to IAS 20, has been adopted, in line with the Directive No 1/2017 issued by the Department for Local Government. This is a change in accounting policy, and according to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, it has been accounted for retrospectively.

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 substantially all 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

Trade and other assets are measured at fair value, with changes in fair value subsequently recognised in profit and loss. Details of impairment policies and the calculation of the loss allowance as per above.

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

	2018	2017 (Restated)
	€	€
In terms of section 55 of the Local Council Act	359,683	354,902
Supplementary Government Income	5,405	7,138
Other Government Income	38,526	13,000
	<u>403,614</u>	<u>375,040</u>

4. Income raised from Bye-Laws

	2018	2017
	€	€
Bye-Laws - Advertising on Street Furniture	(7,222)	15,567
	<u>(7,222)</u>	<u>15,567</u>

5. Local Enforcement Income

	2018	2017
	€	€
LESA income	-	15,648
Contraventions & other fines	(198)	-
Income from LES administration fees	4,346	4,751
	<u>4,148</u>	<u>20,399</u>

6. Investment Income

	2018	2017
	€	€
Bank Interest	67	62
	<u>67</u>	<u>62</u>

7. General Income

	2018	2017
	€	€
Sponsorships	670	300
General Income	2,052	3,547
Tender Documents/Info. Charges	-	200
Media Advertising	-	28
Contractors' Guarantees Withdrawn	-	466
Donations	1,300	1,511
Contributions	1,010	(1,200)
Income from Permits	38,032	34,750
	<u>43,064</u>	<u>39,602</u>

8. Personal Emoluments

	2018	2017
	€	€
Mayor's Allowance	7,464	7,345
Councillors' Allowance	6,400	6,400
Executive Secretary Salary and Allowances	29,792	29,002
Employees' Salaries	74,292	72,496
Social Security Contributions	8,312	7,875
	<u>126,260</u>	<u>123,118</u>

9. Operations and Maintenance

	2018	2017
	€	€
<i>Repairs and Upkeep:</i>		
Public Property	1,959	112
Road/Street Pavements	662	723
Signs	2,807	850
Road Markings	358	1,246
Office Furniture and Equipment	360	95
Plant & Equipment	-	252
Maintenance of motor vehicle	20	563
Sundry Repairs	47	-
Other repairs and Upkeep	3,267	6,517
	<u>9,480</u>	<u>10,358</u>

<i>Contractual Services:</i>		
Waste Disposal	18,751	19,824
Refuse Collection	27,801	27,027
Bulky Refuse Collection	4,897	4,850
Hiring of Skips - Bins on Wheels	408	977
Cleaning Services	692	697
Road & Street Cleaning	40,518	30,162
Cleaning - Public Conveniences	3,000	3,000
Cleaning - Council Premises	1,386	1,372
Other Contractual Services	-	71
Cleaning & Maintenance Parks & Gardens	16,042	16,042
Clean. & Maint. Soft Areas	4,512	4,313
Street Lighting	8,886	7,097
Local Enforcement Expenses	380	317
	<u>127,273</u>	<u>115,749</u>
	<u>136,753</u>	<u>126,107</u>

10. Administration and other expenditure

	2018	2017 (Restated)
	€	€
Utilities	15,078	12,280
Uniforms	703	-
Sundry materials & supplies	4,280	4,204
Rent	3,337	3,337
Participation fee - Nat. Mtg.	206	665
Printing	420	3,577
Stationery	1,498	2,661
Subscriptions	-	20
Postages	58	9
Other Office Services	745	1,257
Transport	1,472	2,005
Travel	2,247	2,526
Information Services	2,008	3,349
Lease of Equipment	3,124	2,502
Insurance Coverage	3,958	4,000
Bank Charges	72	100
IT Development Services	4,374	4,377
Legal services	2,511	4,119
Accountancy services	5,576	2,880
Professional services	1,299	2,185
Other support services	9,813	6,239
Entertainment	390	-
Other Hospitality Costs	106	478
Social Events	14,527	18,631
Cultural Events	36,576	35,423
Community Services	1,813	1,932
Sundry Minor Expenses	-	-
Provision for LES receivables	(1,262)	(1,224)
Bad debts written off	14,128	-
Amortisation and Depreciation	279,646	64,501
	<u>408,703</u>	<u>182,033</u>

11. Intangible fixed 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
	<u>2,177</u>	<u>2,177</u>
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>2,310</u>	<u>2,310</u>
As adjusted	<u>1,658</u>	<u>1,658</u>

Intangible assets

	Computer Software €	Total €
Cost		
At 1 January 2018	4,349	4,349
Additions	1,324	1,324
At 31 December 2018	<u>5,673</u>	<u>5,673</u>
Amortisation		
At 1 January 2018	2,691	2,691
Charge for year	1,174	1,174
At 31 December 2018	<u>3,865</u>	<u>3,865</u>
Net book values		
At 31 December 2018	<u>1,808</u>	<u>1,808</u>

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

12. Property, plant and equipment

	Construction	New Street Signs	Urban Improvements	Plant and Machinery	Office Equipment	Office Furniture & fittings	Computer Equipment	Special Programmes	Assets under Construction	Motor Vehicle	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	3,260	1,150	1,710,602
Grants											
At 1 January 2017	-	-	-	-	-	-	-	51,783	-	-	51,783
Grants prior year	46,327	-	19,391	25,229	-	-	-	-	-	-	90,947
Grants current year	20,000	-	-	-	-	-	-	-	-	-	20,000
	66,327	-	19,391	25,229	-	-	-	51,783	-	-	162,730
Depreciation											
At 1 January 2017	571,068	18,458	281,395	20,394	26,199	17,656	7,369	-	-	414	942,953
Adjusted	(4,431)	-	(10)	(4,899)	-	-	-	-	-	-	(9,340)
	566,637	18,458	281,385	15,495	26,199	17,656	7,369	-	-	414	933,613
Charge for the year	45,532	-	20,198	2,576	2,524	1,452	552	-	-	147	72,981
Adjusted	(5,023)	-	(98)	(3,873)	-	-	-	-	-	-	(8,994)
	40,509	-	20,100	(1,297)	2,524	1,452	552	-	-	147	63,987
At 31 December 2017	607,146	18,458	301,485	14,198	28,723	19,108	7,921	-	-	561	997,600
Net book values											
At 31 December 2017	445,600	-	151,068	10,495	10,191	20,027	1,655	-	3,260	589	642,885
As adjusted	388,727	-	131,785	(5,962)	10,191	20,027	1,655	-	3,260	589	550,272
Difference	(56,873)	-	(19,283)	(16,457)	-	-	-	-	-	-	(92,613)

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 2018	1,062,200	18,458	452,661	33,465	38,914	39,135	9,576	51,783	1,150	3,260	1,710,602
Additions	23,026	-	15,260	425	1,045	507	-	-	-	9,548	49,811
At 31 December 2018	1,085,226	18,458	467,921	33,890	39,959	39,642	9,576	51,783	1,150	12,808	1,760,413
Grants											
At 1 January 2018	66,327	-	19,391	25,229	-	-	-	51,783	-	-	162,730
Grants for the year	29,377	-	-	-	-	-	-	-	-	-	29,377
At 31 December 2018	95,704	-	19,391	25,229	-	-	-	51,783	-	-	192,107
Depreciation											
At 1 January 2018	607,146	18,458	301,485	14,198	28,723	19,108	7,921	-	561	-	997,600
Charge for the year	197,886	-	72,472	(6,263)	7,375	5,502	1,304	-	196	-	278,472
At 31 December 2018	805,032	18,458	373,957	7,935	36,098	24,610	9,225	-	757	-	1,276,072
Net book values											
At 31 December 2018	184,490	-	74,573	726	3,861	15,032	351	-	393	12,808	292,234

13. Inventories

	2018 €	2017 €
Inventory	12,956	12,962

14. Receivables

	2018 €	2017 €
Receivables	4,366	49,114
Accrued income	16,892	42,149
Financial assets	21,258	91,263
Prepayments	6,711	6,596
	27,969	97,859

Receivables

General receivables are analysed as follows:

	2018 €	2017 €
Within credit period	2,559	23,319
Exceeded credit period but not impaired	1,807	25,795
	4,366	49,114

Receivables are stated after a specific provision for doubtful debts amounting to € 14,128 (2017: € Nil).

LES Debtors

LES debtors are stated after a specific provision for doubtful debts amounting to € 195,732 (2017: € 196,994).

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

	2018 €	2017 €
Balance at 1 January	196,994	198,217
Decrease in provision for LES Debtors	(1,262)	(1,223)
Balance at 31 December	195,732	196,994

15. Cash and equivalents

	2018 €	2017 €
Bank Balances	234,534	125,139
Cash in Hand	128	635
Cash at bank an in hand	<u>234,662</u>	<u>125,774</u>
Bank balance overdrawn	(3,790)	-
Cash and cash equivalent	<u>230,872</u>	<u>125,774</u>

16. Trade and other payables

	2018 €	2017 €
Payables	17,055	19,149
Other payables	2,718	1,165
Accruals	<u>28,564</u>	<u>22,664</u>
Financial Liabilities	<u>48,337</u>	<u>42,978</u>

17. Short-term Borrowings

	2018 €	2017 €
Current		
Bank balance overdrawn	<u>3,790</u>	<u>-</u>

18. Prior year adjustment

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

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

	Notes	2017 Originally reported €	Adjustment €	2017 Restated €
Funds received from Central Government	3	(384,034)	8,994	(375,040)
Administration and other expenditure	9	191,027	(8,994)	182,033
Property, plant and equipment	12	642,885	(92,613)	550,272
Non - current deferred income		(83,352)	83,352	-
Trade and other payables	16	(52,239)	9,261	(42,978)

The effect of the restatement on each financial statement line item affected is summarised below:

	Notes	2017 Originally reported €	Adjustment €	2017 Restated €
Other government income	3	(21,994)	8,994	(13,000)
Depreciation	10	73,495	(8,994)	64,501
Property, plant and equipment	12	642,885	(92,613)	550,272
Non-current deferred income		(83,352)	83,352	-
Current deferred income	16	(9,261)	9,261	-

19. Capital commitments

	2018	2017
	€	€
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	<u>453,000</u>	<u>345,127</u>
These could be analysed as follows:		
<i>(i) Approved but not yet contracted for:</i>		
Construction	395,000	311,127
Motor vehicle	5,000	-
Office furniture	1,000	-
Urban improvement	5,000	-
Plant and machinery	1,000	-
Office equipment	46,000	34,000
	<u>453,000</u>	<u>345,127</u>

20. Contingent asset

The Council has a contingent asset amounting to € 22,176 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:

	2018 €	2017 €
Annual Financial Allocation	<u>359,683</u>	<u>354,902</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>	2018	2017
<i>Financial assets</i>	€	€
<i>Loans and Receivables</i>		
Cash and bank balances	230,872	125,774
Receivables	21,258	91,263
	<u>252,130</u>	<u>217,037</u>
<i>Financial liabilities</i>		
Trade payables and other payables	48,337	42,978
	<u>48,337</u>	<u>42,978</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 applies the simplified approach for all trade receivables and contract assets which uses a lifetime expected allowance. Accordingly, the assessment to determine whether there is a significant increase in credit risk is not applicable for such financial assets.

Where the Council does not have reasonable and supportable information that is available without undue cost or effort to measure life time expected credit loss on an individual instrument basis and in order to ensure the life time expected credit losses are recognised before an asset becomes credit-impaired or an actual default occurs, life time expected credit losses on the remaining financial assets are measured on a collective basis. In such instances and where appropriate, the financial instruments are grouped on the basis of shared credit risk characteristics and the life time expected credit losses are estimated using a provision matrix based on actual credit loss experience over past years, which is adjusted to reflect current conditions and the Council's view of economic conditions over the expected lives of the receivables

Such adjustments are based on factors that are specific to the debtors and economic and industry indicators such as GDP, unemployment rates and/or industry projections, where applicable, unless the effect is considered to be immaterial.

The Council's trade receivables are of a short-term nature as they are based on credit terms of less than one year and, thus, do not include a significant financing component.

For the purpose of the provision matrix, loss rates are calculated using a 'roll rate' method based on the probability a receivable progressing through successive stages of delinquency over a selected period, taking into consideration the applicable credit terms for such debtors and the past due status. Unless the effect is immaterial, for receivables after 360 days, the loss rate was adjusted to take into consideration the proportion of actual recoveries over the selected period.

As at 31 December 2018, trade receivables of € 1,807 were past due but not impaired. The ageing of these past due trade receivables was over 1 month. These mainly related to a number of government entities for whom there is no recent history of default and exposure is very limited. Whilst a number of customers account for a certain percentage of the Council's past due trade debts, management has not identified any major concerns with respect to concentration of credit risk. Categorisation of trade receivables as past due is determined by the Council on the basis of the nature of the credit terms in place and credit arrangements actually utilised in managing exposures with customers. Exposure is immaterial.

Previous accounting policy for impairment of trade and other receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment has been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

The Council considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Cash and cash equivalents

The Council banks only with local financial institutions with high quality standing or rating. At 31 December 2018, cash and cash equivalents are held with counterparties with a credit rating of BBB and are callable on demand. Council consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Council.

Liquidity risk

The Council is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise trade and other payables. Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the Council's obligations.

Management monitors liquidity risk by reviewing expected cash flows and ensures that no additional financing facilities are expected to be required over the coming year. 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 asset position amounted to € 223,460 (2017: € 193,617) view of the matching of cash inflows and outflows arising from expected maturities of financial instruments. In this respect management does not consider liquidity risk to the Council as significant taking into account the liquidity management process referred to above.

The following table analyses the Council's financial liabilities into relevant maturity groupings based on the remaining period at 31 December 2018 to the contractual maturity date. The amounts disclosed below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Current Payable within 1 year	Payable withing 1 & 2 years	Non- Current Payable within 2 & 5 years	Payable after more than 5 years	Total
	€	€	€	€	€
31 December 2018					
Payables	17,055	-	-	-	17,055
Other payables	2,718	-	-	-	2,718
Accruals	28,564	-	-	-	28,564
	<u>48,337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,337</u>
31 December 2017					
Payables	19,149	-	-	-	19,149
Other payables	1,165	-	-	-	1,165
Accruals	22,664	-	-	-	22,664
	<u>42,978</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,978</u>

With respect to the maturity of the Council's financial liabilities as at 31 December 2018, the Council disclose that the trade and other payables are entirely repayable within one year from the end of the respective reporting period.

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.

24. Comparative Figures

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