

Local Council Attard
Annual Audit Report
for the year ended 31 December 2019

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Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2019

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 May 2020 and signed on its behalf by:


Stefan Cordina
Mayor

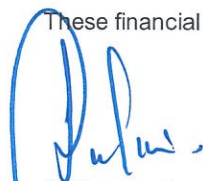

Marica Mifsud
Executive Secretary

	Notes	2019 €	2018 €
Revenue			
Funds received from Central Government	3	880,057	768,332
Income raised under Local Council Bye-Laws	4	3,671	2,507
Income raised under Local Enforcement System	5	3,740	6,774
General Income	6	42,238	40,185
		<u>929,706</u>	<u>817,798</u>
Expenditure			
Personal Emoluments	7	(152,733)	(153,321)
Operations and maintenance	8	(583,130)	(500,929)
Administration and other expenditure	9	(170,504)	(423,953)
		<u>(906,367)</u>	<u>(1,078,203)</u>
Operating profit / (loss) for the year		23,339	(260,405)
Finance income	10	79	99
Finance costs	11	(9)	(21)
		<u>23,409</u>	<u>(260,327)</u>
Loss on disposal of assets	7	-	(81)
Profit / (loss) for the year	7	<u>23,409</u>	<u>(260,408)</u>

The notes on pages 6 to 28 form an integral part of these financial statements.

	Notes	2019 €	2018 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	13	313,607	264,729
Intangible assets	12	589	841
		<u>314,196</u>	<u>265,570</u>
Current Assets			
Inventories	14	2,146	2,172
Receivables	15	143,806	101,300
Cash and cash equivalents	16	220,452	222,954
		<u>366,404</u>	<u>326,426</u>
Total Assets		<u><u>680,600</u></u>	<u><u>591,996</u></u>
RESERVES			
Retained earnings		281,184	257,775
Total reserves		<u><u>281,184</u></u>	<u><u>257,775</u></u>
Non-Current Liabilities			
Deferred income	18	278,097	182,506
Current Liabilities			
Payables	17	121,319	151,715
Total Liabilities		<u><u>399,416</u></u>	<u><u>334,221</u></u>
Total reserves and liabilities		<u><u>680,600</u></u>	<u><u>591,996</u></u>

These financial statements were approved by the Local Council on 26th May 2020 and signed on its behalf by:



Stefan Cordina
Mayor



Marica Mifsud
Executive Secretary

The notes on pages 6 to 28 form an integral part of these financial statements.

Statement of Changes in Equity
for the year ended 31 December 2019

	Retained Funds	Total
	€	€
At 1 January 2018	518,183	518,183
Loss for the year	(260,408)	(260,408)
At 31 December 2018	<u>257,775</u>	<u>257,775</u>
At 1 January 2019	257,775	257,775
Profit for the year	23,409	23,409
At 31 December 2019	<u>281,184</u>	<u>281,184</u>

The notes on pages 6 to 28 form an integral part of these financial statements.

Statement of Cash Flows
for the year ended 31 December 2019

	2019		2018	
	€	€	€	€
Cash flow from operating activities				
Net profit / (loss) for the year	23,409		(260,408)	
Depreciation	46,152		297,371	
Loss on disposal of assets	-		81	
Movement in Provision for Doubtful Debts	(790)		(226)	
Bad debtors written off	57		-	
Inventory written off	-		7,180	
Reclass from property, plant and equipment to income	(2,896)		(942)	
Interest receivable	(79)		(99)	
Interest payable	9		21	
Operating profit before working capital changes	<u>65,862</u>		<u>42,978</u>	
Decrease in inventories	26		134	
(Increase) in receivables	(8,355)		(15,295)	
(Increase) / decrease in other receivables	(16,718)		7,361	
(Decrease) / increase in payables	(38,235)		40,026	
Decrease in other payables	<u>7,839</u>		<u>9,007</u>	
Cash generated from operating activities		10,419		84,211
Cash flow from investing activities				
Interest received	79		99	
Purchase of property, plant & equipment	(94,782)		(162,583)	
Receipt of grant	<u>81,791</u>		<u>67,665</u>	
Cash (used in) investing activities		(12,912)		(94,819)
Cash from financing activities				
Interest paid	(9)		(21)	
Cash (used in) financing activities		(9)		(21)
Net increase in cash in the year		(2,502)		(10,629)
Cash and equivalents at beginning of year		<u>222,954</u>		<u>233,583</u>
Cash and equivalents at end of year		220,452		222,954

The notes on pages 6 to 28 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 May 2020. 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).

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 2019:

On 13 January 2016, the IASB issued IFRS 16 Leases. The standard specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The application of IFRS 16 has not had an impact on the financial position and financial performance of the Council.

During the year the Council has applied the following International Financial Reporting Interpretations and Amendments as adopted by the EU which have become mandatorily effective for the year ending 31 December 2019:

New or revised Interpretations adopted:

On 7 June 2017, the IASB issued IFRIC 23 Uncertainty over Income tax treatments. The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: (1) Whether tax treatments should be considered collectively; (2) Assumptions for taxation authorities' examinations; (3) The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; (4) The effect of changes in facts and circumstances.

The application of IFRIC 23 has not had an impact on the financial position and financial performance of the Council.

New or revised Amendments adopted:

- Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

- Amendments to IFRS 9 'Prepayment features with negative compensation'. Amends the existing requirements in IFRS 9 regarding the termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

2 Accounting Policies and Reporting Procedures (continued)

Amendments to IAS 28 'Long-term Interests in Associates and Joint Ventures'. Clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

- Annual Improvements to IFRS Standards 2015-2017 Cycle. The following standards have been amended: (1) IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business; (2) IAS 12 - The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits; (3) IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

- Amendments to IAS 19 'Plan Amendment, Curtailment or Settlement'. (1) If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. (2) In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

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

New and revised IFRSs adopted by the EU that are not mandatorily effective for the year ending 31 December 2019 and have not been applied during the year under review:

Below is a list of new or revised standards, as well as interpretations and amendments to IFRSs adopted by the EU, that are not yet mandatorily effective (but allow early application) for the year ending 31 December 2019:

- Amendments to IFRS 4 Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'. Issued 12 September 2016 and provides two options for entities that issue insurance contracts within the scope of IFRS 4. Application is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

- Amendments to References to the Conceptual Framework in IFRS Standards - Issued on 29 March 2018, 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. Mandatory applicable for annual periods beginning on or after 1 January 2020.

- Amendments to IAS 1 and IAS 8 Definition of Material. Issued 31 October 2018 and clarifies the definition of 'material' and align the definition used in the Conceptual Framework and the standards. Mandatory applicable for annual periods beginning on or after 1 January 2020.

- Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform (issued 26 September 2019).

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

2 Accounting Policies and Reporting Procedures (continued)

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 2019 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 IFRS 3 Definition of a Business. (issued 22 October 2018)

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.

*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

2 Accounting Policies and Reporting Procedures (continued)

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

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

Impairment of 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.

Inventories

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

2 Accounting Policies and Reporting Procedures (continued)

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.

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.

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.

2 Accounting Policies and Reporting Procedures (continued)

Critical Accounting Estimates and Judgements

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

Capital Management

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

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

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

Financial instruments

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

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

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

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

Financial assets

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

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

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

2 Accounting Policies and Reporting Procedures (continued)

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

	2019	2018
	€	€
In terms of section 55 of the Local Council Act	740,229	701,775
Other Government Income	93,818	18,388
Supplementary Government Income	46,010	48,169
	<u>880,057</u>	<u>768,332</u>

4. Income raised from Bye-Laws

	2019	2018
	€	€
Bye-Law - Advertising on Street Furniture	<u>3,671</u>	<u>2,507</u>

5. Local Enforcement System

	2019	2018
	€	€
Contraventions and other fines	-	1,079
Administrative charges to Regional Committees+LESA	3,740	5,695
	<u>3,740</u>	<u>6,774</u>

6. General Income

	2019	2018
	€	€
Community Services	-	3,144
Sale of books and other merchandise	8	-
Tender Documents/Info. Charges	-	9
Donations	200	925
Contributions	-	650
Discounts Received	25	-
Insurance Claims	-	23
Income from Permits	42,005	35,434
	<u>42,238</u>	<u>40,185</u>

7. Profit/(loss) for the year

	2019	2018
	€	€
(Loss) for the year is stated after charging:		
Staff salaries	152,733	153,321
Depreciation of tangible assets	45,900	297,203
Amortisation of intangible assets	252	168
Loss on disposal of property, plant and equipment	-	81
	<u>152,733</u>	<u>153,321</u>

Staff salaries

	2019	2018
	€	€
Mayor's Remuneration	13,650	11,196
Councillors' Allowances	16,900	11,200
Executive Secretary Salary and Allowances	35,413	34,568
Employees' Salaries	77,758	86,458
Social Security Contributions	9,012	9,899
	<u>152,733</u>	<u>153,321</u>

Average number of people employed

Employees	5	6
Mayor & Councillors	9	9
	<u>14</u>	<u>15</u>

8. Operations and Maintenance

	2019	2018
	€	€
<i>Repairs and Upkeep:</i>		
Public Property	11,782	12,707
Road/Street Pavements	13,456	12,454
Signs	8,887	8,932
Road Markings	2,544	4,262
Office Furniture and Equipment	1,397	725
Plant & Equipment	458	100
Sundry Repairs	-	50
Other repairs and Upkeep	-	32
Council Property	50	553
	<u>38,574</u>	<u>39,815</u>

8. Operations and Maintenance (continued)

	2019	2018
	€	€
<i>Contractual Services:</i>		
Waste Disposal	90,619	89,914
Refuse Collection	207,461	140,530
Bulky Refuse Collection	26,355	20,054
Hiring of Skips - Bins on Wheels	4,125	1,851
Cleaning Services	-	220
Road & Street Cleaning	116,038	80,153
Cleaning & Maint. Non-Urban	16,714	9,188
Cleaning - Public Conveniences	11,244	6,870
Cleaning - Council Premises	1,150	-
Clean. & Maint. Parks & Gardens	46,015	96,031
Clean. & Maint. Soft Areas	5,112	875
Street Lighting	11,220	11,168
Experts	6,318	1,011
Local Enforcement Expenses	2,185	3,249
	<u>544,556</u>	<u>461,114</u>
Total Operations and Maintenance Costs	<u>583,130</u>	<u>500,929</u>

9. Administration and other expenditure	2019	2018
	€	€
Utilities	12,770	13,250
Other repairs and upkeep	5,135	7,260
Rent	145	116
National and International Memberships	2,286	772
Office Services	26,524	31,131
Transport	11,358	6,180
Travel	153	-
Information Services	5,584	5,359
Bank charges	395	145
Lease of Equipment	1,516	854
Insurance Coverage	4,779	4,002
Penalties	-	250
Professional Services	35,497	33,006
Training	1,204	175
Entertainment	1,234	339
Conference Expenses	-	31
Social Events	8,256	10,314
Cultural Events	7,169	6,342
Donations	1,080	102
Inventory written off	-	7,180
(Decrease) provision for doubtful debts	(790)	(226)
Bad debts written off	57	-
Depreciation and amortisation	46,152	297,371
	<u>170,504</u>	<u>423,953</u>
10. Finance Income	2019	2018
	€	€
Bank Interest Received	<u>79</u>	<u>99</u>
11. Finance Costs	2019	2018
	€	€
Bank Interest paid	<u>9</u>	<u>21</u>

12. Intangible fixed assets

	Computer Software €	Total €
Cost		
Additions	1,009	1,009
At 31 December 2018	<u>1,009</u>	<u>1,009</u>
Provision for diminution in value		
Charge for year	168	168
At 31 December 2018	<u>168</u>	<u>168</u>
Net book values		
At 31 December 2018	<u>841</u>	<u>841</u>
Cost		
At 1 January 2019	1,009	1,009
At 31 December 2019	<u>1,009</u>	<u>1,009</u>
Provision for diminution in value		
At 1 January 2019	168	168
Charge for year	252	252
At 31 December 2019	<u>420</u>	<u>420</u>
Net book values		
At 31 December 2019	<u>589</u>	<u>589</u>

Notes to the Financial Statements
for the year ended 31 December 2019

13. Property, plant and equipment	Trees	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & equipment	Office Furniture & fittings	Motor vehicles	Total
	€	€	€	€	€	€	€	€
Cost								
At 1 January 2018	11,529	7,109	18,445	2,643,881	30,920	29,373	5,299	2,746,556
Additions	-	105,309	-	53,344	2,358	563	-	161,574
Reclassifications	-	-	-	-	644	(644)	-	-
Disposals	-	-	-	-	(968)	-	-	(968)
At 31 December 2018	11,529	112,418	18,445	2,697,225	32,954	29,292	5,299	2,907,162
Depreciation								
At 1 January 2018	-	-	12,877	1,141,032	17,160	17,324	2,756	1,191,149
Reclassification to income	-	-	-	1,493	-	-	-	1,493
Charge for the year	-	-	-	284,488	7,082	4,125	1,508	297,203
Disposals	-	-	-	-	(887)	-	-	(887)
At 31 December 2018	-	-	12,877	1,427,013	23,355	21,449	4,264	1,488,958
Grants								
At 1 January 2018	-	-	5,568	1,080,620	1,608	-	-	1,087,796
Reclassification to income	-	-	-	(2,435)	-	-	-	(2,435)
Additions	-	33,861	-	34,253	-	-	-	68,114
At 31 December 2018	-	33,861	5,568	1,112,438	1,608	-	-	1,153,475
Net book values								
At 31 December 2018	11,529	78,557	-	157,774	7,991	7,843	1,035	264,729

13. 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 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
Depreciation								
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
Grants								
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
Net book values								
At 31 December 2019	11,529	147,496	-	140,990	5,742	7,850	-	313,607

14. Inventories	2019	2018
	€	€
Books held for resale	2,146	2,172

Note:

Inventory is stated net of provision for impairment of €7,180 (2018: €7,180)

15. Receivables	2019	2018
	€	€
Receivables	29,413	20,325
Other debtors	5,148	67
Accrued income	97,371	71,129
Financial assets	131,932	91,521
Other receivables	1,604	1,368
Prepayments	10,270	8,411
	143,806	101,300

15. Receivables (continued)*Receivables*

General receivables are analysed as follows:

	2019	2018
	€	€
Within credit period	15,727	16,000
Exceeded credit period	13,686	4,382
Provision for doubtful debts	-	(57)
	<u>29,413</u>	<u>20,325</u>

Included in the receivables are debtors with a carrying amount of €13,686 (2018: €4,325) 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:

	2019	2018
	€	€
Not more than 3 months	11,388	2,447
More than 3 months but not more than 6 months	603	170
More than 6 months	1,695	1,708
	<u>13,686</u>	<u>4,325</u>

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

	2019	2018
	€	€
Balance at 1 January	122,940	124,482
(Decrease) in provision for LES debtors	(734)	(1,363)
(Decrease) in provision for general receivables	(57)	(179)
Balance at 31 December	<u>122,149</u>	<u>122,940</u>

Local Enforcement System (LES) Debtors

LES Debtors are stated after a specific provision for doubtful debts amounting to €122,149 (2018 - €122,883).

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:

	2019	2018
	€	€
Bank Balances	220,440	222,807
Cash in Hand	12	147
	<u>220,452</u>	<u>222,954</u>

17. Payables

	2019	2018
	€	€
Payables	73,933	112,167
Other creditors	-	27
Accruals	43,859	37,418
Financial liabilities	<u>117,792</u>	<u>149,612</u>
Other Deferred Income	3,527	2,103
	<u>121,319</u>	<u>151,715</u>

18. Deferred income Government grants	2019	2018
	€	€
Government grants		
At 1 January	182,506	157,069
Increase in year	99,954	93,551
Reversal of deferred income	(1,463)	-
	<u>280,997</u>	<u>250,620</u>
Capitalised during the year	(2,900)	(68,114)
At 31 December	<u>278,097</u>	<u>182,506</u>
Current Deferred Income	<u>-</u>	<u>-</u>
Non-Current Deferred Income	<u>278,097</u>	<u>182,506</u>
Deferred Government Grants		
Deferred between one and two years	116,985	41,246
Deferred between two and five years	161,112	141,260
	<u>278,097</u>	<u>182,506</u>

19. Capital commitments

	2019	2018
	€	€
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	200,000	-
Info Centre	423,000	-
Triq il-Katlan	79,887	-
<i>General provisions:</i>		
Office Furniture and Fittings	5,000	4,999
Plant & machinery	1,500	-
Urban Improvements & construction	12,000	51,189
Office Equipment (incl. computer equipment)	2,500	-
	<u>723,887</u>	<u>56,188</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 2019 had the following pending Court case:

- two claims in front of the First Hall opened by third parties claiming damages for motor-cycle accident in Mdina Road Attard. 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.

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	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Department of Inland Revenue	No control
Bank of Valletta plc	No control
Wasteserv Malta Limited	No control
GreenPak	No control
Airmalta plc	No control
ARMS Ltd	No control
ERA Monitoring Unit	No control
Environmental Landscapes Consortium Limited	No control
Koperattiva tat-Tabelli u Sinjali	No control

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

	2019	2018
	€	€
Annual Financial Allocation	<u>740,229</u>	<u>701,775</u>
Key management compensation		
	2019	2018
	€	€
Salaries	<u>68,383</u>	<u>59,334</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

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:

	2019	2018
	€	€
Classes of financial assets - carrying amounts		
Trade and other receivables	131,932	91,521
Cash and cash equivalents	220,452	222,954
	<u>352,384</u>	<u>314,475</u>

Liquidity risk

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

At 31 December 2019 the council's financial liabilities have contractual maturities which are summarised below:

31 December 2019

	Current	Non-current	
	within 1 year	1 to 5 years	later than 5 years
	€	€	€
Payables	73,933	-	-
Accruals	43,859	-	-
	<u>117,792</u>	<u>-</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 2018

	Current within 1 year €	Non-current 1 to 5 years €	later than 5 years €
Payables	112,167	-	-
Other creditors	27	-	-
Accruals	37,418	-	-
	<u>112,202</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.

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.

	2019 €	2018 €
Current assets		
Loans and receivables:		
Trade and other receivables	131,932	91,521
Cash and cash equivalents	220,452	222,954
	<u>352,384</u>	<u>314,475</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	73,933	112,167
Other creditors	-	27
Accruals	43,859	37,418
	<u>117,792</u>	<u>149,612</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.

