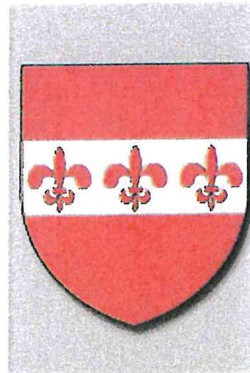


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ST. VENERA LOCAL COUNCIL  
Report and Financial Statements

For the year ending 31 December 2019

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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 2019**

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**ST. VENERA LOCAL COUNCIL**

**Financial Statements for the year ended 31 December 2019**

**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.



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Stephen Sultana

Mayor



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Michael Mifsud  
Deputy Executive  
Secretary

15 June 2020

ST. VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2019

**Statement of Comprehensive Income**

	Notes	2019	2018
		€	€
<b>INCOME</b>			
Funds received from Central Government	3	528,791	502,720
Income from Local Enforcement System	4	6,949	9,093
Income raised under Local Council Bye Laws		1,800	1,800
General Income	5	22,911	29,074
		<u>560,451</u>	<u>542,687</u>
<b>EXPENDITURE</b>			
Personal emoluments	6	92,399	86,893
Operations and maintenance	7	243,732	228,694
Administration and other expenditure	8	220,858	238,443
		<u>556,989</u>	<u>554,030</u>
<b>OPERATING SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>3,462</b>	<b>(11,343)</b>
Finance Income	9	162	60
Finance Costs	10	(728)	-
<b>SURPLUS(DEFICIT) FOR THE YEAR</b>		<b>2,896</b>	<b>(11,283)</b>

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



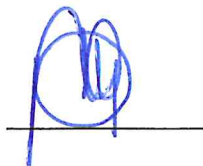
**ST. VENERA LOCAL COUNCIL**

Financial Statements for the year ended 31 December 2019

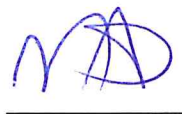
**Statement of Financial Position**

	Notes	2019 €	2018 €
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	11 ✓	712,227 ✓	665,864 ✓
Right-of-use -property	17 ✓	8,782 ✓	- ✓
		<u>721,009</u>	<u>665,864</u>
<b>Current Assets</b>			
Receivables	12 ✓	32,757 ✓	42,906 ✓
Cash and cash equivalents	13 ✓	651,743 ✓	577,729 ✓
		<u>684,500</u> ✓	<u>620,635</u> ✓
<b>TOTAL ASSETS</b>		<u><u>1,405,509</u></u> ✓	<u><u>1,286,499</u></u> ✓
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Retained Funds		<u>978,109</u> ✓	<u>975,733</u> ✓
<b>Current Liabilities</b>			
Trade & Other Payables	14 ✓	<u>427,400</u> ✓	<u>310,766</u> ✓
<b>TOTAL RESERVES AND LIABILITIES</b>		<u><u>1,405,509</u></u> ✓	<u><u>1,286,499</u></u> ✓

These financial statements were approved by the Local Council on 15 June 2020 and signed on its behalf by:



Stephen Sultana  
Mayor



Michael Mifsud  
Deputy Executive Secretary

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

ST. VENERA LOCAL COUNCIL  
Financial Statements for the year ended 31 December 2019

**Statement of Changes in Equity**

	<b>Retained Funds €</b>
At 1 January 2018	987,016 ✓
Total comprehensive income for the year	<u>(11,283) ✓</u>
At 31 December 2018	<u>975,733 ✓</u>
At 1 January 2019	975,733 ✓
Impact of adoption of IFRS 16	(520) ✓
Total comprehensive income for the year	<u>2,896 ✓</u>
Balance at 31 December 2019	<u><u>978,109 ✓</u></u>

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

## ST. VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2019

## Statement of Cash Flows for the year ended 31 December 2019

	Note	2019	2018
		€	€
<b>Cash flow from operating activities</b>			
Surplus/(Deficit) for the year		2,896 ✓	(11,283)
<b>Adjustment to reconcile profit with net cash flows:</b>			
Depreciation on PPE		123,532 ✓	148,104
Depreciation on right of use assets	17	8,783 ✓	-
Loss on disposals		0 ✓	1,537
Movement in provision for Bad Debts		(50) ✓	(236)
Interest Receivable		(162) ✓	(60)
Lease Interest	17	728 ✓	-
		<u>135,727</u> ✓	<u>138,062</u>
<b>Working Capital Adjustments:</b>			
Movement in payables		(5,990) ✓	62,088
Movement in receivables		<u>10,612</u> ✓	<u>(5,215)</u>
<b>Cash flows from operating activities</b>		<u>140,349</u> ✓	<u>194,935</u>
Interest received		162 ✓	125
<b>Net cash generated from operating activities</b>		<u>140,511</u> ✓	<u>195,060</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		<u>(169,895)</u> ✓	<u>(221,317)</u>
<b>Net cash flows used in investing activities</b>		<u>(169,895)</u> ✓	<u>(221,317)</u>
<b>Cash flows from financing activities</b>			
Grants received		117,648 ✓	17,349
Lease payments		<u>(14,250)</u> ✓	-
<b>Net cash from financing activities</b>		<u>103,398</u> ✓	<u>17,349</u>
Net increase/(decrease) in cash and cash equivalents		74,014 ✓	(8,908)
Cash and cash equivalents at beginning of year		<u>577,729</u> ✓	<u>586,637</u>
Cash and cash equivalents at end of year	13	<u>651,743</u>	<u>577,729</u>

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

## 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 15 June 2020. 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.

#### Standards, amendments and interpretations that are effective from 1 January 2019:

In the current year, the Local Council has applied IFRS 16, Leases that is effective for periods that begin on or after 1 January 2019. IFRS 16 introduced a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. Under the new standard, an asset (the right-of-use the leased item) and a financial liability to pay rentals are recognized, with the exception of short-term and low-value leases. IFRS 16 superseded the current lease guidance of IAS 17 and the related interpretations.

The Council has applied the IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of the changes is described in note 16.



**Notes to the Financial Statements - (continued)**

**2.2 Changes in accounting policies and disclosures - (continued)**

**Standards, amendments and interpretations that are not yet effective:**

**Amendments to IAS 1 and IAS 8 Definition of material**

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

**Amendments to IFRS 3 Definition of a business**

The amendments clarify that while entities usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Additional guidance is provided that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

**Amendments to References to the Conceptual Framework in IFRS Standards**

The IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

The Local Council does not expect that the adoption of the amended Standards will have a material impact on the financial statements of the Local Council.

***Leases***

***The Local Council as lessee***

The Local Council assesses whether a contract is or contains a lease, at inception of the contract. The Local Council recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term

of 12 months or less) and leases of low value assets.

Notes to the Financial Statements - (continued)

2.2 Changes in accounting policies and disclosures - (continued)

Lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Local Council uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.
- The amount expected to be payable by the lessee under residual value guarantees.
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Local Council remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.



**Notes to the Financial Statements - (continued)**

**2.2 Changes in accounting policies and disclosures - (continued)**

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The right-of-use assets are presented as a separate line in the statement of financial position. The Local Council applies IAS 36 to determine whether a right-of-use asset is impaired.

The Council presents right-of-use assets in "property, plant and equipment" and lease liabilities in borrowings in the statement of financial position.

The Council has elected not to recognise right-of-use assets and lease liabilities for short term lease that have a lease term of 12 months or less and lease of low-value items. The Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**2.3 Summary of Significant Accounting Policies**

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

*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.

*Local Enforcement System*

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

*Financial assets and liabilities*

In accordance with IFRS 9, all financial assets and liabilities must be recognised in the statement of financial position and measured in accordance with their assigned category.

*Financial assets*

The Council classifies financial assets to IFRS 9 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.

**Notes to the Financial Statements - (continued)**

**2.3 Summary of Significant Accounting Policies - (continued)**

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.

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.

SANTA VENERA LOCAL COUNCIL  
 Financial Statements for the year ended 31 December 2019

Notes to the Financial Statements - (continued)

2.3 Summary of Significant Accounting Policies (continued)

*Offsetting financial instruments*

Financial assets and liabilities are offsetted 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.

*Property, Plant and Equipment*

Property, plant and equipment are stated at cost less accumulated depreciation, impairment and grants received for specific projects (which grants were treated through the balance sheet approach). Depreciation is calculated on a monthly basis using the straight-line method of depreciation at rates estimated to write down the cost of all assets over their expected useful life, other than land and trees, as follows:

**Property, Plant and Equipment (continued)**

	%
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
Streetlights	100

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are considered in determining operating surplus. The residual values and useful

SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2019

Notes to the Financial Statements - (continued)

**2.3 Summary of Significant Accounting Policies (continued)**

lives of the assets are reviewed and adjusted as appropriate, at each year end. 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 Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit or Loss and Other Comprehensive Income during the financial year in which they are incurred.

**Impairment of property, plant and equipment**

At the end of each reporting year, the Council reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Council estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.



SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2019

Notes to the Financial Statements - (continued)

**2.3 Summary of Significant Accounting Policies (Continued)**

**Impairment of financial assets**

The Council considered evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet individually identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Council used historical information on the timing of recoveries and the amount of loss incurred and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss was calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Council considered that there were no realistic prospects of the recovery of the asset, the relevant amount was written off. In the amount of impairment loss subsequently decreased and the decrease related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit and loss.

**Receivables**

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 Comprehensive Income.

**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.

**Notes to the Financial Statements - (continued)**

**2.3 Summary of Significant Accounting Policies (Continued)**

**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.

**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.

**Related Parties**

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24 - 'Related Party Disclosure.'

**Interest Income**

Interest income from financial assets is recognised when it is probable that the economic benefits will flow to the Council and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**Government grants**

Government grants relating to operating expenditure are recognised in the Statement of Comprehensive income in the same period that the related expenditure is incurred.

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

Government grants are not recognised until there is reasonable assurance that the Council will comply with the conditions attaching to them and that the grants will be received.



## SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2019

### Notes to the Financial Statements (continued)

#### 2.3 Summary of Significant Accounting Policies (Continued)

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Council with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a Central Government loan at a below-market rate of interest is treated as a government grant, measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

#### Financial instruments

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

Financial assets are de-recognised 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.

Financial liabilities are de-recognised when they are extinguished, discharged, cancelled or expired. Financial assets and financial liabilities are measured initially at fair value plus transaction costs. Financial assets and financial liabilities are measured subsequently as described below:

#### Financial assets

For the purpose of subsequent measurement, financial assets are classified into loans and receivables upon initial recognition. The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss. Loans and receivables are subject to review for impairment at least at each reporting date.

#### Loans and receivables

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 entity's trade receivables and cash and cash equivalents 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 counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counter party default rates for each identified group. Impairment of 'trade receivables' is presented within 'other expenses'.

SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2019

Notes to the Financial Statements (continued)

2.3 Summary of Significant Accounting Policies (Continued)

Financial liabilities

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

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.

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'.

	2019		2018
	€		€
<b>3. Funds Received from central government</b>			
Central Government income	492,055 ✓		466,494
Supplementary Government income	36,736 ✓		34,191
Other Government income	-		2,035
In terms of article 55 of the Local Councils Act (Cap 363)	<u>528,791</u> ✓		<u>502,720</u>
	2019		2018
	€		€
<b>4. Local Enforcement Income</b>			
Income including fines and penalties	1,046 ✓		1,299
LES administration fees	5,903 ✓		7,794
	<u>6,949</u> ✓		<u>9,093</u>
<b>5. General Income</b>			
Income from permits	21,329 ✓		24,325
Income from Kiosks	961 ✓		617
Other income	621 ✓		4,132
	<u>22,911</u> ✓		<u>29,074</u>

SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2019

Notes to the Financial Statements (continued)

	2019		2018
	€		€
<b>6. Personal Emoluments</b>			
Mayor's and Councilors' Allowance	13,300 ✓		8,745
Mayor's Honoraria	13,770 ✓		11,196
Executive Secretary salary and allowances	20,865 ✓		24,627
Employee's salaries	41,078 ✓		37,755
Social Security contributions	3,386 ✓		4,570
	<u>92,399 ✓</u>		<u>86,893</u>
	2019		2018
Average number of councillors during the year	7		7
Average number of administrative staff during the year	2.64		2.78
	2019		2018
	€		€
<b>7. Operations and maintenance</b>			
Road signs, pavements & markings	12,374 ✓		7,165
Other repairs and upkeep	7,449 ✓		8,160
	<u>19,823 ✓</u>		<u>15,325</u>
<b>Contractual Services:</b>			
Refuse collection	80,329 ✓		79,641
Bulky refuse collection	6,176 ✓		5,508
Waste Disposal	57,021		57,727
Road and Street Cleaning	38,187		37,782
Cleaning and maintenance of Public Conveniences	5,595		5,595
Other cleaning and maintenance services	14,952		13,830
Materials & Support	1,153		720
Other contractual services	0		685
Street Lighting maintenance	9,852		9,876
Local warden services	10,644		2,005
Total Contractual Expenses	<u>223,909 ✓</u>		<u>213,369</u>
Total Operations & Maintenance	<u>243,732 ✓</u>		<u>228,694</u>

SANTA VENERA LOCAL COUNCIL  
 Financial Statements for the year ended 31 December 2019

Notes to the Financial Statements (continued)

	Notes	2019 €	2018 €
<b>8. Administration and other expenditure</b>			
Utilities		7,654 ✓	5,017
Other repairs and upkeep		962 ✓	186
Rent		750 ✓	10,182
National & international memberships		259	338
Office services		2,948	2,583
Advertising		91	439
Transport		8,488 ✓	7,918
Information Services		3,419 ✓	1,650
Insurance		2,103 ✓	1,904
Professional services		16,634 ✓	20,583
Community & hospitality		45,138 ✓	37,606
Bank charges		57 ✓	74
Depreciation	11	123,532 ✓	148,104
Depreciation on right-of-use assets	17	8,783 ✓	-
Sundry minor expenses		90 ✓	558
Provision for Bad Debts		(50) ✓	(236)
Loss on disposals		-	1,537
		<u>220,858</u> ✓	<u>238,443</u>
		2019 €	2018 €
<b>9. Interest Income</b>			
Bank Interests		<u>162</u> ✓	<u>60</u>
		2019 €	2018 €
<b>10. Finance Costs</b>			
Interest on right-of-use assets	10 ✓	<u>728</u>	<u>-</u>

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SANTA VENERA LOCAL COUNCIL  
Financial Statements for the year ended 31 December 2019

Notes to the Financial Statements (continued)

11a. 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
	€	€	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>												
As at 1 January 2019	31,932	21,770	5,000	26,316	37,216	284,301	1,137,489	666,592	25,870	5,976	19,769	2,262,231
Additions	-	5,667	-	1,117	-	22,925	5,664	-	-	-	134,522	169,895
Transfers	-	-	-	-	-	-	118,819	-	-	-	(118,819)	-
As at 31 December 2019	31,932	27,437	5,000	27,433	37,216	307,226	1,261,972	666,592	25,870	5,976	35,472	2,432,126
<b>Grants</b>												
At 1 January 2019	-	-2,078	-	-	-	-8,604	-338,795	-359,701	-21,396	-	-	-730,574
Allocation for the year	-	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2019	-	-2,078	-	-	-	-8,604	-388,795	-359,701	21,396	-	-	-730,574
<b>Depreciation</b>												
As at 1 January 2019	-25,223	-19,586	-250	-24,540	-37,216	-158,991	-297,554	-296,782	-	-5,651	-	-865,793
Charge for the year	-2,369	-375	-1,000	-650	-	-28,531	-80,267	-10,109	-	-229	-	-123,532
Release on disposal	-	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2019	-27,592	-19,961	-1,250	-25,192	-37,216	-187,522	-377,821	-306,891	-	-5,880	-	-989,325
<b>Net Book Value</b>												
As at 31 December 2019	4,340	5,398	3,750	2,241	-	111,100	545,356	-	4,474	96	35,472	712,227

SANTA VENERA LOCAL COUNCIL  
Financial Statements for the year ended 31 December 2019

Notes to the Financial Statements (continued)

11b. 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
	€	€	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>												
At 1 January 2018	31,155	21,652	1,700	24,184	37,216	281,631	1,088,153	666,592	25,156	5,826	19,769	2,203,032
Additions	777	118	5,000	2,132	-	2,670	49,336	-	716	150	-	60,899
Disposals	-	-	-1,700	-	-	-	-	-	-	-	-	-1,700
At 31 December 2018	31,932	21,770	5,000	26,316	37,216	284,301	1,137,489	666,592	25,870	5,976	19,769	2,262,231
<b>Grant</b>												
At 1 January 2018	-	-2,078	-	-	-	-8,604	-322,172	-359,701	-21,013	-	-	-713,568
Allocation for the year	-	-	-	-	-	-	-16,623	-	-383	-	-	-17,006
At 31 December 2018	-	-2,078	-	-	-	-8,604	-338,795	-359,701	-21,396	-	-	-730,574
<b>Depreciation</b>												
At 1 January 2018	-22,873	-16,379	-163	-20,730	-37,216	-131,477	-218,130	-266,456	-	-4,428	-	-717,852
Charge for the year	2,350	-3,207	-250	-3,810	-	-27,514	-79,424	-30,326	-	-1,223	-	-148,104
Release on disposal	-	-	163	-	-	-	-	-	-	-	-	163
At 31 December 2018	-25,223	-19,586	-250	-24,540	-37,216	-158,991	-297,554	-296,782	-	-5,651	-	-865,793
<b>Carrying Amount</b>												
At 31 December 2018	6,709	106	4,750	1,776	-	116,706	501,140	10,109	4,474	325	19,769	665,864



SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2019

Notes to the Financial Statements (continued)

	2019 €	2018 €
<b>12. Receivables</b>		
Due within one year		
Other receivables	666 ✓	135
Trade receivables	29,227 ✓	1,906
Prepayments	2,264 ✓	6,655
Accrued income	600 ✓	34,210
	<u>32,757</u> ✓	<u>42,906</u>

(i) Details of trade receivables are as follows:

Due within the credit period	10,586 ✓	24
Exceeding credit period but not provided for	18,641 ✓	1,882
	<u>29,227</u> ✓	<u>1,906</u>

(i) LES debtors amount to €200,180. As these are all older than 2 years, the full amount has been provided for. Trade receivables are net of a provision for doubtful debts amounting to €804.

**13. 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:

	2019 €	2018 €
Cash at bank	826,389 ✓	577,674
Cash in Hand	40 ✓	55
Overdrawn balances	(174,686) ✓	-
	<u>651,743</u> ✓	<u>577,729</u>

**14. Payables**

	2019 €	2018 €
<b>14. Payables</b>		
Trade Payables	67,391 ✓	61,275
Capital creditors (note 13A)	19,769 ✓	19,769
Other payables	94 ✓	7,919
Accruals	28,063 ✓	32,344
Other deferred income (note 14)	307,107 ✓	189,459
Lease liabilities (note 16)	4,976 ✓	-
	<u>427,400</u> ✓	<u>310,766</u>

SANTA VENERA LOCAL COUNCIL  
Financial Statements for the year ended 31 December 2019

Notes to the Financial Statements (continued)

14. Payables (continued)

Provisions include estimates for goods and services received prior to 31 December 2019 and for which invoices have not yet been received by the Local Council.

14A. Capital Creditors

Current capital creditors amounted to €19,769 (2018: €19,769) at year end and consisted resurfacing works.

15. Deferred Income

	2019 €	2018 €
Balance at the beginning of the year	189,459	190,316
Grants received	117,648	16,199
Grants reversed	-	(50)
Allocated	-	(17,006)
Balance at the end of the year	<u>307,107</u>	<u>189,459</u>

16. Capital Commitments

	2019 €	2018 €
Details of capital commitments are as follows:		
Approved but not yet contracted for (i)	<u>148,500</u>	<u>430,000</u>

These could be analysed as follows:

Signs & Other	6,500	10,000
Urban improvements - CCTVs	-	30,000
Office Equipment	2,000	
Improvements - Various Roads	40,000	330,000
Landscaping - Palazz I-Ahmar	30,000	30,000
Patching Works - Various Roads	30,000	30,000
Romeo Romano Garden project	40,000	-
	<u>148,500</u>	<u>430,000</u>

SANTA VENERA LOCAL COUNCIL  
 Financial Statements for the year ended 31 December 2019

Notes to the Financial Statements (continued)

17. Right-of-Use Asset - Property

Right-of-use assets

During the year Council implemented IFRS16 and as a result recognised in its books, a right-of-use asset in respect of the property it is leasing at 53 Triq il-Karmelitani Santa Venera. This property is being utilised as a day centre for senior citizens in the locality. A right-of-use asset was recognised after discounting the future cash outflows in the form of rents payable at a rate of €4,750 six monthly in advance. The discounting rate was fixed at 6% which is the incremental borrowing rate for the Council. The resultant net present value of this right-of-use asset amounted to €26,348 at time of recognition, that is at the start of the lease which covers the period 1 February 2018 to 31 January 2021. This value being depreciated on a three-year period ending in 2020.

	2019	2018
	€	€
Opening Balance	-	-
Recognition of a right-of-use asset	17,565	-
Depreciation for the year	(8,783)	-
Balance at the end of the year	<u>8,782</u>	<u>-</u>

Lease liabilities

A lease liability was also recognised in respect of the above mentioned right-of-use asset and movements thereon are shown below:

	2019	2018
	€	€
Opening Balance of lease liability	-	-
Recognition of lease liability during the year	18,085	-
Add interest owing for the year	728	-
Less: lease payment during the year	(9,500)	-
Adjustment re prepaid rent	(4,337)	-
Balance at the end of the year	<u>4,976</u>	<u>-</u>

SANTA VENERA LOCAL COUNCIL  
Financial Statements for the year ended 31 December 2019

Notes to the Financial Statements (continued)

17. Right-of-Use Asset - Property (continued)

Maturity Analysis

The contractual undiscounted cash flows as at year end amounted to €9,500 and mature in less than one year.

Amounts recognised in Income and Expenditure

The following expenditure items were recognised in the Income and Expenditure Account for the year:

	2019	2018
	€	€
Depreciation for the year	8,783	-
Lease interest	728	-

18. 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:

	2019	2018
	€	€
Annual Financial Allocation	<u>492,055</u>	<u>466,494</u>

The council considers the Mayor, councillors and executive secretary to be key personnel. Remuneration paid to these amounted to €47,935 (2018: €45,799).

SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2019

Notes to the Financial Statements (continued)

18. Related Parties (continued)

In the opinion of the Local Council's members, disclosure of related party transactions, which are generally carried out, is only necessary when the transactions effected have a material impact on the operating results and financial position of the Council.

19. 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.

	2019	2018
	€	€
Trade and other receivables	30,493	36,251
Cash at bank	<u>651,743</u>	<u>577,729</u>
	<u>682,236</u>	<u>613,980</u>

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.



SANTA VENERA LOCAL COUNCIL  
 Financial Statements for the year ended 31 December 2019  
 Notes to the Financial Statements (continued)

**19. Financial Instruments (continued)**

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 on 31 December 2019 based on the contractual undiscounted payments.

Details	0-3 months	3 - 12 months	1-5 years	Totals
Accruals	28,063	-	-	28,063
Payables	87,160	4,976	-	92,136
Other payables & statutory obligations	-	94	-	94
Totals	115,223	5,070	-	120,293

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	32,344	-	-	32,344
Payables	81,044	-	-	81,044
Other Payables & statutory obligations	-	7,919	-	7,919
Totals	113,388	7,919	-	121,307

**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.



SANTA VENERA LOCAL COUNCIL  
 Financial Statements for the year ended 31 December 2019  
 Notes to the Financial Statements (continued)

**19. Financial Instruments (continued)**

**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 2019 and 2018, 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:

	2019 €	2018 €
<b>Current Assets</b>		
Trade and Other Receivables	30,493	36,251
Cash & cash equivalents	<u>651,743</u>	<u>577,729</u>
	<u>682,236</u>	<u>613,980</u>
<b>Current Liabilities</b>		
Financial Liabilities measured at amortized cost		
Payables	87,160	81,044
Other payables	94	7,919
Accruals	28,063	32,344
Lease liability	<u>4,976</u>	<u>-</u>
	<u>120,293</u>	<u>121,307</u>

**Notes to the Financial Statements (continued)**

**20. Events after the reporting date**

Subsequent to year end, the World Health Organisation declared the spread of Coronavirus Disease (COVID-19), a worldwide pandemic. COVID-19 is having significant effects on global markets, supply chains, businesses, and communities. The Local Council Members' and Executive Secretary are monitoring the situation and taking action to safeguard the interests of the Local Council. To date the Local Council is operating as normal. The full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

No other adjusting or significant non-adjusting events have occurred between the reporting date and the date of approval of the financial statements – 15 June 2020 by the council members.

## Financial Statements for the Year ended 31 December 2019

### Report of the Local Government auditor to the Auditor General

#### Report on the Audit of the Financial Statements

##### Qualified opinion

We have audited the accompanying financial statements of St. Venera Local Council which comprise the statement of financial position as at 31 December 2019, 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.

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 2019 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 18.

These financial statements 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 2 below, these financial do not comply with the requirements of International Financial Reporting Standards as adopted by the E.U.

##### Basis for Qualified 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 EUR1,046 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 2019 were not available. All LES receivables of the Joint Committee have been provided for.



## Financial Statements for the Year ended 31 December 2019

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

#### Basis for Qualified Opinion (continued)

2. Whereas the Council adopted IFRS 9, we were not provided with an assessment of the impact of adoption of the Expected Credit Loss model to impair the Financial Assets of the Council. At the Financial Position date, the Council financial assets amounting to EUR682,236.

#### 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 2019

### 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

15 June 2020