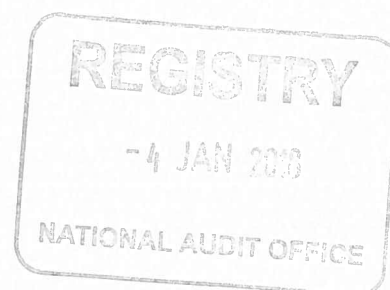


VALLETTA LOCAL COUNCIL
FINANCIAL STATEMENTS
For the year ended 31 December 2015

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On behalf of Parker Randall Turner
Chartered Certified Accountants & Auditors
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VALLETTA LOCAL COUNCIL

STATEMENT OF LOCAL COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S RESPONSIBILITIES

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's 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 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 6 November 2017 and signed on its behalf by:



Prof. Alexiei Dingli
Mayor



Gabriella Agius
Executive Secretary

VALLETTA LOCAL COUNCIL

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes:	2015 €	2014 €
Revenue			
Funds received from the Central Government	3	755,926	707,245
Income Raised under Local Enforcement System	4	21,034	13,009
General Income	5	255,212	181,871
		<hr/>	<hr/>
		1,032,172	902,125
Expenditure			
Personnel Emoluments	6	(134,757)	(167,612)
Operations and maintenance	7	(582,024)	(543,516)
Administration and other expenditure	8	(300,790)	(356,511)
		<hr/>	<hr/>
		(1,017,571)	(1,067,639)
		<hr/>	<hr/>
Operating profit / (loss) for the year		14,601	(165,514)
		<hr/>	<hr/>
Finance income		8	36
		<hr/>	<hr/>
Profit / (loss) for the year		€ 14,609	€ (165,478)
		<hr/>	<hr/>

VALLETTA LOCAL COUNCIL

STATEMENT OF FINANCIAL POSITION


At 31 December 2015

	Notes	2015 €	2014 €
Assets			
Non-current assets			
Property, plant and equipment	9	1,888,667	1,297,699
Intangible assets	10	563	333
		<hr/>	<hr/>
		1,889,230	1,298,032
Current assets			
Receivables	11	83,435	127,077
Cash and cash equivalents	12	19,554	534
		<hr/>	<hr/>
		102,989	127,611
		<hr/>	<hr/>
Total assets		€ 1,992,219	€ 1,425,643
Reserves			
Retained earnings		438,965	424,356
Liabilities			
Non-current liabilities			
Deferred income	13	711,615	157,709
Current liabilities			
Trade and other payables	13	841,639	843,578
		<hr/>	<hr/>
Total reserves and liabilities		€ 1,992,219	€ 1,425,643

These financial statements were approved by the Local Council on 6 November 2017 and signed on its behalf by:



Prof. Alexiei Dingli
Mayor



Gabriella Agius
Executive Secretary

VALLETTA LOCAL COUNCIL

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	RETAINED FUNDS
	€
At 1 January 2014	589,834
Loss for the year	(165,478)
At 31 December 2014	<u>424,356</u>
Profit for the year	14,609
At 31 December 2015	<u>€ 438,965</u>

VALLETTA LOCAL COUNCIL

STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 €	2014 €
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (loss) for the year	14,609	(165,478)
Depreciation	120,216	130,782
Amortisation	62	55
Interest receivable	(8)	(36)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	<hr/>	<hr/>
	134,879	(34,677)
Decrease in receivables	43,642	17,005
(Decrease) / increase in other payables	(68,254)	82,618
Government grant released	(16,274)	(95,682)
Cash generated from / (used in) operating activities	<hr/>	<hr/>
	93,993	(30,736)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	8	36
Purchase of property, plant and equipment	(711,184)	(47,391)
Purchase of intangible asset	(292)	
Receipt of grant	636,495	52,052
CASH USED IN / GENERATED FROM INVESTING ACTIVITIES	<hr/>	<hr/>
	(74,973)	4,697
Net decrease in cash and cash equivalents	<hr/>	<hr/>
	19,020	(26,039)
Cash and equivalents at beginning of year	534	26,573
Cash and equivalents at end of year	<hr/>	<hr/>
	€ 19,554	€ 534

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1 GENERAL INFORMATION

The Valletta Local Council is the local authority of Malta set up in accordance with the Local Councils Act (1993). The office of the council is situated at 31, South Street, Valletta. These financial statements were approved for issue by the council members on 6 November 2017. The council's financial statements are presented in euro which is the functional currency of the council.

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.

(a) Accounting convention

These financial statements are prepared under the historical cost convention except as disclosed 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 International Financial Reporting Standards as adopted by the European Union.

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).

(b) Standards, amendments and interpretations to existing standards

New and amended standards adopted by the council

During the year under review, the Local Council has adopted the following International Financial Reporting Standards as adopted by the EU:

In December 2013, the IASB issued Annual Improvements to IFRSs 2010-2012 Cycle, a collection of amendments to IFRSs, in response to eight issues addressed during the 2010-2012 cycle. The amendments reflect issues discussed by the IASB during the project cycle that began in 2010, and that were subsequently included in the exposure draft of proposed amendments to IFRSs Annual Improvements to IFRSs 2010-2012 Cycle (published in May 2012). The issues included in this cycle are: Definition of 'vesting condition' (IFRS 2); Accounting for contingent consideration in a business combination (IFRS 3); Aggregation of operating segments (IFRS 8); Reconciliation of the total of the reportable segments' assets to the entity's assets (IFRS 8); Short term receivables and payables (IFRS 13); Interest paid that is capitalised (IAS 7); Revaluation method – proportionate restatement of accumulated depreciation (IAS 16 and IAS 38); a Key management personnel services (IAS 24). The amendments are effective for annual periods beginning on or after 1 July 2014.

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

(b) Standards, amendments and interpretations to existing standards - continued

In December 2013, the IASB issued Annual Improvements to IFRSs 2011-2013 Cycle, a collection of amendments to IFRSs, in response to four issues addressed during the 2011-2013 cycle. The amendments reflect issues discussed by the IASB during the project cycle that began in 2011, and that were subsequently included in the exposure draft of proposed amendments to IFRSs Annual Improvements to IFRSs 2011-2013 Cycle (published in November 2012). The issues include in this cycle are Meaning of effective IFRSs (IFRS 1); Scope exceptions for joint ventures (IFRS 3); Scope of paragraph 52 (portfolio exception) (IFRS 13); and Clarifying the Interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property (IAS 40). The amendments are effective for annual periods beginning on or after 1 July 2014.

New standards and amendments not yet effective and not yet adopted by the Local Council

The following standards and amendments to existing standards have been published and are mandatory (as applicable) for the Council accounting periods beginning on or after 1 January 2016 or later periods, but the Council has not early adopted them:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

(b) Standards, amendments and interpretations to existing standards - continued

For financial liabilities, the standard retains most of the IAS 39 requirements. The Council is yet to address the full impact of IFRS 9 and intends to adopt IFRS 9 subject to endorsement by the EU, no later than the accounting period beginning on or after 1 January 2018.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and established principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS18 "Revenue: and IAS11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted, subject to endorsement by the EU. The Council is assessing the impact of IFRS 15.

The Councillors and Executive Secretary 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 Council anticipates 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.

(c) Intangible fixed assets

Computer software is valued at cost less accumulated depreciation and impairment losses to date. Amortisation to write off the cost is calculated on a monthly basis using the reducing balance method at 20% per annum.

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

(d) 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 down the cost less residual value of each asset over its expected useful life as follows:

	%
Land	-
Trees	-
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
Road signs	replacement basis
Street mirrors	replacement basis
Street lights	100
Traffic signs	replacement basis

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 financial reporting 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.

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

(e) 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.

(f) Operating 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.

(g) 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.

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

(h) Related parties

Related parties are those persons or bodies of persons having relationships with the council as defined in IAS 24. See note 16 for a list of related parties with which the council carried out transactions during the year under review.

(i) 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 a 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.

(j) LES income

During 2015 the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is chargeable to the various Regional Committees/ LESA for contraventions paid at the Council.

(k) 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 statement of comprehensive income over the expected lives of the related assets.

(l) Profit 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.

(m) Cash and equivalents

In the statement of financial position and the statement of cash flows, cash and cash equivalents comprise cash in hand and at bank.

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

(m) 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 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

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.

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

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'.

(n) Capital management policies and procedures

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 rate.

To achieve the above, the council carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was negative at the reporting date and the council is working to improve the situation. 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.

(o) Significant judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In the opinion of the council members, 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 (revised).

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3 FUNDS RECEIVED FROM CENTRAL GOVERNMENT

	2015	2014
	€	€
In terms of section 55 of the Local Council Act	700,223	677,497
Other supplementary Government Income	55,703	29,748
	<u>€ 755,926</u>	<u>€ 707,245</u>

4 LOCAL ENFORCEMENT INCOME

	2015	2014
Administrative charges to regional committees	€ 21,034	€ 13,009
	<u>€ 21,034</u>	<u>€ 13,009</u>

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

5 GENERAL INCOME

	2015	2014
	€	€
CVA Income	27,000	18,501
Grant released - EU Youth Project	-	77,601
Grant released - Mattia Preti Square	5,615	6,238
Grant released - niches	1,287	1,430
Grant released - PPP Scheme	9,372	10,413
Income from permits	128,905	67,688
Income from movies	32,500	-
Income from events	17,493	-
Other income	33,040	-
	<hr/>	<hr/>
	€ 255,212	€ 181,871
	<hr/>	<hr/>

6 PERSONNEL EMOLUMENTS

	2015	2014
	€	€
Mayor's Allowance	12,571	13,658
Councillors' allowance	7,200	6,800
Executive secretary salary and allowance	28,393	28,881
Employees' salaries	61,052	95,836
Social Security Contributions	25,541	22,437
	<hr/>	<hr/>
	€ 134,757	€ 167,612
	<hr/>	<hr/>

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

7 OPERATIONS AND MAINTENANCE

	2015	2014
	€	€
Repairs and upkeep:		
Road/ street pavements	6,504	6,765
Signs	972	5,786
Road Markings	8,710	3,317
Office Furniture and equipment	-	356
Sundry repairs	4,038	7,253
Council property	540	842
	<hr/>	<hr/>
	20,764	24,319
	<hr/>	<hr/>
Contractual Services:		
Refuse Collection	156,761	193,320
Bulky Refuse Collection	15,070	14,700
Tipping fees	99,647	66,590
Road and street cleaning	248,229	211,749
Cleaning of culverts	6,301	-
Cleaning - council premises	2,348	1,520
Cleaning and maintenance - parks & gardens	32,904	31,318
	<hr/>	<hr/>
	561,260	519,197
	<hr/>	<hr/>
Total operations and maintenance costs	€ 582,024	€ 543,516
	<hr/>	<hr/>

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

8 ADMINISTRATION AND OTHER EXPENDITURE

	2015	2014
	€	€
Amortisation	62	55
Bank interest and charges	1,175	1,377
Community Services	-	2,345
Consumables	60	467
Cultural Events	33,957	38,287
Depreciation	120,216	130,783
Donations	500	-
EU Youth Project	1,175	50,523
Exchange rate variance	427	-
Hire of equipment	11,354	2,037
(Decrease)/ Increase in provision for bad debts	(5,143)	198
Impairment of property, plant and equipment	4,465	-
Information Services	-	3,324
Insurance coverage	1,081	2,420
Library costs	-	940
Maintenance of vehicle	1,070	-
Office services	19,969	13,901
Other hospitality costs	3,967	5,712
Other repairs and upkeep	-	1,845
Participation fees - International Meeting	5,000	300
Participation fees – National Meeting	-	92
Permits	591	-
Professional services	35,500	39,879
Rent	7,829	3,766
Security services	-	1,746
Social events	19,064	11,060
Subcontracting costs	-	5,407
Sundry expenses	9,456	2,268
Subscriptions	3,323	97
Summons expenses	-	278
Traffic Management	16	773
Training	4,054	3,700
Transport	118	224
Travel	4,254	11,701
Utilities	17,250	21,006
	<u>€ 300,790</u>	<u>€ 356,511</u>

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

9 TANGIBLE FIXED ASSET

	Motor Vehicle		Assets under construction		New Street Signs		Urban Improvements		Plant & Machinery		Office Furniture		Special Programmes		Total
	€	€	€	€	€	€	€	€	€	€	€	€	€	€	
<u>Cost</u>															
As at 01/01/15	8,000	7,280	8,900	1,958,953	47,158	43,371	194,601	2,268,263							
Additions	-	-	-	709,320	928	936	-	711,184							
Reclassification	-	756,279	-	(756,279)	-	-	-	-							
As at 31/12/15	€ 8,000	€ 763,559	€ 8,900	€ 1,911,994	€ 48,086	€ 44,307	€ 194,601	€ 2,979,447							
<u>Depreciation</u>															
As at 01/01/15	3,426	-	8,900	711,717	31,148	20,772	194,601	970,564							
Charge for the year	835	-	-	114,618	3,072	1,691	-	120,216							
As at 31/12/15	€ 4,261	€ -	€ 8,900	€ 826,335	€ 34,220	€ 22,463	€ 194,601	€ 1,090,780							
<u>Net Book Value</u>															
As at 31/12/15	€ 3,739	€ 763,559	€ -	€ 1,085,659	€ 13,866	€ 21,844	€ -	€ 1,888,667							
As at 31/12/14	€ 4,574	€ 140,370	€ -	€ 1,114,146	€ 16,010	€ 22,599	€ -	€ 1,297,699							

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

9 TANGIBLE FIXED ASSET (continued)

	Motor Vehicle	Construction	Assets under	New Street Signs	Urban Improvements	Plant & Machinery	Office Furniture	Special Programmes	Total
	€	€	€	€	€	€	€	€	€
<u>Cost</u>									
As at 01/01/14	8,000	132,607		8,900	1,790,967	44,860	40,937	194,601	2,220,872
Additions	-	7,763		-	34,896	2,298	2,434	-	47,391
Reclassification	-	(133,090)		-	133,090	-	-	-	-
As at 31/12/14	€ 8,000	€ 7,280		€ 8,900	€ 1,958,953	€ 47,158	€ 43,371	€ 194,601	€ 2,268,263
<u>Depreciation</u>									
As at 01/01/14	2,283	-		8,900	587,913	27,145	18,940	194,601	839,782
Charge for the year	1,143	-		-	123,804	4,003	1,832	-	130,782
As at 31/12/14	€ 3,426	€ -		€ 8,900	€ 711,717	€ 31,148	€ 20,772	€ 194,601	€ 970,564
<u>Net Book Value</u>									
As at 31/12/14	€ 4,574	€ 140,370		€ -	€ 1,114,146	€ 16,010	€ 22,599	€ -	€ 1,297,699
As at 31/12/13	€ 5,717	€ 132,607		€ -	€ 1,203,054	€ 17,715	€ 21,997	€ -	€ 1,381,090

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

10 INTANGIBLE FIXED ASSET

	Computer Software €
<u>Cost</u>	
As at 01/01/15	2,822
Additions	292
As at 31/12/15	<u>€ 3,114</u>
<u>Depreciation</u>	
As at 01/01/15	2,489
Charge for the year	62
As at 31/12/15	<u>€ 2,551</u>
<u>Net Book Value</u>	
As at 31/12/15	<u>€ 563</u>
As at 31/12/14	<u>€ 333</u>

11 RECEIVABLES

	2015 €	2014 €
Receivables	32,097	57,114
Other receivables	-	15,159
Prepayments and accrued income	51,338	54,804
	<u>€ 83,435</u>	<u>€ 127,077</u>

The carrying value of short-term receivables is considered a reasonable approximation of fair value.

In determining the recoverability of receivables the council considers any change in the credit quality of each receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the debtor base being large and unrelated.

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

11 RECEIVABLES (continued)

Included in receivables are debtors with a carrying amount of € 32,097 (2014: € 57,114) 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:

	2015 €	2014 €
Not more than 3 months	-	-
More than 3 months but not more than 6 months	-	-
More than 6 months	32,097	57,114
	<u>€ 32,097</u>	<u>€ 57,114</u>

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

	2015 €	2014 €
Balance at 1 January	448,876	448,876
Increase in provision for LES debtors	-	-
Balance at 31 December	<u>€ 448,876</u>	<u>€ 448,876</u>

12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	2015 €	2014 €
Bank balances	<u>€ 19,554</u>	<u>€ 534</u>

The council did not have any restrictions on its cash balances at year end.

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

13 PAYABLES

	2015 €	2014 €
Payables	570,554	638,587
Accruals	136,521	147,067
Deferred income	797,843	177,622
Other creditors	48,336	38,011
	<u>€ 1,553,254</u>	<u>€ 1,001,287</u>
<u>Comprising:</u>		
Long term payables		
Deferred income	711,615	157,709
Payables - current	841,639	843,578
	<u>€ 1,553,254</u>	<u>€ 1,001,287</u>

The movement in deferred income is as follows:

	2015 €	2014 €
Balance at 1 January	177,622	221,252
Received during the year	636,495	52,052
Released to income	(16,274)	(95,682)
At 31 December	<u>797,843</u>	<u>177,622</u>
Deferred income		
Current deferred income	€ 76,228	€ 19,913
Non-current deferred income		
Between one and two years	68,944	16,274
Between three and five years	169,768	27,775
After more than five years	482,903	113,660
	<u>€ 711,615</u>	<u>€ 157,709</u>

Financial liabilities are carried at their nominal value which is considered a reasonable approximation of fair value.

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

14 CONTINGENT LIABILITIES

	2015	2014
	€	€
Guarantees in favour of third parties	1,600	1,600
Claims by third parties	49,200	42,100
	<u>€ 50,800</u>	<u>€ 43,700</u>

15 RELATED PARTY TRANSACTIONS

During the year under review, the council carried out transactions with the following related parties:

Name of entity	Nature of relationship
Department of Local Councils	Significant control
Central Joint Committee (Local Enforcement)	Joint control
South Eastern Regional Committee	Joint control
Gozo Regional Committee	No control
North Regional Committee	No control
Southern Regional Committee	No control
Central Regional Committee	No control
Police General Head Quarters	No control
Local Councils Association	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Cleansing Services Department	No control
Ministry for the Family and Social Solidarity	No control
LESA	No control
Malta Communications Authority	No control
Malta Council for Culture and Arts	No control
Department of Lands	No control
Bank of Valletta plc	No control
Wasteserv Malta Limited	No control
Transport Malta	No control
The Commissioner for Inland Revenue	No control
Malta Information Technology Agency	No control
ARMS Limited	No control
Department of Information	No control
Government Property Division	No control
Ministry of Resources and Rural Activities	No control
Centtal Bank of Malta	No control

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

15 RELATED PARTY TRANSACTIONS (continued)

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

	2015 €	2014 €
Annual financial allocation	€ 700,223	€ 677,497

The ultimate controlling party is Central Government since the council's main revenue is from the Government allocation received every quarter. Apart from the normal funds received from Government, councils also receive funds relating to specific projects as well as other funds for the improvement and betterment of the locality.

16 RISK MANAGEMENT OBJECTIVES AND POLICIES

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. See also note 17.3 for a summary of the council's financial assets and liabilities by category.

16.1 CREDIT RISK

The council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period, as summarized below:

	Notes	2015 €	2014 €
Classes of financial assets – carrying amounts			
Trade and other receivables	11	83,435	127,077
Cash and cash equivalents	12	19,554	534
		<u>€ 102,989</u>	<u>€ 127,611</u>

VALLETTA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

16 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The council continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The council's policy is to deal only with creditworthy counterparties.

The council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See note 11 for further information on impairment or financial assets that are past due.

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

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

16.2 LIQUIDITY RISK

The council's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise payables (see note 13). Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funding to meet the council's obligations when they become due.

The council manages its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. The council's liquidity risk is not deemed to be significant in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments, as well as the council's committed borrowing facilities that it can access to meet liquidity needs.

At 31 December 2015 the council's financial liabilities have contractual maturities which are summarised below:

Current within 1 year:

	2015 €	2014 €
Payables	618,890	676,598
Accruals	136,524	147,067
	<u>€ 755,414</u>	<u>€ 823,665</u>

LOCAL COUNCIL VALLETTA

Report of the Local Government Auditors to the Auditor General

We have audited the accompanying financial statements of LOCAL COUNCIL VALLETTA, which comprise the statement of financial position on page 3 as of 31st December 2015, and 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.

Council's Responsibility for the Financial Statements

The Council Members and Executive Secretary are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit in accordance with International Standards on Auditing. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

We were not provided with proper documentation to support revenue recognized in the financial statements with regards to 'Night in the City' of € 3,250, wages reimbursement of € 4,578.99 and Union Programmes Agency of € 14,846 and there were no practicable alternative audit procedures that we could perform to obtain reasonable assurance on the completeness and existence of this income.

We were provided with an ARS Employers statement which shows debit balances amounting to € 22,856.20 which have not been recognised in these financial statements and no explanation of these balances was provided and there were no practicable alternative audit procedures that we could perform to obtain reasonable assurance on the completeness and existence of this amount and whether its non-recognition constitutes an understatement of the liabilities as at year end and an overstatement of the surplus for the year.

The Council does not maintain a fixed asset register to record fixed assets acquired by it. Furthermore, the recognition of tangible fixed assets and calculation of depreciation is not being undertaken in line with the stipulated accounting policy as disclosed in note 2(d) to these financial statements. Due to these reasons, we could not perform practical satisfactory audit procedures to obtain reasonable assurance on the existence and completeness of the balance of tangible fixed assets recorded in the financial statements, having a net book value of €1,888,667, as well as on the completeness of the depreciation charged thereupon.

As at 31st December 2015, the Council has recognised LES amounts due from other Local Councils of € 6,753. The information and evidence provided by the Council with respect to this receivables was not sufficient for us to obtain reasonable assurance on the amount being recorded.

Throughout our testing of the trade payables and accruals of the Council, which amount to € 559,550 and € 172,812 respectively, we encountered a significant number of misstatements arising out of the lack of proper accounting and recording of payables, including accruals. For example, a negative cash balance of € 23,269.82 was reallocated against accruals balance during the year under review. Whilst this and other misstatements noted lead us to the opinion that these constitute a material

misstatement of the liabilities of the Council as at year end, there were no practicable procedures to determine the exact amount of misstatement within the liabilities recognized by the Council.

IFRS require that all applicable standards and their disclosure requirements are adhered to. These financial statements lack appropriate disclosure in respect to new and revised standards as per the requirements of IAS 1- Presentation of Financial Statements and disclosure requirements arising from IAS 24- Related Party Disclosures, in view that note 15 to the financial statements does not reflect the requirement of articles 18, 25 and 26 of the said standard. Moreover the disclosures, recognition and measurement in relation to the amounts due under the PPP scheme are not in accordance with the requirements of IAS 39- Financial Instruments: Recognition & Measurement.

Disclaimer of Opinion

Because of the significance of the matters referred to in the preceding paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion whether the financial statements give a true and fair view of the financial position of Local Council Valletta as at 31st December, 2015, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards. Accordingly, we do not express an opinion on these financial statements.

Emphasis of Matter

As of 31 December 2015, the Council's statement of financial position shows a net current liability position of € 738,650, when the Council should maintain a positive working capital balance as required by the Local Councils Procedures. The financial statements in their entirety and as noted in Note 18 to the Financial Statements further 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 received 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 would not allow the Council to be able to meet its financial obligations as they fall due without curtailing its future commitments.

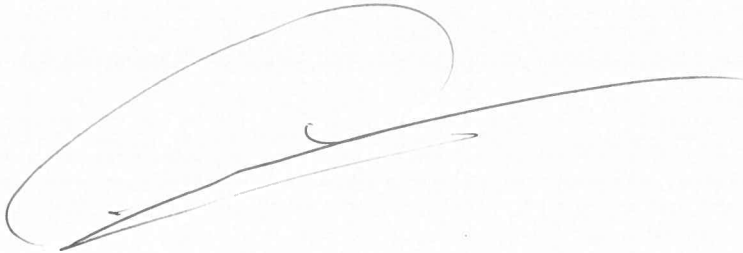
Opinion on Other Legal and Regulatory Requirements

These financial statements do not comply fully with the Local Council (Financial) Procedures, 1996.

According to the Financial Procedures supplementing the Financial Regulations issued in terms with the Local Councils Act 1993, the financial statements should include the budget for the year. In line with Local Councils' generally accepted reporting procedures, the budget has been excluded from these financial statements.

The Local Council (Financial) Procedures, 1996, require that the financial statements should be prepared in accordance with the International Financial Reporting Standards. These financial statements have not been fully prepared in line with the requirements of International Financial Reporting Standards.

According to memo 37/2002, Legal Notices 323 and 324 of 2002, the Council should have a net current asset value (as adjusted in line with the guidelines) of not less than 10% of the annual financial allocation. As of 31 December 2015, the Council's minimum net current asset value (after certain adjustments) should have amounted to at least €70,022 being 10% of the annual allocation. Nonetheless, the actual financial indicator at 31st December 2015 stood at a negative 83%.



This copy of the report has been signed by
Neville Cutajar (Partner) on its behalf

3a
Certified Public Accountants
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Valley Road
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Malta

Date 6th November 2017