

**Local Council Attard**  
**Annual Audit Report**  
**for the year ended 31 December 2020**

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**Statement of Local Council Members' and Executive Secretary's Responsibilities  
for the year ended 31 December 2020**

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The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's comprehensive income for the year, and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Council (Financial) Regulations, and the Local Council (Financial) Procedures issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Council (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on 26 July 2021 and signed on its behalf by:

  
Stefan Cordina  
Mayor

  
Marica Mifsud  
Executive Secretary

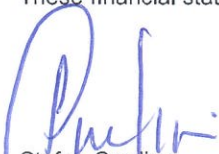
**Statement of Comprehensive Income  
for the year ended 31 December 2020**

	Notes	2020 €	2019 €
<b>Revenue</b>			
Funds received from Central Government	3	957,941	880,057
Income raised under Local Council Bye-Laws	4	2,431	3,671
Income raised under Local Enforcement System	5	2,741	3,740
General Income	6	39,740	42,238
		<u>1,002,853</u>	<u>929,706</u>
<b>Expenditure</b>			
Personal Emoluments	7	(175,457)	(152,733)
Operations and maintenance	8	(622,411)	(583,130)
Administration and other expenditure	9	(178,269)	(170,504)
		<u>(976,137)</u>	<u>(906,367)</u>
<b>Operating profit for the year</b>		<b>26,716</b>	<b>23,339</b>
Finance income	10	8	79
Finance costs	11	(515)	(9)
		<u>26,209</u>	<u>23,409</u>
Loss on disposal of assets	7	(93)	-
<b>Profit for the year</b>	<b>7</b>	<b><u>26,116</u></b>	<b><u>23,409</u></b>

The notes on pages 6 to 30 form an integral part of these financial statements.

	Notes	2020 €	2019 €
Intangible assets	12	337	589
Property, plant and equipment	12	199,734	313,607
Right-of-use assets	13	10,302	-
		<u>210,373</u>	<u>314,196</u>
<b>Current Assets</b>			
Inventories	14	2,144	2,146
Receivables	15	214,571	143,806
Cash and cash equivalents	16	168,559	220,452
		<u>385,274</u>	<u>366,404</u>
<b>Total Assets</b>		<u><b>595,647</b></u>	<u><b>680,600</b></u>
<b>RESERVES</b>			
Retained earnings		307,300	281,184
<b>Total reserves</b>		<u><b>307,300</b></u>	<u><b>281,184</b></u>
<b>Non-Current Liabilities</b>			
Lease liabilities	13	4,390	-
Deferred income	18	152,887	278,097
		<u>157,277</u>	<u>278,097</u>
<b>Current Liabilities</b>			
Payables	17	120,640	121,319
Lease liabilities	13	10,430	-
		<u>131,070</u>	<u>121,319</u>
<b>Total Liabilities</b>		<u><b>288,347</b></u>	<u><b>399,416</b></u>
<b>Total reserves and liabilities</b>		<u><b>595,647</b></u>	<u><b>680,600</b></u>

These financial statements were approved by the Local Council on 26th July 2021 and signed on its behalf by:

  
Stefah Cordina  
Mayor

  
Marica Mifsud  
Executive Secretary

The notes on pages 6 to 30 form an integral part of these financial statements.

**Statement of Changes in Equity  
for the year ended 31. December 2020**

	<b>Retained Funds</b>	<b>Total</b>
	<b>€</b>	<b>€</b>
<b>At 1 January 2019</b>	257,775	257,775
Profit for the year	23,409	23,409
<b>At 31. December 2019</b>	<u>281,184</u>	<u>281,184</u>
<b>At 1 January 2020</b>	281,184	281,184
Profit for the year	26,116	26,116
<b>At 31 December 2020</b>	<u>307,300</u>	<u>307,300</u>

The notes on pages 6 to 30 form an integral part of these financial statements.

**Statement of Cash Flows**  
for the year ended 31 December 2020

	2020		2019	
	€	€	€	€
<b>Cash flow from operating activities</b>				
<b>Net profit for the year</b>	26,116		23,409	
Reconciliation to cash generated from operations:				
Depreciation of property, plant and equipment and right-of-use assets	59,389		45,900	
Amortisation of intangible assets	252		252	
Loss on disposal of assets	93		-	
Movement in Provision for Doubtful Debts	(547)		(790)	
Bad debtors written off	-		57	
Inventory written off	-		-	
Reclass from property, plant and equipment to income	-		(2,896)	
Interest receivable	(8)		(79)	
Lease interest payable	515		9	
Operating profit before working capital changes	<u>85,810</u>		<u>65,862</u>	
Decrease in inventories	2		26	
(Increase) in receivables	(107,270)		(8,355)	
Decrease / (increase) in other receivables	24,938		(16,718)	
(Decrease) / (decrease) in payables	(16,289)		(38,235)	
(Decrease) / increase in other payables	679		7,839	
Government grants released	(2,214)		-	
<b>Cash generated from operating activities</b>		<b>(14,344)</b>		<b>10,419</b>
<b>Cash flow from Investing activities</b>				
Interest received	8		79	
Purchase of intangible fixed assets	(5,635)		-	
Purchase of property, plant & equipment	(102,607)		(94,782)	
Receipt of grant	76,985		81,791	
<b>Cash (used in) investing activities</b>		<b>(31,249)</b>		<b>(12,912)</b>
<b>Cash from financing activities</b>				
Interest paid	(515)		(9)	
Payment of principal portion of lease liabilities	(5,785)		-	
<b>Cash (used in) financing activities</b>		<b>(6,300)</b>		<b>(9)</b>
<b>Net decrease in cash in the year</b>		<b>(51,893)</b>		<b>(2,502)</b>
Cash and equivalents at beginning of year		<u>220,452</u>		<u>222,954</u>
<b>Cash and equivalents at end of year</b>		<b><u>168,559</u></b>		<b><u>220,452</u></b>

The notes on pages 6 to 30 form an integral part of these financial statements.

**1. General Information**

The Local Council Attard is the local authority of Malta set up in accordance with the Local Councils Act(1993). The office of the Local Council is situated at 6, Main Street, Attard. These financial statements were approved for issue by the Council Members on 26 July 2021. The Local Council's presentation as well as functional currency are denominated in €.

**2 Accounting Policies and Reporting Procedures**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

***Accounting convention***

These financial statements are prepared under the historical cost convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards.

These financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap. 363).

The COVID-19 pandemic has impacted the Council's operations and functions. In line with the recommendations issued by the Maltese Public Health Authorities, the Council implemented a number of measures to offer its services in a safe environment to the residents, general public, councillors and employees.

**During the year the Council has applied the following International Financial Reporting Standards as adopted by the EU which have become mandatorily effective for the year ending 31 December 2020:**

**New or revised Interpretations adopted:**

- Amendments to References to the Conceptual Framework in IFRS Standards. In addition to the revised Conceptual Framework published in March 2018, the IASB 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. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework.

Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Amendments in the definition of 'material' to align with the definition used in the Conceptual Framework and the standards.

There were also amendments to: IFRS 16 'Leases' - exemption from assessing whether a COVID-19-related rent concession is a lease modification; IFRS 3 'Business Combinations'; IFRS 9 'Financial Instruments'; IAS 39 'Financial Instruments: Recognition and Measurement'; and IFRS 7 'Financial Instruments: Disclosures'. Such amendments were are not relevant for the Council's scenario.



## 2 Accounting Policies and Reporting Procedures (continued)

**New and revised IFRSs adopted by the EU that are not mandatorily effective for the year ending 31 December 2020 and have not been applied during the year under review:**

These consisted of 'Amendments to IFRS 4 'Insurance Contracts' and 'Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) Interest Rate Benchmark Reform - Phase 2'. Such amendments are not relevant for the Council's scenario.

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

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the IASB except for the following standards and amendments to the existing standards, which were not endorsed for use in the EU as at 31 December 2020 and cannot be applied by the entities preparing their financial statements in accordance with IFRS as adopted by the EU:

- IFRS 17 Insurance Contracts (issued 18 May 2017)
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current (Issued 23 January 2020)
- Amendments to IFRS 3 Reference to the Conceptual Framework (issued 14 May 2020)
- Amendments to IAS 16 Property, Plant and Equipment - Proceeds before Intended Use (issued 14 May 2020)
- Amendments to IAS 37 Onerous Contracts - Cost of Fulfilling a Contract (Issued 14 May 2020)
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16, and IAS 41) (Issued on 14 May 2020)
- Amendments to IFRS 17 (issued 25 June 2020)
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current - Deferral of Effective Date (Issued 15 July 2020)

The Councillors are assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Councillors anticipate that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

**2 Accounting Policies and Reporting Procedures (continued)***Intangible Fixed Assets*

## Computer Software

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 straight line method at 25% per annum.

*Property, plant and equipment*

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

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

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

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

## 2 Accounting Policies and Reporting Procedures (continued)

### Leases

#### *The Council is the lessee*

The Council leases an office building, used as its offices. The rental lease contract is for a fixed period of one year but may be extended for a further year. Lease terms contain a wide range of different terms and conditions. The lease agreement does not impose any covenants. Leased asset may not be used as security for borrowing purposes.

At inception of a contract, The Council shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Council.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- a. fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- b. variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Council:

- a. where possible, uses recent third-party financing received by the lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- b. uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Council, where there is no third-party financing; and
- c. makes adjustments specific to the lease.

The Council is not exposed to potential future increases in variable lease payments. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- a. the amount of the initial measurement of lease liability;
- b. any lease payments made at or before the commencement date less any lease incentives received; and
- c. any initial direct costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

## 2 Accounting Policies and Reporting Procedures (continued)

### *Extension option*

An extension option is included in the property leased by the Council. The option is to maximise operational flexibility in terms of managing the assets used in the Council's operations. The extension option held is exercisable only by the Council and not by the lessor.

In determining the lease term, the Council considers all facts and circumstances that create an economic and operational incentive to exercise an extension option. Extension option is only included in the lease term if the lease is reasonably certain to be extended.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Council becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

The Council has elected to account for short-term leases and leases of low-value assets using the practical expedients. These leases relate to items of office equipment such as IT equipment. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

### *Impairment of non-financial assets*

The carrying amounts of non-financial assets are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is calculated as the present value of the expected future cash flows, discounted at the original effective interest rate inherent in the assets. The recoverable amount of the assets is the greater of their net selling price and value in use.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

### *Impairment of financial assets*

The Council recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and trade receivables. ECLs are based on the difference between the contracted cash flows due in accordance with the contract and all the cash flows that the Council expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

After the adoption of IFRS 9 as from 1 January 2018, the Council applied the simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

## 2 Accounting Policies and Reporting Procedures (continued)

### *Inventories*

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

### *Amounts receivable*

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less expected credit losses. The amount of credit loss is updated at each reporting period to reflect changes in credit risk since initial recognition.

Amounts receivable are derecognised when the rights to receive cash flows have expired or when substantially all risks and rewards of ownership have been transferred. When there is no reasonable expectation of recovering part or all of an amount receivable, its carrying value is written off.

### *Related parties*

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard No. 24.

### *Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds and the redemption value is recognised in the income and expenditure account over the period of the borrowings using the effective interest method.

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

### *Revenue*

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

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

### *Government grants*

Government grants relating to 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.

### *Foreign currencies*

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

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

## 2 Accounting Policies and Reporting Procedures (continued)

### *Borrowing costs*

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

### *Profits and losses*

Only profits that were realised at the date of the Statement of Financial Position are recognised in these financial statements. All foreseeable liabilities and potential losses arising up to the said date are accounted for even if they become apparent between the said date and the date on which the financial statements are approved.

### *Cash and equivalents*

Cash and Cash Equivalents are carried in the Statement of Financial Position at face value. For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash in hand and balances held with banks.

### *Critical Accounting Estimates and Judgements*

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Executive Secretary, the accounting estimates and judgements made in the preparation of the Financial Statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS1 (revised) - 'Presentation of Financial Statements'.

### *Capital Management*

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

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

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

### *Financial instruments*

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

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

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

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

**2 Accounting Policies and Reporting Procedures (continued)***Financial assets*

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

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

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

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

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

*Financial liabilities*

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

**3. Funds received from central government**

	2020	2019
	€	€
In terms of section 55 of the Local Council Act	780,019	740,229
Other Government Income	146,420	93,818
Supplementary Government Income	31,502	46,010
	<u>957,941</u>	<u>880,057</u>

**4. Income raised from Bye-Laws**

	2020	2019
	€	€
Bye-Law - Advertising on Street Furniture	<u>2,431</u>	<u>3,671</u>

5. Local Enforcement System	2020	2019
	€	€
Admin. charges to Regional Committees & LESA	<u>2,741</u>	<u>3,740</u>
<b>6. General Income</b>	<b>2020</b>	<b>2019</b>
	<b>€</b>	<b>€</b>
Sale of books and other merchandise	20	8
Donations	-	200
Discounts Received	-	25
Insurance Claims	511	-
Income from Permits	<u>39,209</u>	<u>42,005</u>
	<u>39,740</u>	<u>42,238</u>
<b>7. Profit for the year</b>	<b>2020</b>	<b>2019</b>
	<b>€</b>	<b>€</b>
Profit for the year is stated after charging:		
Staff salaries	175,457	152,733
Depreciation of tangible assets	59,389	45,900
Amortisation of intangible assets	252	252
Loss on disposal of property, plant and equipment	<u>93</u>	<u>-</u>

*Note*



<i>Staff salaries</i>	2020	2019
	€	€
Mayor's Remuneration	15,027	13,650
Councillors' Allowances	22,600	16,900
Executive Secretary Salary and Allowances	36,279	35,413
Employees' Salaries	91,111	77,758
Social Security Contributions	10,440	9,012
	<u>175,457</u>	<u>152,733</u>
<i>Average number of people employed</i>		
Employees	6	5
Mayor & Councillors	9	9
	<u>          </u>	<u>          </u>
<b>8. Operations and Maintenance</b>	<b>2020</b>	<b>2019</b>
	€	€
<i>Repairs and Upkeep:</i>		
Public Property	22,503	11,782
Road/Street Pavements	10,019	13,456
Signs	8,977	8,887
Road Markings	2,153	2,544
Office Furniture and Equipment	6,048	1,397
Plant & Equipment	90	458
Council Property	170	50
	<u>49,960</u>	<u>38,574</u>

8. Operations and Maintenance (continued)	2020	2019
	€	€
<i>Contractual Services:</i>		
Waste Disposal	101,193	90,619
Refuse Collection	231,635	207,461
Bulky Refuse Collection	26,348	26,355
Hiring of Skips - Bins on Wheels	5,310	4,125
Cleaning Services	940	-
Road & Street Cleaning	104,045	116,038
Cleaning & Maint. Non-Urban	13,265	16,714
Cleaning - Public Conveniences	11,263	11,244
Cleaning - Council Premises	-	1,150
Other Contractual Services	378	-
Clean. & Maint. Parks & Gardens	44,365	46,015
Clean. & Maint. Soft Areas	20,791	5,112
Street Lighting	10,434	11,220
Experts	1,439	6,318
Local Enforcement Expenses	1,045	2,185
	<u>572,451</u>	<u>544,556</u>
 Total Operations and Maintenance Costs	 <u>622,411</u>	 <u>583,130</u>

**9. Administration and other expenditure**

	2020	2019
	€	€
Utilities	10,204	12,770
Other repairs and upkeep	11,126	5,135
Rent	150	145
National and International Memberships	2,341	2,286
Office Services	15,795	26,524
Transport	3,656	11,358
Travel	-	153
Information Services	7,695	5,584
Bank charges	435	395
Lease of Equipment	3,555	1,516
Insurance Coverage	3,942	4,779
Professional Services	39,079	35,497
Training	-	1,204
Entertainment	478	1,234
Social Events	6,129	8,256
Cultural Events	4,036	7,169
Community Services	10,484	-
Donations	70	1,080
(Decrease) provision for doubtful debts	(547)	(790)
Bad debts written off	-	57
Depreciation and amortisation	59,641	46,152
	<u>178,269</u>	<u>170,504</u>

**10. Finance Income**

	2020	2019
	€	€
Bank Interest Received	<u>8</u>	<u>79</u>

**11. Finance Costs**

	2020	2019
	€	€
Bank Interest paid	-	9
Interest on lease liability	515	-
	<u>515</u>	<u>9</u>

**12. Intangible fixed assets**

	<b>Computer Software</b>	<b>Total</b>
	<b>€</b>	<b>€</b>
<b>Cost</b>		
At 1 January 2019	1,009	1,009
At 31 December 2019	<u>1,009</u>	<u>1,009</u>
<b>Provision for diminution in value</b>		
At 1 January 2019	168	168
Charge for year	252	252
At 31 December 2019	<u>420</u>	<u>420</u>
<b>Net book values</b>		
At 31 December 2019	<u>589</u>	<u>589</u>
<b>Cost</b>		
At 1 January 2020	1,009	1,009
Additions	5,635	5,635
At 31 December 2020	<u>6,644</u>	<u>6,644</u>
<b>Provision for diminution in value</b>		
At 1 January 2020	420	420
Charge for year	252	252
At 31 December 2020	<u>672</u>	<u>672</u>
<b>Grants</b>		
At 1 January 2020	-	-
Additions	5,635	5,635
At 31 December 2020	<u>5,635</u>	<u>5,635</u>
<b>Net book values</b>		
At 31 December 2020	<u>337</u>	<u>337</u>

Notes to the Financial Statements  
for the year ended 31 December 2020

12. Property, plant and equipment (continued)

	Trees	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & equipment	Office Furniture & fittings	Motor vehicles	Total
	€	€	€	€	€	€	€	€
<b>Cost</b>								
At 1 January 2019	11,529	112,418	18,445	2,697,225	32,954	29,292	5,299	2,907,162
Additions	-	73,761	-	17,567	1,653	1,801	-	94,782
Assets Capitalised	-	(38,683)	-	38,683	-	-	-	-
At 31 December 2019	11,529	147,496	18,445	2,753,475	34,607	31,093	5,299	3,001,944
<b>Depreciation</b>								
At 1 January 2019	-	-	12,877	1,427,013	23,355	21,449	4,264	1,488,958
Charge for the year	-	-	-	39,169	3,902	1,794	1,035	45,900
On disposals	-	-	-	-	-	-	-	-
At 31 December 2019	-	-	12,877	1,466,182	27,257	23,243	5,299	1,534,858
<b>Grants</b>								
At 1 January 2019	-	33,861	5,568	1,112,438	1,608	-	-	1,153,475
Additions	-	2,900	-	-	-	-	-	2,900
Grants reclassified to income	-	-	-	(2,896)	-	-	-	(2,896)
Reclassification	-	(36,761)	-	36,761	-	-	-	-
At 31 December 2019	-	-	5,568	1,146,303	1,608	-	-	1,153,479
<b>Net book values</b>								
At 31 December 2019	11,529	147,496	-	140,990	5,742	7,850	-	313,607

## 12. Property, plant and equipment (continued)

	Trees	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & equipment	Office Furniture & fittings	Motor vehicles	Total
Cost	€	€	€	€	€	€	€	€
At 1 January 2020	11,529	147,496	18,445	2,753,475	34,607	31,093	5,299	3,001,944
Additions	-	68,104	-	11,499	4,687	3,042	15,275	102,607
Assets Capitalised	-	(190,810)	-	190,810	-	-	-	-
Disposals	-	-	-	-	(643)	-	-	(643)
At 31 December 2020	11,529	24,790	18,445	2,955,784	38,651	34,135	20,574	3,103,908
<b>Depreciation</b>								
At 1 January 2020	-	-	12,877	1,466,182	27,257	23,243	5,299	1,534,858
Charge for the year	-	-	-	44,095	3,444	1,547	-	49,086
On disposals	-	-	-	-	(549)	-	-	(549)
At 31 December 2020	-	-	12,877	1,510,277	30,152	24,790	5,299	1,583,395
<b>Grants</b>								
At 1 January 2020	-	-	5,568	1,146,303	1,608	-	-	1,153,479
Additions	-	-	-	162,944	-	2,892	15,275	181,111
Forfeited grants	-	-	-	(13,811)	-	-	-	(13,811)
At 31 December 2020	-	-	5,568	1,295,436	1,608	2,892	15,275	1,320,779
<b>Net book values</b>								
At 31 December 2020	11,529	24,790	-	150,071	6,891	6,453	-	199,734

**13. Leases**

This note provides information for leases where the Council is a lessee. There are no leases in place where the Council is the lessor.

The Council has one contract for the lease of land and buildings which are used for its operations. The lease term is one year with the option to be renewed for a further year. The Council's obligations under its lease are secured by the lessor's title to the leased assets. No purchase option is included in the lease contract.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Land & buildings	Total
	€	€
<b>As at 31 December 2019</b>	-	-
Additions	20,605	20,605
Depreciation expense	(10,303)	(10,303)
<b>As at 31 December 2020</b>	<u>10,302</u>	<u>10,302</u>

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2020	2019
	€	€
Additions	20,605	-
Accretion of interest	515	-
Payments	(6,300)	-
	<u>14,820</u>	<u>-</u>
Current	10,430	-
Non-current	<u>4,390</u>	<u>-</u>

The statement of profit or loss shows the following amounts relating to leases:

	2020	2019
	€	€
Depreciation expense of right-of-use assets	10,303	-
Interest expense on lease liabilities	515	-
<b>Total amount recognised in profit or loss</b>	<u>10,818</u>	<u>-</u>

The Council had total cash outflows for leases of €6,300 in 2020 (€ - in 2019).

The lease contract includes an extension option. The option is negotiated by Council to provide flexibility in managing the leased-asset and align with the Council's business needs. The Council exercises significant judgement in determining whether the extension and termination option is reasonably certain to be exercised. The lease contract does not include variable payment element.

14. Inventories	2020	2019
	€	€
Books held for resale	2,144	2,146
	<u>2,144</u>	<u>2,146</u>

**Note:**

Inventory is stated net of provision for impairment of €7,180 (2019 : €7,180)

15. Receivables	2020	2019
	€	€
Receivables	136,683	29,413
Other debtors	5,932	5,148
Accrued income	63,594	97,371
<b>Financial assets</b>	<u>206,209</u>	<u>131,932</u>
Other receivables	1,992	1,604
Prepayments	6,370	10,270
	<u>214,571</u>	<u>143,806</u>



**15. Receivables (continued)***Receivables*

General receivables are analysed as follows:

	2020	2019
	€	€
Within credit period	39,772	15,727
Exceeded credit period	96,911	13,686
	<u>136,683</u>	<u>29,413</u>

Included in the receivables are debtors with a carrying amount of €96,911 (2019: €13,686) 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:

	2020	2019
	€	€
Not more than 3 months	10,527	11,388
More than 3 months but not more than 6 months	52,616	603
More than 6 months	33,768	1,695
	<u>96,911</u>	<u>13,686</u>

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

	2020	2019
	€	€
Balance at 1 January	122,149	122,940
(Decrease) in provision for LES debtors	(547)	(734)
(Decrease) in provision for general receivables	-	(57)
Balance at 31 December	<u>121,602</u>	<u>122,149</u>

*Local Enforcement System (LES) Debtors*

LES Debtors are stated after a specific provision for doubtful debts amounting to €121,602 (2019 - €122,149).

**16. Notes to the cashflow statement***Cash & cash equivalents*

Cash and cash equivalents included in the cash flow statement comprise the following statement of financial position amounts:

	2020 €	2019 €
Bank Balances	168,149	220,440
Cash in Hand	410	12
	<u>168,559</u>	<u>220,452</u>

**17. Payables**

	2020 €	2019 €
Payables	57,644	73,933
Accruals	42,756	43,859
<b>Financial liabilities</b>	<u>100,400</u>	<u>117,792</u>
Deferred Income Government Grants (Note 18)	14,931	-
Other Deferred Income	5,309	3,527
	<u>120,640</u>	<u>121,319</u>

18. Deferred Income Government grants	2020	2019
	€	€
<b>Government grants</b>		
At 1 January	278,097	182,506
Increase in year	78,680	99,954
Reversal of deferred income	(2,214)	(1,463)
	<u>354,563</u>	<u>280,997</u>
Capitalised during the year	(186,745)	(2,900)
At 31 December	<u>167,818</u>	<u>278,097</u>
<b>Current Deferred Income</b>	<u>14,931</u>	-
<b>Non-Current Deferred Income</b>	<u>152,887</u>	<u>278,097</u>
<b>Deferred Government Grants</b>		
Deferred between one and two years	-	116,985
Deferred between two and five years	152,887	161,112
	<u>152,887</u>	<u>278,097</u>

**19. Capital commitments**

	2020	2019
	€	€
Details of capital commitments at the accounting date are as follows:		
(i) Approved but not yet contracted for:		
Construction of New Local Council's Premises	388,396	200,000
Info Centre	271,522	423,000
Triq il-Katlan	79,887	79,887
<i>General provisions:</i>		
Office Furniture and Fittings	2,500	5,000
Plant & machinery	1,500	1,500
Urban Improvements & construction	12,000	12,000
Office Equipment (incl. computer equipment)	2,500	2,500
	<u>758,305</u>	<u>723,887</u>

The capital commitments will be financed by the Council through funds received from the Regional Committee and potential new funds from the PA Urban Improvement Fund.

**20. Contingent liabilities**

The Council as at 31 December 2020 had the following pending Court case:

- two claims opened by third parties claiming damages for motor-cycle accident in Mdina Road Attard. One of the claims is in front of the First Hall while the other claim is at Court of Appeal stage. The Council is restricting such claims as this road falls under the responsibility of the Central Government.

- case opened by the Council against the owner of a quarry situated in the locality of Attard. The Council is requesting the owner of the quarry to regulate the alleged irregularities in the quarry site. The outcome of such case still unpredictable.

- case opened by a third party in front of the First Hall, claiming damages caused by a tree that fall onto the road. The Council is contending the case on the basis that the particular road falls outside its responsibility.

Guarantee:

- The Council has a bank guarantee of €5,000 in favour of Building & Construction Agency (BCA) previously known as Building Regulations Office (BRO), on third party liability damages in connection with the restoration of the former railway embankment.

**21. Related party transactions**

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Councils	Significant control
Regional Committee (Local Enforcement)	Joint Control
Gozo Regional Committee	No control
North Regional Committee	No control
South Regional Committee	No control
South Eastern Regional Committee	No control
Central Regional Committee	No control
Local Enforcement System Agency	No control
Local Councils' Association	No control
Planning Authority	No control
Malta Information Technology Agency Tech.mt	No control
Transport Malta Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Infrastructure Malta Agency	No control
Department of Inland Revenue	No control
Bank of Valletta plc	No control
Wasteserv Malta Limited	No control
GreenPak	No control
ARMS Ltd	No control
ERA Monitoring Unit	No control

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

	2020	2019
	€	€
Annual Financial Allocation	<u>780,019</u>	<u>740,229</u>

**Key management compensation**

	2020	2019
	€	€
Salaries	<u>76,405</u>	<u>68,383</u>

The Council considers the Mayor, Councillors and the Executive Secretary to be Key Management Personnel. Remuneration to Key Management Personnel are disclosed in note 7.

**22. Financial Risk Management**

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

*Credit risk*

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution.

The receivable balances of the Council are mainly composed of balances with government-related entities. Given the low risk associated with such entities, the default risk is considered to be insignificant. Given the fact that this will not result in material misstatement, the Council did not calculate and account for this 'expected credit loss'.

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

	2020	2019
	€	€
Classes of financial assets - carrying amounts		
Trade and other receivables	206,209	131,932
Cash and cash equivalents	168,559	220,452
	<u>374,768</u>	<u>352,384</u>

The Council does not hold any collateral or other credit enhancements to cover this credit risk.

*Liquidity risk*

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact, at year end, the Council has as cash and cash equivalents of the amount of €168,558 (2019 €220,452). The Council also maintains a positive net asset position of €307,300 (2019 €281,184) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

At 31 December 2020 the council's financial liabilities have contractual maturities which are summarised below:

**31 December 2020**

	Current	Non-current	
	within	1 to 5	later than
	1 year	years	5 years
	€	€	€
Payables	57,644	-	-
Accruals	42,757	-	-
Lease liabilities	10,430	4,390	-
	<u>110,831</u>	<u>4,390</u>	<u>-</u>

**22. Financial Risk Management (continued)**

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

31 December 2019

	Current within 1 year €	Non-current 1 to 5 years €	later than 5 years €
Payables	73,933	-	-
Accruals	43,859	-	-
	<u>73,933</u>	<u>-</u>	<u>-</u>

**Foreign currency risk**

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

**Interest rate risk**

Interest rate risk mainly arises through interest bearing liabilities and assets. The objective of interest rate risk management is to optimise the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense. The Council is not exposed to any variable interest rates liabilities.

**23. Summary of financial assets and liabilities**

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

	2020 €	2019 €
<b>Current assets</b>		
Loans and receivables:		
Trade and other receivables	206,209	131,932
Cash and cash equivalents	168,559	220,452
	<u>374,768</u>	<u>352,384</u>
<b>Non-current liabilities</b>		
Financial liabilities measured at amortised cost:		
Lease liabilities	4,390	-
	<u>4,390</u>	<u>-</u>

**23. Summary of financial assets and liabilities (continued)**

	2020	2019
	€	€
<b>Current liabilities</b>		
Financial liabilities measured at amortised cost:		
Payables	57,644	73,933
Accruals	42,757	43,859
Lease liabilities	10,430	-
	<u>110,831</u>	<u>117,792</u>

**24. Fair values estimation**

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

**25. Going Concern**

The Statement of Financial Position on page 3 and the notes thereto, with special reference to capital commitments, suggest that the going concern assumption used in the preparation of these financial statements is dependent on further sources of funds other than the annual financial allocation by Central Government, on the collection of debts due to the Council and on the continued support of the Council's creditors. Any adverse change in either of these assumptions above, would not let the Council able to meet its financial obligations as they fall due without curtailing its future commitments.





