

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



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**Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2017**

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's 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 Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on 25 April 2018 and signed on its behalf by:

Jesmond Aquilina
Mayor



Kenneth Brincat
Executive Secretary

REPORT OF THE LOCAL GOVERNMENT AUDITORS' ON QORMI

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Qormi Local Council, set out on pages 4 to 28, which comprise the Statement of Financial Position as at 31 December 2017, and the statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows statement 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 statement of financial position of Qormi Local Council as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity 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 opinion.

Responsibilities of the Executive Secretary

The Executive Secretary is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the EU, and for such internal control as the Executive Secretary determines are 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 is responsible for assessing the entity'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 entity is intended to be liquidated or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

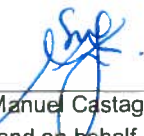
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Secretary.
- Conclude on the appropriateness of the Executive Secretary'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 entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements comply fully with the Local Councils Act, the Financial Regulations issued in terms of this Act and the Local Council (Financial) Procedures.



Mr Manuel Castagna
For and on behalf of

Nexia BT
Certified Public Accountants

The Penthouse, Suite 2
Capital Business Centre, Entrance C
Triq taz-Zwejt
San Gwann SGN 3000
Malta

Date: 25th April 2018

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2017

	Notes	2017 €	2016 €
Revenue			
Funds received from Central Government	3	1,283,367	1,196,906
Income raised under Local Council Bye-Laws	4	2,853	2,261
Income raised under Local Enforcement System	5	26,841	26,802
General Income	6	104,648	121,874
		<u>1,417,709</u>	<u>1,347,843</u>
Expenditure			
Personal Emoluments	7	(198,595)	(186,831)
Operations and maintenance	8	(689,040)	(670,563)
Administration and other expenditure	9	(424,714)	(341,470)
		<u>(1,312,349)</u>	<u>(1,198,864)</u>
Operating profit for the year		105,360	148,979
Finance income	10	121	118
Finance costs	11	(4,534)	(4,777)
Loss on assets written off	7	-	(616)
Profit for the year	7	<u>100,947</u>	<u>143,704</u>
Total comprehensive income for the year		<u>100,947</u>	<u>143,704</u>

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

Statement of Financial Position
as at 31 December 2017

		2017	2016
	Notes	€	€
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	2,785,669	2,635,400
		<u>2,785,669</u>	<u>2,635,400</u>
Current Assets			
Inventories	13	170	175
Receivables	14	324,594	207,790
Cash at bank and in hand	15	496,454	442,788
		<u>821,218</u>	<u>650,753</u>
Total Assets		<u><u>3,606,887</u></u>	<u><u>3,286,153</u></u>
RESERVES			
Retained earnings		2,357,714	2,256,767
Total reserves		<u><u>2,357,714</u></u>	<u><u>2,256,767</u></u>
Non-Current Liabilities			
Long-term borrowings	17	44,868	71,083
Deferred income	18	723,339	585,629
		<u>768,207</u>	<u>656,712</u>
Current Liabilities			
Payables	16	387,631	228,625
Short-term borrowings	17	93,335	144,049
		<u>480,966</u>	<u>372,674</u>
Total Liabilities		<u><u>1,249,173</u></u>	<u><u>1,029,386</u></u>
Total reserves and liabilities		<u><u>3,606,887</u></u>	<u><u>3,286,153</u></u>

These financial statements were approved by the Local Council on 25th April 2018 and signed on its behalf by:

Jesmond Aquilina
Mayor

Kenneth Brincat
Executive Secretary

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

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

	Retained Funds
	€
At 1 January 2016	2,113,063
Profit for the year	143,704
	<u>143,704</u>
Total comprehensive income for the year	143,704
At 31 December 2016	<u>2,256,767</u>
	<u>2,256,767</u>
At 1 January 2017	2,256,767
Profit for the year	100,947
	<u>100,947</u>
Total comprehensive income for the year	100,947
At 31 December 2017	<u>2,357,714</u>
	<u>2,357,714</u>

Statement of Cash Flows
for the year ended 31 December 2017

	2017	2016
	€	€
Net profit for the year	100,947	143,704
Reconciliation to cash generated from operations:		
Depreciation	266,018	229,991
Loss on assets written-off	-	616
Movement in Provision for Doubtful Debts	(4,622)	36,794
Interest receivable	(121)	(118)
Interest payable	4,534	4,777
Operating profit before working capital changes	366,756	342,176
Decrease in inventories	5	8
Decrease / (increase) in receivables	18,970	(4,208)
Decrease / (increase) in other receivables	(13,003)	36,216
Increase in payables	(3,083)	(41,142)
Increase / (decrease) in other payables	162,823	(14,901)
Government grant released	(74,585)	(68,080)
Cash generated in operating activities	457,883	250,069
Cash flow from investing activities		
Interest received	121	118
Purchase of property, plant & equipment	(416,287)	(185,332)
Receipt of grant	97,545	46,957
Grant Forfeited	(4,133)	-
Cash used in investing activities	(322,754)	(138,257)
Cash from financing activities		
New long term bank borrowings	3,627	4,777
Interest paid	(3,627)	(4,779)
Other interest paid	(907)	-
Repayment of short term bank borrowings	(34,222)	(34,222)
(Decrease) / increase in overdrawn bank current account	(46,334)	99,501
Cash (used in)/generated from financing activities	(81,463)	65,277
Net Increase in cash in the year	53,666	177,089
Cash at bank and in hand at beginning of year	442,788	265,699
Cash at bank and in hand at end of year	496,454	442,788

1. General Information

The Qormi 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 392, Victory Street, Qormi. These financial statements were approved for issue by the Council Members on 25 April 2018. The Local Council's presentation as well as functional currency are denominated in €.

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 terms 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

During the year the Council has applied the following International Financial Reporting Standards as adopted by the EU which have become mandatorily effective for the year ending 31 December 2017:

On 29 January 2016 the IASB issued Amendment to IAS 7 Disclosure Initiative. The amendment clarifies that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities

A number of new International Financial Reporting Standards and amendments and revisions thereto were in issue but not yet effective during the financial year under review.

IFRS 15 Revenue from Contracts with Customers - IFRS 15 was issued on 28 May 2014 and provides a single, principles based five-step model to be applied to all contracts with customers. The standard becomes applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2018. On 12 April 2016, the IASB also issued Clarifications to IFRS 15 'Revenue from Contracts with Customers' to amend IFRS 15 and clarify three aspects of the standard (namely identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

Standards and Interpretations issued by the IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following standards and amendments to the existing standards, which were not endorsed for use in the EU as at 31 December 2016 and cannot be applied by the entities preparing their financial statements in accordance with IFRS as adopted by the EU:

- Annual Improvements to IFRS Standards 2014-2016 Cycle (issued December 2016)
- Annual Improvements to IFRS Standards 2015-2017 Cycle (issued 12 December 2017);

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.

Property, plant and equipment

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

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

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

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

Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Comprehensive Income.

Leases

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

Inventories

Inventories are valued at the lower of cost and net realisable value.

Amounts receivable

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying 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 recognised in the Statement of comprehensive income.

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 subsequently stated at amortised cost, any difference between the proceeds and the redemption value is recognised in the income and expenditure account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Local Council has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of Financial Position date.

Revenue

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

Income from central government is not recognised until there is reasonable assurance that the Council will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross and any deductions made for non compliance are to be disclosed separately with expenses.

Government grants

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

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 presentation currency.

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

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Profits and losses

Only profits 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 at face value. For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash in hand and balances held with banks.

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 Executive Secretary, the accounting estimates and judgements 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 IAS1 (revised) - 'Presentation of Financial Statements'.

Capital Management

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objectives are to ensure:

- that the Council's ability to continue as a going concern is still valid and
- that the Council maintains a positive working capital ratio.

To achieve the above, the Council carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was positive at the reporting date and has not changed significantly from the previous year. The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

Financial Instruments

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs. They are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets of the Council are classified into loans and receivables upon initial recognition.

Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

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

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

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

Financial liabilities

The Council's financial liabilities include other payables. These are stated at their nominal amount which is a reasonable approximation of fair value.

All interest-related charges are included within 'finance costs'.

3. Funds received from central government

	2017	2016
	€	€
In terms of section 55 of the Local Councils Act	1,084,715	1,066,259
Supplementary Government Income	75,298	55,473
Other Government Income	123,354	75,174
	<u>1,283,367</u>	<u>1,196,906</u>

4. Income raised from Bye-Laws

	2017	2016
	€	€
Bye-Law - Advertising on Street Furniture	2,853	1,691
Bye-Law - Use of Facilities De La Cruz Garden	-	570
	<u>2,853</u>	<u>2,261</u>

5. Local Enforcement System

	2017	2016
	€	€
Administrative charges to Regional Committees	26,841	26,802
	<u>26,841</u>	<u>26,802</u>

6. General Income

	2017	2016
	€	€
Community Services	6,184	9,510
Sale of books and other merchandise	3	8
Tender Documents/Info. Charges	23	925
Donations	-	15,000
Refund of expenses	48,240	53,540
Income from Permits	50,198	42,891
	<u>104,648</u>	<u>121,874</u>

7. Profit for the year

	2017	2016
	€	€
Profit for the year is stated after charging:		
Staff salaries	Note 198,595	186,831
Depreciation of property, plant and equipment	266,019	229,991
Loss on assets written off	-	616
	<u></u>	<u></u>

Staff salaries

	2017	2016
	€	€
Mayor's Remuneration	14,468	14,458
Councillors' Allowances	13,734	13,600
Executive Secretary Salary and Allowances	34,131	33,439
Employees' Salaries	122,020	112,698
Social Security Contributions	14,242	12,636
	<u>198,595</u>	<u>186,831</u>

Average number of people employed

Employees	9	8
Mayor & Councillors	11	11
	<u></u>	<u></u>

8. Operations and Maintenance

	2017	2016
	€	€
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	53,594	43,744
Signs	6,931	8,053
Road Markings	21,978	6,955
Office Furniture and Equipment	1,979	2,999
Other repairs and Upkeep	10,217	8,537
Council Property	695	1,904
	<u>95,394</u>	<u>72,192</u>
<i>Contractual Services:</i>		
Refuse Collection	340,068	359,869
Bulky Refuse Collection	12,992	13,333
Hiring of Skips - Bins on Wheels	-	885
Bring-in Sites	930	-
Cleaning Services	1,271	-
Road & Street Cleaning	80,957	78,828
Cleaning & Maint. Non-Urban	7,513	7,513
Cleaning - Public Conveniences	17,959	18,567
Other Contractual Services	20,208	14,090
Clean. & Maint. Parks & Gardens	69,004	67,353
Street Lighting	38,632	37,062
Studies & Consultations	2,885	30
Local Enforcement Expenses	1,227	841
	<u>593,646</u>	<u>598,371</u>
 Total Operations and Maintenance Costs	 <u>689,040</u>	 <u>670,563</u>

9. Administration and other expenditure

	2017	2016
	€	€
Utilities	13,761	11,286
Other repairs and upkeep	7,946	1,638
Rent	292	125
National and International Memberships	849	2,417
Office Services	5,636	5,403
Transport	4,626	3,881
Travel	4,263	977
Information Services	10,927	7,299
Lease of Equipment	-	130
Insurance Coverage	4,036	3,736
Bank Charges	161	144
Penalties - Department of Local Councils	-	1,190
Professional Services	31,753	23,157
Training	11,123	11,305
Conference Expenses	1,091	-
Other Hospitality Costs	1,450	1,929
Social Events	17,112	5,924
Cultural Events	17,618	15,504
Community Services	28,876	21,144
Sundry Minor Expenses	1,797	1,236
Provision for Doubtful Debtors	(4,622)	(36,794)
Bad Debts written off	-	29,848
Depreciation	266,019	229,991
	<u>424,714</u>	<u>341,470</u>

10. Finance Income

	2017	2016
	€	€
Bank Interest Receivable	121	118
	<u>121</u>	<u>118</u>

11. Finance Costs

	2017	2016
	€	€
Interest on Bank Loan	3,627	4,777
Interest charged by creditors	907	-
	<u>4,534</u>	<u>4,777</u>

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

12. Property, plant and equipment

	Property	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & equipment	Office Furniture & fittings	Motor vehicles	Special Programmes	Total
Cost	€	€	€	€	€	€	€	€	€
At 1 January 2016	532,368	1,828	70,658	2,757,790	131,259	108,702	6,479	3,547,139	7,156,223
Additions	-	48,930	-	121,386	3,105	911	11,000	-	185,332
Assets Capitalised	-	(1,200)	-	1,200	-	-	-	-	-
Impairment	-	-	-	-	-	-	(1,979)	-	(1,979)
At 31 December 2016	532,368	49,558	70,658	2,880,376	134,364	109,613	15,500	3,547,139	7,339,576
Depreciation									
At 1 January 2016	29,220	-	70,658	1,735,080	103,737	54,271	1,878	1,585,277	3,580,121
Disposals	-	-	-	-	-	-	(1,363)	-	(1,363)
Reclassifications	-	-	-	-	-	-	-	-	-
Charge for the year	3,184	-	-	104,543	6,056	4,100	1,528	110,580	229,991
At 31 December 2016	32,404	-	70,658	1,839,623	109,793	58,371	2,043	1,695,857	3,808,749
Grants									
At 1 January 2016	-	-	-	(39,366)	-	-	-	(856,061)	(895,427)
At 31 December 2016	-	-	-	(39,366)	-	-	-	(856,061)	(895,427)
Net book values									
At 31 December 2016	499,964	49,558	-	1,001,387	24,571	51,242	13,457	995,221	2,635,400

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

12. Property, plant and equipment

	Property	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & equipment	Office Furniture & fittings	Motor vehicles	Special Programmes	Total
	€	€	€	€	€	€	€	€	€
Cost									
At 1 January 2017	532,368	49,558	70,658	2,880,376	134,364	109,613	15,500	3,547,139	7,339,576
Additions	-	167,078	-	220,459	8,545	613	-	19,592	416,287
Assets capitalised	-	(1,200)	-	1,200	-	-	-	-	-
At 31 December 2017	532,368	215,436	70,658	3,102,035	142,909	110,226	15,500	3,566,731	7,755,863
Depreciation									
At 1 January 2017	32,404	-	70,658	1,839,623	109,793	58,371	2,043	1,695,857	3,808,749
Charge for the year	3,152	-	-	149,913	5,880	3,882	2,689	100,502	266,018
At 31 December 2017	35,556	-	70,658	1,989,536	115,673	62,253	4,732	1,796,359	4,074,767
Grants									
At 1 January 2017	-	-	-	-	-	-	-	-	-
At 31 December 2017	-	-	-	(39,366)	-	-	-	(856,061)	(895,427)
Net book values									
At 31 December 2017	496,812	215,436	-	1,073,133	27,236	47,973	10,768	914,311	2,785,669

13. Inventories

	2017	2016
	€	€
Souvenirs and similar merchandise	170	175
	<u>170</u>	<u>175</u>

14. Receivables

	2017	2016
	€	€
Receivables	18,122	37,455
LES Debtors	Note 664	302
Other receivables	2,752	2,329
Accrued income	285,495	153,558
Financial assets	<u>307,033</u>	<u>193,644</u>
Other receivables	12,206	8,982
Prepayments	5,355	5,164
	<u>324,594</u>	<u>207,790</u>

Receivables

General receivables are analysed as follows:

	2017 €	2016 €
Within credit period	5,264	4,809
Exceeded credit period but not impaired	24,014	44,756
Provision for doubtful debts	(11,156)	(12,110)
	<u>18,122</u>	<u>37,455</u>

Included in the receivables are debtors with a carrying amount of €12,855 (2016 : €44,756) which are past due at the reporting date for which the council has not provided as there has not been significant change in credit quality and the amounts are still considered recoverable. The age of financial assets past due but not impaired is as follows:

	2017 €	2016 €
Not more than 3 months	4,974	10,724
More than 3 months but not more than 6 months	5,466	2,818
More than 6 months	2,415	31,214
	<u>12,855</u>	<u>44,756</u>

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

	2017 €	2016 €
Balance at 1 January	611,433	648,227
Decrease in provision for LES debtors	(3,668)	(3,363)
(Decrease)/Increase in provision for general receivables	(954)	(33,431)
Balance at 31 December	<u>606,811</u>	<u>611,433</u>

Local Enforcement System (LES) Debtors

LES Debtors are stated after a specific provision for doubtful debts amounting to €595,654 (2016 - €599,323).

Overdrawn current bank account

The overdrawn balance is the result of accounting transactions for issued cheques not yet presented at year end and have been cashed on presentation after year end.

Bank loan

The Bank Loans are secured by a First General and Special Privilege Hypothec over townhouse numbered 390, 392, 394 and 396, Victory Street Qormi and other pledges on insurance policies. Loan I bears interest at 4.75% per annum and is repayable over 7 years by monthly instalments of €788. Loan II bears interest at 4.0% per annum and is repayable over 14 years by monthly instalments of €2,064.

18. Deferred income Government Grants	2017 €	2016 €
Government grants		
At 1 January 2017	667,457	652,997
Increase in year	231,811	82,540
Grants forfeited	(20,250)	-
	<u>879,018</u>	<u>735,537</u>
Released in year	(74,585)	(68,080)
At 31 December 2017	<u>804,433</u>	<u>667,457</u>
Current Deferred Income	<u>81,094</u>	<u>81,828</u>
Non-Current Deferred Income	<u>723,339</u>	<u>585,629</u>
Deferred Government Grants		
Deferred between one and two years	72,908	59,213
Deferred between two and five years	172,856	144,048
Deferred in five years or more	477,575	382,368
	<u>723,339</u>	<u>585,629</u>
Deferred after five years or more:		
Government Grants	<u>477,575</u>	<u>382,368</u>

19. Capital commitments

	2017 €	2016 €
Details of capital commitments at the accounting date are as follows:		
(i) Approved but not yet contracted for:		
Aquisition of property	232,050	-
New Paving	-	150,000
Road Resurfacing & Special programmes	90,000	77,000
Urban Improvements	458,000	10,000
E-Bikes	-	37,000
Parking sensors project	-	80,000
	<u>780,050</u>	<u>354,000</u>
(ii) Contracted for but not provided in the Financial Statements:		
Road Resurfacing & Special programmes	-	77,625
Urban Improvements	-	20,000
	<u>-</u>	<u>97,625</u>

20. Contingent liabilities

As at year-end the council had contingent liabilities in respect of four claims against it. The council is in a position to quantify the contingent liability of two claims.

One of the claims amounts to €453,123 (2016: €453,123), while the other is quantified as €180,975 (2016: €180,975). As regards the second claim, council has dismissed from legal proceedings but an appeal has been lodged by the aggrieved person. Both claims are being covered by insurance policies.

As at approval date of these financial statements, the council cannot quantify the contingent liability of the other two claims, however it is restricting such claims and no provision has been made in these financial statements in respect of these actions.

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 Councils	Significant control
Central Joint Committee (Local Enforcement)	Joint Control
Northern Harbour District Joint Committee	Joint Control
South Regional Committee	Joint Control
Gozo Regional Committee	No control
North Regional Committee	No control
South Eastern Regional Committee	No control
Central Regional Committee	No control
Police General Head Quarters	No control
Local Councils' Association	No control
Local Enforcement System Agency	No control
Central Bank of Malta	No control
Malta Environment and Planning Authority	No control
Malta Communications Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Department of Inland Revenue	No control
Department of Information	No control
Department for Elderly and Community Care	No control
Commissioner for Data Protection	No control
Wasteserv Malta Limited	No control
Malta Information Technology Agency	No control
ARMS Ltd	No control
Ministry of Finance	No control
GAL - Foundation Local Action Group	No control
Maltapost plc	No control
Transport Malta	No control
Ministry of Transport and Infrastructure	No control
Malta Tourism Authority	No control
Malta Council for Science and Technology	No control
Water Services Corporation	No control

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

	2017	2016
	€	€
Annual Financial Allocation	1,084,715	1,066,259

Key management compensation

Transactions with key management personnel are disclosed in note 7.

22. Financial Risk Management

The Council's activities expose it to a variety of financial risks such as market risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance.

Credit risk

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

The Council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period and is summarised as follows:

	2017	2016
	€	€
Classes of financial assets - carrying amounts		
Trade and other receivables	307,033	193,644
Cash and cash equivalents	496,454	442,788
	<u>803,487</u>	<u>636,432</u>

Liquidity risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact, at year end, the Council has as cash in bank and in hand the amount of € 496,454. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net asset position of € 2,357,714 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

At 31 December 2017 the council's financial liabilities have contractual maturities which are summarised below:

31 December 2017

	Current within 1 year	Non-current 1 to 5 years	later than 5 years
	€	€	€
Payables	90,526	-	-
Accruals	214,376	-	-
Bank loan	26,265	44,868	-

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

31 December 2016

	Current within 1 year €	Non-current 1 to 5 years €	later than 5 years €
Payables	93,609	-	-
Accruals	47,142	-	-
Bank loan	30,645	71,083	-

Foreign currency risk

Foreign currency transactions arise when the Council buys or 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 any foreign currencies.

Interest rate risk

Interest rate risk mainly arises through interest bearing liabilities and assets. The objective of interest rate risk management is to optimise the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense.

23. Summary of financial assets and liabilities

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

	2017 €	2016 €
Current assets		
Loans and receivables:		
Trade and other receivables	307,033	193,644
Cash and cash equivalents	496,454	442,788
	<u>803,487</u>	<u>636,432</u>
Non-current liabilities		
Financial liabilities measured at amortised costs		
Bank loan	44,868	71,083
	<u>44,868</u>	<u>71,083</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Bank loan	26,265	30,645
Payables	90,526	93,609
Accruals	214,376	47,142
	<u>331,167</u>	<u>171,396</u>

24. Fair values estimation

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

25. Going Concern

The Statement of Financial Position on page 5 and the notes thereto, with special reference to capital commitments, suggest that the going concern assumption used in the preparation of these financial statements is dependent on further sources of funds other than the annual financial allocation by Central Government, on the collection of debts due to the Council and on the continued support of the Council's creditors. Any adverse change in either of these assumptions above, would not let the Council able to meet its financial obligations as they fall due without curtailing its future commitments.