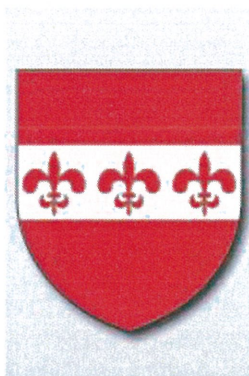


SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2017



ST. VENERA LOCAL COUNCIL

Audited Report and Financial Statements

For the year ending 31 December 2017

Prepared by:

Michael Debono CPA

Director

DConsulta Limited

Amber Court Block C No 1

Qormi Road (Torretta)

Santa Venera SVR1301



ST. VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2017

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ST. VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2017

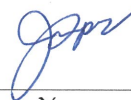
Statement of Local Council Members' and Executive Secretary's Responsibilities

The Local Councils (Financial) Regulations, 1993, require the Executive Secretary to prepare a detailed Annual Administrative Report, which includes a statement of the Local Council's income and expenditure 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, 1993, and the Local Council (Financial) Procedures, 1996 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, CAP 363, the Local Council (Financial) Regulations, 1993 and the Local Council (Financial) Procedures, 1996. The Executive Secretary is also responsible for safeguarding the assets of the council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Stephen Sultana
Mayor



Jane Yvonne Spiteri
Executive Secretary

27th April 2018

ST. VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2017

Statement of Comprehensive Income

	Notes	2017	2016
		€	€
INCOME			
Funds received from Central Government	3	501,897	466,756
Income from Local Enforcement System	4	39,936	10,558
Income raised under Local Council Bye Laws		2,400	120
General Income	5	<u>23,969</u>	<u>30,866</u>
		<u>568,202</u>	<u>508,300</u>
 EXPENDITURE			
Personal emoluments	6	87,918	86,779
Operations and maintenance	7	197,271	200,020
Administration and other expenditure	8	<u>179,767</u>	<u>150,656</u>
		<u>464,956</u>	<u>437,455</u>
 OPERATING SURPLUS FOR THE YEAR		103,246	70,845
 Finance Income	9	114	222
 SURPLUS FOR THE YEAR		<u>103,360</u>	<u>71,067</u>

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



SANTA VENERA LOCAL COUNCIL

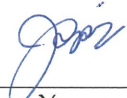
Financial Statements for the year ended 31 December 2017

Statement of Financial Position

	Notes	2017 €	2016 €
ASSETS			
Non-current Assets			
Property, plant and equipment	10	946,251	793,964
Current Assets			
Receivables	11	38,720	140,967
Cash and cash equivalents	12	586,637	457,893
		<u>625,357</u>	<u>598,860</u>
TOTAL ASSETS		<u><u>1,571,608</u></u>	<u><u>1,392,824</u></u>
RESERVES AND LIABILITIES			
Reserves			
Retained Funds		<u>987,016</u>	<u>883,656</u>
Non-Current Liabilities			
Payable and Deferred income	13	<u>347,724</u>	<u>267,909</u>
Current Liabilities			
Trade & Other Payables	13	<u>236,868</u>	<u>241,259</u>
		<u>584,592</u>	<u>509,168</u>
TOTAL RESERVES AND LIABILITIES		<u><u>1,571,608</u></u>	<u><u>1,392,824</u></u>

These financial statements were approved by the Local Council on 27th April 2018 and signed on its behalf by:


 Stephen Sultana
 Mayor


 Jane Yvonne Spiteri
 Executive Secretary

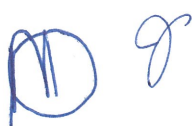
The notes on page 8 to 24 form an integral part of these financial statements.

SANTA VENERA LOCAL COUNCIL
Financial Statements for the year ended 31 December 2017

Statement of Changes in Equity

	Retained Funds €
At 1 January 2016	812,589
Total comprehensive income for the year	71,067
	<hr/>
At 31 December 2016	883,656
	<hr/>
At 1 January 2017	883,656
Total comprehensive income for the year	103,360
	<hr/>
Balance at 31 December 2017	987,016
	<hr/> <hr/>

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



SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2017

Statement of Cash Flows for the year ended 31 December 2017

	Note	2017	2016
		€	€
Cash flow from operating activities			
Surplus for the year		103,360	71,067
Adjustment to reconcile profit with net cash flows:			
Depreciation		93,721	80,922
Loss on disposals		245	-
Movement in provision for Bad Debts		9,483	-
Interest Receivable		(114)	(222)
Grants released during the year		(33,031)	(36,355)
		<u>173,664</u>	<u>115,412</u>
Working Capital Adjustments:			
Movement in payables		(4,854)	(6,959)
Movement in receivables		<u>7,180</u>	<u>17,373</u>
Cash flows from operating activities		161,630	125,826
Interest received		129	222
Net cash generated from operating activities		<u>161,759</u>	<u>126,048</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(66,066)	(292,622)
Net cash flows used in investing activities		<u>(66,066)</u>	<u>(292,622)</u>
Cash flows from financing activities			
Grants received		33,051	46,605
Net cash from financing activities		<u>33,051</u>	<u>46,605</u>
 Net increase in cash and cash equivalents		 128,744	 (119,969)
Cash and cash equivalents at beginning of year		<u>457,893</u>	<u>577,862</u>
 Cash and cash equivalents at end of year	12	 <u><u>586,637</u></u>	 <u><u>457,893</u></u>

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

SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2017

Notes to the Financial Statements

1. General Information

St. Venera Local Council is the local authority of St. Venera set up in accordance with the Local Councils Act 1993. The office of the Local Council is situated at Umberto Calosso complex, St. Joseph High Street, St. Venera.

The financial statements were authorized for issue by the Council on the 27th April 2018. The Local Council's presentation as well as functional currency are denominated in Euro. Its ultimate controlling party is the Department for Local Government within the Ministry for Justice, Culture and Local Government.

2.1 Accounting Policies and Reporting Procedures

These financial statements have been drawn up in accordance with the accounting policies and the reporting procedures prescribed for Local Council is the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap 363). The financial statements are prepared under the historical cost convention as modified to include fair values stated in the accounting policies below. These financial statements are prepared in accordance to the requirements of International Financial Reporting Standards and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial period.

The Council has adopted the following new and amended IFRS as of 1 January 2017:

- Disclosure Initiative (Amendments to IAS 7)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

The application of these standards did not have any material impact on the financial statements.

Up to the financial position date, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective for the current reporting period and which the Company has not yet adopted. These are as follows:



SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2017

- IFRS 14 – Regulatory Deferral Accounts (EFRAG endorsement process not yet launched)
- IFRS 16 – Leases
- IFRS 10 and IAS 28 Amendments – Sale or contribution of assets between an investor and its associate or joint venture (EFRAG endorsement process has been deferred indefinitely)
- IFRS 15 Amendment – Clarification on revenue from contracts with customers
- IFRS 2 Amendment – Classification and measurement of share-based payment transaction
- IFRS 4 Amendment – Applying IFRS 9, Financial Instruments, with IFRS 4, Insurance Contracts
- Annual improvements to IFRS Standards 2014 – 2016 Cycle
- IFRIC Interpretation 22 – Foreign currency transactions and advance consideration
- IAS 40 Amendments – Transfer of investment property
- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

The Council is assessing the impact that the adoption of these Financial Reporting Standards will have in the financial statements of the Company in the period of initial application.

2.3 Summary of Significant Accounting Policies

The Principal accounting policies and reporting procedures used by the Local Councils are as follows:

a. Revenue Recognition

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

b. Local Enforcement System

Income from the Local Enforcement System is recognized in the Income Statement as it accrues.

c. Financial assets and liabilities

In accordance with IAS 39, all financial assets and liabilities must be recognised in the statement of financial position and measured in accordance with their assigned category.



SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2017

2.3 Summary of Significant Accounting Policies (continued)

Financial assets

The Council classifies financial assets to IAS 39 category loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest rate (EIR) method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the EIR method. This category generally applies to trade and other receivables.

Financial assets are derecognized when the right to receive cash flows from the financial assets has expired or has been transferred and the Company has transferred substantially all risks and rewards of ownership or has not retained control of the asset.

Financial liabilities

Financial liabilities are initially recognised at fair value net of transaction costs incurred, and subsequently carried at amortised cost using the EIR method. The Council's financial liabilities comprise mainly deposits of non-bank customers, deposits and balances of banks and other financial institutions, and amounts due to related companies.

Recognition and derecognition

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Council commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all risks and rewards of ownership.

On sale of a financial asset, the difference between the net sale proceeds and its carrying amount is taken to the statement of comprehensive income.

Determination of fair value

The carrying amounts of current financial assets and liabilities, carried at amortised cost, are assumed to approximate their fair values.



SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2017

2.3 Summary of Significant Accounting Policies (continued)

The fair value of financial liabilities carried at amortised cost are estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Local Council for similar financial liabilities.

Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

d. Property, Plant and Equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation. Street signs and litter bins are on a replacement basis. Depreciation is calculated monthly using the reducing balance method at the following annual percentage rates:

	%
Land	0
Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Utile dominium of property	16.67
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	On a Replacement Basis
Playground Furniture	100
Traffic Signs	On a Replacement Basis
Road Signs	On a Replacement Basis
Street Mirrors	100
Street Lights	100

e. Government Grants

Government grants are accounted for on a systematic basis in the Income and Expenditure Account over the periods necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related costs, then the grant is accounted for when it becomes receivable.



Notes to the Financial Statements (continued)

SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2017

2.3 Summary of Significant Accounting Policies (Continued)

f. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization 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 recognized 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 less cost to sell and the value in use. Impairment losses are immediately recognized as an expense in the Statement of Income and Expenditure.

g. Amounts Receivable

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

h. Foreign Currencies

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

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

i. Profit and Losses

Only profits that were realised at the date of the Statement of Affairs are recognized 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.

j. Cash and Equivalents

Cash and Cash Equivalents are carried in the Statement of Affairs at face value. For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash in hand and balances held banks.

k. Local Enforcement System

St. Venera Local Council forms part of the Birkirkara Joint Committee. The amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the Joint Committee after deducting the related expenses and 10% commission income from LES administration fees.

Notes to the Financial Statements (continued)



SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2017

2.3 Summary of Significant Accounting Policies (Continued)

1. Critical Accounting Estimates and Judgments

Estimates and judgements are continually evaluated and based on historic experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Executive Secretary, the accounting estimates and judgments made in the preparation of the financial statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS 1 (revised) - 'Presentation of Financial Statements'.

m. Operating Lease

The council is the lessee

Leases of assets in which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

	2017 €	2016 €
3. Funds Received from central government		
Central Government income	447,323	396,761
Supplementary Government income	20,708	33,696
Other Government income	33,866	36,299
In terms of article 55 of the Local Councils Act (Cap 363)	<u>501,897</u>	<u>466,756</u>

	2017 €	2016 €
4. Local Enforcement Income		
LESA surplus contribution	20,797	-
Income including fines and penalties	9,634	1,200
LES administration fees	9,505	9,358
Income including fines and penalties	<u>39,936</u>	<u>10,558</u>

	2017 €	2016 €
5. General Income		
Income from permits	20,597	17,998
Income from Kiosks	281	181
Other income	3,094	9,687
Twinning Project and cultural activities	-	3,000
	<u>23,969</u>	<u>30,866</u>

Notes to the Financial Statements (continued)



2017 2016

SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2017

	€	€
6. Personal Emoluments		
Mayor's and Councilors' Allowance	8,560	8,802
Mayor's Honoraria	11,018	10,844
Executive Secretary salary and allowances	30,423	26,704
Employee's salaries	32,792	35,808
Social Security contributions	5,125	4,621
	<u>87,918</u>	<u>86,779</u>
	2017	2016
	€	€
7. Operations and maintenance		
Repairs and upkeep:		
Road signs, pavements & markings	4,426	6,558
Other repairs and upkeep	3,707	742
	<u>8,133</u>	<u>7,300</u>
Contractual Services:		
Refuse collection	81,858	66,470
Bulky refuse collection	4,399	3,616
Waste Disposal	53,426	64,645
Road and Street Cleaning	18,852	18,852
Cleaning and maintenance of Public Conveniences	4,455	5,468
Other cleaning and maintenance services	14,172	15,516
Materials & Support	402	1,900
Other contractual services	2,600	2,400
Street Lighting maintenance	8,061	13,493
Local warden services	913	360
Total Contractual Expenses	<u>189,138</u>	<u>192,720</u>
Total Operations & Maintenance	<u>197,271</u>	<u>200,020</u>

SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2017

Notes to the Financial Statements (continued)

	Notes	2017	2016
		€	€
8. Administration and other expenditure			
Utilities		5,150	5,766
Other repairs and upkeep		10	766
Rent		9,950	9,730
National and International Memberships		278	329
Office services		4,096	4,087
Advertising		224	683
Transport		4,195	4,120
Information Services		1,276	775
Insurance		1,657	1,798
Professional services		28,170	17,632
Community and hospitality		20,447	21,929
Bank charges		82	57
Lease of Equipment		265	989
Depreciation	10	93,721	80,922
Sundry minor expenses		518	1,073
Provision for Bad Debts		9,483	-
Loss on disposals		245	-
		<u>179,767</u>	<u>150,656</u>
		2017	2016
		€	€
9. Finance Income			
Bank Interests		<u>114</u>	<u>222</u>



SANTA VENERA LOCAL COUNCIL
Financial Statements for the year ended 31 December 2017

Notes to the Financial Statements (continued)

10a. Property, Plant and Equipment

Asset	Office Furniture & Fittings	Office Equipment	Motor Vehicle	Computer Equipment	New Street Signs	Urban Improvements	Construction	Special Programmes	Trees	Plant & Machinery	Assets not Capitalised	Total
	€	€	€	€	€	€	€	€	€	€	€	€
Cost												
As at 1 January 2016	30,801	19,484	500	21,417	37,216	265,122	648,857	666,592	4,141	5,826	920	1,700,876
Additions	354	664	-	-	-	7,122	233,037	-	15,226	-	-	254,403
Disposals	-	-	-	-	-	-	920	-	-	-	(920)	-
As at 31 December 2016	31,155	20,148	500	21,417	37,216	272,244	882,814	666,592	19,367	5,826	-	1,957,279
Grants												
At 31 December 2016	-	-	-	-	-	-	79,974	332,366	-	-	-	412,340
Depreciation												
As at 1 January 2016	21,507	15,690	167	19,644	37,216	110,115	202,793	259,234	-	3,687	-	670,053
Charge for the year	719	825	66	417	-	15,233	40,843	7,165	15,226	428	-	80,922
As at 31 December 2016	22,226	16,515	233	20,061	37,216	125,348	243,636	266,399	15,226	4,115	-	750,975
Net Book Value												
As at 31 December 2016	8,929	3,633	267	1,356	-	146,896	559,204	67,827	4,141	1,711	-	793,964

SANTA VENERA LOCAL COUNCIL
Financial Statements for the year ended 31 December 2017

Notes to the Financial Statements (continued)

10b. Property, Plant and Equipment

Asset	Office Furniture & Fittings	Office Equipment	Motor Vehicle	Computer Equipment	New Street Signs	Urban Improvements	Construction	Special Programmes	Trees	Plant & Machinery	Assets not Capitalised	Total
	€	€	€	€	€	€	€	€	€	€	€	€
Cost												
As at 1 January 2017	31,155	20,148	500	21,417	37,216	272,244	882,814	666,592	19,367	5,826	-	1,957,279
Disposals	-	-	(500)	-	-	-	-	-	-	-	-	(500)
Additions	-	1,504	1,700	2,767	-	9,387	205,339	-	5,789	-	19,769	246,253
As at 31 December 2017	31,155	21,652	1,700	24,184	37,216	281,631	1,088,153	666,592	25,154	5,826	19,769	2,203,032
Grants as at 1st January & 31 December 2017	-	-	-	-	-	-	79,974	332,366	-	-	-	412,340
Depreciation												
As at 1 January 2017	22,226	16,515	233	20,061	37,216	125,348	243,636	266,399	15,226	4,115	-	750,975
Charge for the year	647	785	185	669	-	14,733	64,122	6,480	5,787	313	-	93,721
Balance on disposals	-	-	(255)	-	-	-	-	-	-	-	-	(255)
As at 31 December 2017	22,873	17,300	163	20,730	37,216	140,081	307,758	272,879	21,013	4,428	-	844,441
Net Book Value												
As at 31 December 2017	8,282	4,352	1,537	3,454	-	141,550	700,421	61,347	4,141	1,398	19,769	946,251

SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2017

Notes to the Financial Statements (continued)

	2017 €	2016 €
11. Receivables		
Due within one year: -		
Other receivables	7854	-
Trade receivables	2,594	4,416
Prepayments	1,930	1,645
Accrued income	26,342	134,906
	<u>38,720</u>	<u>140,967</u>

(i) Details of trade receivables are as follows:

Due within the credit period	2,355	2,744
Exceeding credit period but not provided for	239	1,672
	<u>2,594</u>	<u>4,416</u>

Prepayments include prepayments of Local Council property rental and insurance premium. Receivables are stated net of provision for Bad Debts of Euro 17,162 (2016: €7,679).

12. Cash and Equivalents

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the cash flow statement comprise the following amounts in the Local Council's Statement of Affairs:

	2017 €	2016 €
Cash at bank	586,636	457,876
Cash in Hand	1	17
	<u>586,637</u>	<u>457,893</u>

	2017 €	2016 €
13. Payables		
Trade Payables	16,908	21,202
Capital creditors (note 13A)	180,187	-
Other payables	7,877	-
Accruals	14,665	21,262
Deferred income (note 14)	17,231	196,955
Other deferred income	-	1,840
	<u>236,868</u>	<u>241,259</u>

Due after more than one year:

-

Other deferred income	290,759	204,849
Deferred Income PPP Scheme	56,965	63,060
Total deferred income (note 14)	<u>347,724</u>	<u>267,909</u>

SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2017

Notes to the Financial Statements (continued)

13. Payables (continued)

Provisions include estimates for goods and services received prior to 31 December 2017 and for which invoices have not yet been received by the Local Council.

13A. Capital Creditors

Current capital creditors amounted to €180,187 at year end and consisted of resurfacing works on Triq Hal Qormi and Triq il-Kbira San Guzepp, software costs and pots and plants bought during the year and unpaid as at end of year.

14. Deferred Income

	2017	2016
	€	€
Balance at the beginning of the year	464,864	415,039
Grants received during the year	26,753	86,180
Grants reversed	(93,631)	-
Released to income	(33,031)	(36,355)
Balance at the end of the year	364,955	464,864

	2017	2016
	€	€
Non-current deferred income	347,724	267,909
Current deferred income	17,231	196,955
Deferred income at year end	364,955	464,864

Deferred income represents capital grants received under the UIF, Youth Projects, Central Region, and others for local councils up to the end of the year under review. The funds are released to income on a systematic basis over the useful life of the asset in line with the depreciation charge on the projects that were capitalised up the end of the year under review.

SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2017

Notes to the Financial Statements (continued)

15. Capital Commitments

	2017 €	2016 €
Details of capital commitments are as follows:		
Approved but not yet contracted for (i)	438,000	313,000
	<u>438,000</u>	<u>313,000</u>

These could be analysed as follows:

Urban Green Project	-	15,000
Misrah Barrieri	-	34,000
Signs & Other	10,000	18,000
Urban improvements - CCTVs	30,000	-
Improvements - Various Roads	338,000	100,000
Landscaping - Palazz l-Ahmar	30,000	80,000
Pathing Works - Various Roads	30,000	66,000
	<u>438,000</u>	<u>313,000</u>

16. Operating Lease Commitments

Operating lease commitments - where the council is the lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2017 €	2016 €
Not later than 1 year	1,263	9,516
Later than 1 year and not later than 5 years	-	750
	<u>1,263</u>	<u>10,266</u>

In April 2011, the council entered into an agreement to lease premises for €513 per annum to be used as council premises. The agreement is for a period of one-year renewable annually. In November 2014, the council entered into an agreement to lease premises for €9,003 per annum to be used as an old people's day care centre. The lease is for a three-year period starting from 1 February 2015. The council is expected to renew this agreement for a further period of three -years at €9,500 per annum.

SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2017

Notes to the Financial Statements (continued)

17. Related Parties

St. Venera Local Council has the following related parties, exercising:

- (i) Significant Control – The Department of Local Government
- (ii) Joint Control – Group C Joint Committee for Local Enforcement, Central Regional Committee
- (iii) No Control – Water Services Corporation, Enemalta Corporation, Wasteserv Malta Ltd., South Regional Committee, Gozo Regional Committee, North Regional Committee, South Eastern Regional Committee, Police General Headquarters, Planning Authority, ARMS Limited, Department of Information, LESA and the Department of Lands.

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

	2017 €	2016 €
Annual Financial Allocation	<u>447,323</u>	<u>396,761</u>

The council considers the Mayor, councillors and executive secretary to be key personnel. Remuneration paid to these amounted to €52,281 (2016: €47,840).

18. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset is any asset that is cash or a contractual right to receive cash. A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. Financial instruments give rise to the following risks:

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash at banks, receivables and due from related parties. The Local Council controls this credit risk through strict monitoring procedures and regular coordination with its related parties, with the result that the Local Council's exposure to impairment loss is not significant. The Local Council's maximum exposure to credit risk is the carrying amount of its financial assets.

	2017 €	2016 €
Trade and other receivables	36,790	139,322
Cash at bank	<u>586,637</u>	<u>457,893</u>
	<u>623,427</u>	<u>597,215</u>

SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2017

Notes to the Financial Statements (continued)

18. Financial Instruments (continued)

The Local Council's cash at bank are placed with financial institutions of high credit standing. In the director's opinion, receivables are fully recoverable. Accordingly, the Local Council has no significant credit risk.

The council accounts for funds received and receivable from persons guilty of contraventions under the local enforcement system. The council is not responsible for the collection of the funds which is the responsibility of another central government department.

Liquidity Risk

This is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The council receives guaranteed funds from central government which are predetermined as to how they are to be spent in services towards the community. Other funds are available to the council to finance capital projects.

The Council's objectives to manage its liquidity profile are: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; (c) to be able to access funding when needed at the least possible cost; and (d) to maintain an adequate time spread of refinancing maturities.

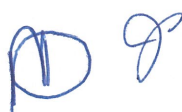
The Council closely monitors its cash flows to be able to finance its operations and capital expenditures and pay its obligation as and when they fall due.

The table below summarises the maturity profile of the Local Council's financial liabilities at 31 December 2017 based on the contractual undiscounted payments.

Details	0-3 months	3 - 12 months	1-5 years	Totals
Accruals	14,665	-	-	14,665
Payables	180,187	16,908	-	197,095
Other payables	-	7,877	-	7,877
Totals	194,852	24,785	-	219,637

This compares to the maturity of the council financial liabilities in the previous reporting period as follows:

Details	0-3 months	3 - 12 months	1-5 years	Totals
Accruals	21,262	-	-	21,262
Payables	-	21,202	-	21,202
Totals	21,262	21,202	0	42,464



SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2017

Notes to the Financial Statements (continued)

18. Financial Instruments (continued)

Foreign Currency Risk

Foreign currency transactions arise when the council buys and sells goods whose price is denominated in a foreign currency or incurs or settles liabilities denominated in a foreign currency, the council does not trade in foreign currency.

Interest Rate Risk

Interest rate risk mainly arise through interest bearing liabilities and assets. The objective of interest rate risk management is to optimize the balance between minimizing uncertainty caused by fluctuations in interest rates and maximize the net interest income and expenses.

Fair values

The carrying amounts of current financial assets and current financial liabilities approximated their fair values due to the short-term maturities of these assets and liabilities. The fair values of non-current financial liabilities are not materially different from their carrying amounts. Thus, as at 31 December 2017 and 2016, the carrying amounts of the borrowings are a reasonable approximation of its fair value.

Capital management

The primary objectives of the Council's capital management are to ensure that it maintains its ability to continue as a going concern, to maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value and to meet the regulatory capital requirements at all times. The Local Council manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

Summary of financial assets and liabilities

The carrying amount of the council's financial assets and liabilities as recognised at the reporting dates unless revised are categorised as follows:

	2017 €	2016 €
Current Assets		
Trade and Other Receivables	36,790	139,322
Cash & cash equivalents	586,637	457,893
	<u>623,427</u>	<u>597,215</u>
Current Liabilities		
Financial Liabilities measured at amortized cost		
Payables	197,095	21,202
Other payables	7,877	-
Accruals	14,665	21,262
	<u>219,637</u>	<u>42,464</u>

SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2017

Notes to the Financial Statements (continued)

19. Events after the reporting date

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of approval of the financial statements by the council members.



Financial Statements for the Year ended 31 December 2017

Report of the Local Government auditor to the Auditor General

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of St. Venera Local Council which comprise the statement of financial position as at 31 December 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Qualified opinion

In our opinion, except for the effects of the matters described in Basis for Qualification sections of our report, the accompanying financial statements give a true and fair view of the financial position of St. Venera Local Council as of 31 December 2017 and of the results of its operations, changes in net assets/equity and its cash flows for the period then ended in accordance with the accounting policies set out on pages 8 to 13.

Because of the matter described in paragraph 2 below, these financial statements do not comply in all material respect with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 and because of the matters set out in paragraph 1, and 3 below, these financial do not comply with the requirements of International Financial Reporting Standards as adopted by the E.U.

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 that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

1. As from 30 September 2002, all income and expenditure from the Local Enforcement System (LES) were centralised through the Birkirkara Joint Committee and LES debtors at that date were transferred to the Joint Committee as well. The Birkirkara Joint Committee ceased operations on 31 August 2011 and LES was centralised through the Central Regional Committee as from 1 September 2011. The Council has reported income of EUR9,634 from LES in the current year. We were unable to determine the amount of any additional income the Council is entitled to receive from Birkirkara Joint Committee since the audited financial statements as at 31 December 2017 were not available. All LES receivables of the Joint Committee have been provided for.

Financial Statements for the Year ended 31 December 2017

Report of the Local Government auditor to the Auditor General (continued)

2. The Council did not disclose an analysis of the maturity of non-current deferred income as required by NAO.
3. The Council disclosed capital commitments in note 15, however the amounts disclosed are not in line with the amount included in the 2017 estimates that were approved by the Council as required by IAS 16, *Property, Plant and Equipment*. Capital commitments approved in the 2017 estimates amounted to EUR338,000.

Other Information

The Councillors and the Executive Secretary are responsible for the other information. The other information comprises the Statement of Local Council Members' and Executive Secretary's Responsibility. Our opinion on the financial statements does not cover this information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of the Local Council Members' and Executive Secretary

The Councillors and the Executive Secretary are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS as adopted by the E.U. and for such internal control as the Councillors and Executive Secretary 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 Councillors and the Executive Secretary are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Councillors and the Executive Secretary has no realistic alternative but to do so.

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 ISAs, we exercise professional judgment 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.

Financial Statements for the Year ended 31 December 2017

Report of the Local Government auditor to the Auditor General (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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 the Councillors and the Executive Secretary.
- Conclude on the appropriateness of the Councillors and the Executive Secretary 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 the Councillors and the Executive Secretary regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

The Local Council (Financial) Procedures, 1996, require that the financial statements should be prepared in accordance with the International Financial Reporting Standards as adopted by the E.U, and the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996. In view of the matters set out under the Basis for Qualified Opinion section of this report, these financial statements have not been prepared in line with these requirements.



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

Mazars Malta

Certified Public Accountants

Attard,

Malta

27 April 2018