

**GHAXAQ LOCAL COUNCIL**

**Annual Report and  
Financial Statements**

**For the year ended 31 December 2020**

Prepared by: Laurence Manicarò  
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On behalf of Parker Randall Turner  
Chartered Certified Accountants & Auditors  
13, Curate Fenech Street  
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**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**

<b><i>CONTENTS</i></b>	<b><i>PAGES</i></b>
Statement of Local Council Members' and Executive Secretary's Responsibilities	3
Statement of Financial Position	4
Statement of Profit or Loss and Other Comprehensive Income	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8-25

**Financial Statements for the year ended 31 December 2020**

**Statement of Council Members' and Executive Secretary's Responsibilities**

The Local Government (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Council's Statement of Comprehensive Income for the year and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the 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 Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Government (Financial) Regulations, and the Local Government (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 Government Act, Local Government (Financial) Regulations, and the Local Government (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.

Approved by the Council and signed on its behalf on the 26 October 2021 by:

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**Darren Abela**  
**Mayor**

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**Fiona Cutajar**  
**Executive Secretary**

**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2020

	Notes	2020 €	2019 €
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	255,983	521,570
Receivables	4	90,833	90,833
		<u>346,816</u>	<u>612,403</u>
<b>Current Assets</b>			
Receivables	4	130,173	126,080
Cash at bank and in hand	5	346,687	341,731
		<u>476,860</u>	<u>467,811</u>
<b>Total Assets</b>		<u><u>823,676</u></u>	<u><u>1,080,214</u></u>
<b>Reserves and liabilities</b>			
<b>Reserves</b>			
Retained earnings		<u>512,692</u>	<u>726,031</u>
<b>Non-current liabilities</b>			
Non-current payables	6	<u>18,221</u>	<u>34,466</u>
<b>Current liabilities</b>			
Trade and other payables	6	288,081	304,062
Short-term borrowings	7	4,682	15,655
		<u>292,763</u>	<u>319,717</u>
<b>Total reserves and liabilities</b>		<u><u>823,676</u></u>	<u><u>1,080,214</u></u>

The notes on pages 8 to 25 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on 26 October 2021 and signed on its behalf by:

\_\_\_\_\_  
**Darren Abela**  
 Mayor

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**Fiona Cutajar**  
 Executive Secretary

## GHAXAQ LOCAL COUNCIL

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 €	2019 €
<b>Income</b>			
Funds received from central government	8	447,163	425,776
Funds raised under Local Enforcement System	9	2,697	2,959
Investment income	10	7	111
General income	11	12,339	8,305
		<u>462,206</u>	<u>437,151</u>
<b>Expenditure</b>			
Personal emoluments	13	(105,428)	(99,966)
Operations and maintenance	14	(167,760)	(130,808)
Administration and other expenditure	15	(402,357)	(227,179)
		<u>675,545</u>	<u>457,953</u>
<b>Deficit for the year</b>	12	<u>(213,339)</u>	<u>(20,802)</u>

The notes on pages 8 to 25 are an integral part of the financial statements.

**STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2020

	Retained earnings	Total equity
	€	€
At 1 January 2019	746,833	746,833
Total comprehensive loss	<u>(20,802)</u>	<u>(20,802)</u>
At 31 December 2019	<u>726,031</u>	<u>726,031</u>
At 1 January 2020	726,031	726,031
Total comprehensive loss	<u>(213,339)</u>	<u>(213,339)</u>
At 31 December 2020	<u>512,692</u>	<u>512,692</u>

The notes on pages 8 to 25 are an integral part of the financial statements.

**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2020

	Note	2020 €	2019 €
<b>Cash Flows from Operating Activities</b>			
Loss for the year		(213,339)	(20,802)
Adjustments for:			
Depreciation		317,360	136,379
Investment income		(7)	(111)
Operating profit before working capital changes		104,014	115,466
(Increase) in receivables		(4,093)	(102,673)
(Decrease)/ increase in payables		(32,226)	183,468
Net Cash generated from operating Activities		67,695	196,261
<b>Cash flows from Investing Activities</b>			
Purchase of property, plant and equipment		(86,773)	(455,305)
Investment Income		7	111
Net Cash used in Investing Activities		(86,766)	(455,194)
<b>Cash flows from financing activities</b>			
Grants received		35,000	241,540
Net movement in Cash and Cash Equivalents		15,929	(17,393)
Cash and cash equivalents at the beginning of year		326,076	343,469
		<u>342,005</u>	<u>326,076</u>
Cash at bank and in hand	5	346,687	341,731
Overdrawn bank balances		(4,682)	(15,655)
Cash and cash equivalents at the end of year		<u>342,005</u>	<u>326,076</u>

The notes on pages 8 to 25 are an integral part of the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2020

**1. General Information**

Ghaxaq Local Council is the local authority of Ghaxaq setup in accordance with the Local Councils Act. The office of the Local Council is situated at 15, Vjal il-Labour, Ghaxaq GXQ 1831, Malta.

**2. Accounting Policies and Reporting Procedures**

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

**(a) Accounting convention**

These financial statements 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 Government 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 as adopted by the EU and comply with the Local Government Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Government (Financial) Procedures 1996.

**(b) Standards, amendments and interpretations to existing standards**

The new and revised standards that became effective for annual periods beginning on or after 1 January 2020 made several minor amendments to a number of IFRSs. None of the changes to IFRSs and interpretations has had, or is expected to have, a material impact on the council's financial statements.

**New and amended standards adopted by the Council**

Information on new standards, amendments and interpretations that are relevant to the Council's financial statements is provided below. Certain other new standards and interpretations not listed below have been issued but are not relevant and therefore are not expected to have any impact on the Council's financial statements.

The Council started to adopt the new accounting pronouncements which have become effective this year, and are as follows:

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2020 – continued

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

Effective date of IBOR reform Phase 1 amendments

On 26 September 2019, the IASB issued 'Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)' as a first reaction to the potential effects the IBOR reform could have on financial reporting. The amendments are effective for annual reporting periods beginning on or after 1 January 2020.

Effective date of new materiality definition

On 31 October 2018, the IASB issued 'Definition of Material (Amendments to IAS 1 and IAS 8)' to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective annual reporting periods beginning on or after 1 January 2020.

Effective date of updated references to the Conceptual Framework

Together with the revised 'Conceptual Framework' published in March 2018, the IASB also issued 'Amendments to References to the Conceptual Framework in IFRS Standards'. The amendments are effective for annual periods beginning on or after 1 January 2020.

Effective date of IFRS 3 amendments

On 22 October 2018, the IASB issued 'Definition of a Business (Amendments to IFRS 3)' aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

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

At the date of authorisation of these financial statements, several new, but not effective Standards and amendments to existing standards, and Interpretations have been published by the IASB. None of these standards or amendments to existing standards have been adopted early by the Local Council.

The Councillors and Executive Secretary anticipates that all relevant pronouncements will be adopted for the first beginning on or after the effective date of pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Local Council financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2020 – continued

**(c) Revenue recognition**

Revenue is recognised when the amount of revenue and the associated costs can be measured reliably. Interest income is recognised in the statement of comprehensive income as it accrues.

**(d) Local Enforcement System**

During 2020, the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is chargeable to the LESA and various Regional Committees for contraventions paid at the Council.

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

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

	%
Land	0
Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	100
Playing Field Equipment	100
New Street Signs	100
Street Mirrors	100
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 financial reporting date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2020 – continued

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

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 Local Council 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 year in which they are incurred.

**(f) Government Grants**

Government Grants relating to operating expenditure are recognized 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.

Up to the year ended 31<sup>st</sup> December 2017, government grants were accounted for using the income approach according to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. On 1<sup>st</sup> January 2018, the capital approach, according to IAS 20, has been adopted, in line with the Directive No 1/2017 issued by the Department for Local Government. This is the change in accounting policy, and according to IAS 8 Accounting Policies, and Changes in Accounting Estimates and Errors, it has been accounted for retrospectively.

**(g) Impairment of Assets**

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2020 – continued

**(h) Amounts Receivable**

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

IFRS 9 Financial Instruments addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS39 that relate to the classification and measurement of Financial Instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measure at amortised cost. The determination is made at initial recognition. The classification depends on the entities business module for managing its financial instruments and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of IAS39 requirements. The main change is that, in cases of where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's credit risk is recorded in other Comprehensive Income rather than the Income Statement, unless this creates an accounting mismatch. The council adopted IFRS 9 for annual reporting periods beginning on or after 1 January 2018.

**(i) 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 Euro, which is the Council's functional and presentation currency.

**(j) Surplus and deficits**

Only surpluses that were realised at the date of the Statement of Financial Position are recognised in these Financial Statements. All foreseeable liabilities and potential deficits 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.

**(k) Cash and Cash 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.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2020 – continued

**(l) Related parties**

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

**(m) Payables**

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

Amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the council.

**(n) 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'.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2020 – continued

**(n) Financial Instruments - 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 counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

**Financial liabilities**

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

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

**(o) Critical accounting estimates and judgements**

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

In the opinion of the council members, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2020 – continued

**3. PROPERTY, PLANT AND EQUIPMENT**

	Property €	Office Furniture & Fittings €	Plant & Mach. €	Computer Equipment €	Office Equipment €	Urban Improv. €	Motor Vehicle €	New Street Signs €	Construction €	Special Prog. €	Playing Field €	Projects under Construction	Total €
<b>Cost</b>													
At 1 Jan 2020	24,701	27,047	18,089	27,983	31,540	66,485	8,200	14,884	1,433,960	425,206	-	242,597	2,320,692
Additions	-	-	1,191	1,484	-	-	-	-	-	-	84,098	-	86,773
Reclassifications										(9,822)	252,419	(242,597)	-
At 31 Dec 2020	24,701	27,047	19,280	29,467	31,540	66,485	8,200	14,884	1,433,960	415,384	336,517	-	2,407,465
<b>Grants and other reimbursements</b>													
At 1 Jan 2020	-	-	1,883	2,637	-	-	-	-	211,440	404,452	-	70,000	690,412
Additions	-	-	-	-	-	-	-	-	-	-	35,000	-	35,000
Reclassifications											70,000	(70,000)	-
At 31 Dec 2020	-	-	1,883	2,637	-	-	-	-	211,440	404,452	105,000	-	725,412
<b>Depreciation</b>													
At 1 Jan 2020	3,622	20,236	15,542	24,362	27,795	46,369	4,190	14,884	950,852	858	-	-	1,108,710
Charge for the year	247	2,164	474	1,035	979	3,687	1,640	-	73,594	2,023	231,517	-	317,360
At 31 Dec 2020	3,869	22,400	16,016	25,397	28,774	50,056	5,830	14,884	1,024,446	2,881	231,517	-	1,426,070
<b>Net Book Value</b>													
At 31 Dec 2020	20,832	4,647	1,381	1,433	2,766	16,429	2,370	-	198,074	8,051	-	-	255,983

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2020 – continued

**3. PROPERTY, PLANT AND EQUIPMENT – Continued**

	Property €	Office Furniture & Fittings €	Plant & Mach. €	Computer Equipment €	Office Equipment €	Urban Improv. €	Motor Vehicle €	New Street Signs €	Construction €	Special Prog. €	Projects under Construction	Total €
<b>Cost</b>												
At 1 Jan 2019	24,701	25,420	18,089	27,844	28,706	50,150	8,200	14,884	1,433,960	233,433	-	1,865,387
Additions	-	1,627	-	139	2,834	16,335	-	-	-	191,773	242,597	455,305
At 31 Dec 2019	24,701	27,047	18,089	27,983	31,540	66,485	8,200	14,884	1,433,960	425,206	242,597	2,320,692
<b>Grants and other reimbursements</b>												
At 1 Jan 2019	-	-	1,883	2,637	-	-	-	-	211,440	232,912	-	448,872
Additions	-	-	-	-	-	-	-	-	-	171,540	70,000	241,540
At 31 Dec 2019	-	-	1,883	2,637	-	-	-	-	211,440	404,452	70,000	690,412
<b>Depreciation</b>												
At 1 Jan 2019	3,375	18,215	15,177	21,467	24,982	42,692	2,550	14,884	828,600	389	-	972,331
Charge for the year	247	2,021	365	2,895	2,813	3,677	1,640	-	122,252	469	-	136,379
At 31 Dec 2019	3,622	20,236	15,542	24,362	27,795	46,369	4,190	14,884	950,852	858	-	1,108,710
<b>Net Book Value</b>												
At 31 Dec 2019	21,079	6,811	664	984	3,745	20,116	4,010	-	271,668	19,896	172,597	521,570

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2020 – continued

<b>4 Receivables</b>	<b>2020</b>	<b>2019</b>
	<b>€</b>	<b>€</b>
<b>Amounts due within more than one year</b>		
Accrued income	90,833	90,833
<b>Amounts due within one year</b>		
Accounts receivable	22,185	20,918
Payments in advance	2,826	-
Prepayments and accrued income	104,483	104,483
Other receivables	3,048	3,048
Provisions for bad debts	(2,369)	(2,369)
	<u>130,173</u>	<u>126,080</u>
	<b>2020</b>	<b>2019</b>
<b>Receivables</b>	<b>€</b>	<b>€</b>
Within the current period	132,542	128,449
Amounts against which a provision was made	(2,369)	(2,369)
	<u>130,173</u>	<u>126,080</u>

**5 Cash at bank and in hand**

Cash at bank and in hand included in the statement of cash flow comprise the following amounts in the Local Council statement of financial position:

	<b>2020</b>	<b>2019</b>
	<b>€</b>	<b>€</b>
<b>Bank Balances:</b>		
Current account	48,024	47,881
Savings account	236,470	189,024
Bank account at Central bank	62,007	104,305
Cash in hand	186	521
<b>Cash at bank and in hand</b>	<u>346,687</u>	<u>341,731</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2020 – continued

<b>6 Payables</b>	<b>2020</b>	<b>2019</b>
	<b>€</b>	<b>€</b>
Accounts payable	245,021	272,058
Other payables	144	-
Accruals	20,853	12,624
Governments grants received in advance	22,063	19,380
	<u>288,081</u>	<u>304,062</u>

	<b>2020</b>	<b>2019</b>
	<b>€</b>	<b>€</b>
Non-current payables		
Other payable – Private Partnership Agreement	-	16,245
Between one and two years	-	16,245
Between two and five years	-	-
Over five years	-	-
Creditors in dispute	18,221	18,221
Closing balance	<u>18,221</u>	<u>34,466</u>

<b>7 Short-term borrowings</b>	<b>2020</b>	<b>2019</b>
	<b>€</b>	<b>€</b>
Overdrawn bank balance	4,682	15,655

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2020 – continued

<b>8 Funds received from central government</b>	<b>2020</b>	<b>2019</b>
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	391,925	373,855
Other supplementary income	17,095	-
Other government income	38,143	51,921
	<u>447,163</u>	<u>425,776</u>
<b>9 Income raised from Local Enforcement System</b>	<b>2020</b>	<b>2019</b>
	€	€
LES Administration fees	2,697	2,959
	<u>2,697</u>	<u>2,959</u>
<b>10 Investment income</b>	<b>2020</b>	<b>2019</b>
	€	€
Bank interest receivable	7	111
	<u>7</u>	<u>111</u>
<b>11 General income</b>	<b>2020</b>	<b>2019</b>
	€	€
Income from permits	9,457	5,504
Commissions receivable	-	2,335
General income	2,882	466
	<u>12,339</u>	<u>8,305</u>
<b>12 Deficit for the year</b>	<b>2020</b>	<b>2019</b>
	€	€
<b>Deficit for the year is stated after charging:</b>		
Staff Salaries (note 13)	105,428	99,966
Depreciation on tangible assets	317,360	227,129
	<u>422,788</u>	<u>327,095</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2020 – continued

<b>13 Personal emoluments</b>	<b>2020</b>	<b>2019</b>
	<b>€</b>	<b>€</b>
Personal emoluments include:		
Mayor's allowance	10,404	9,754
Mayor and councillors' allowance	13,000	9,300
Executive secretary salary and allowances	31,782	30,928
Employees' salaries	43,909	43,908
Social security contributions	6,333	6,076
<b>Total</b>	<b>105,428</b>	<b>99,966</b>
<b>14 Operations and maintenance</b>	<b>2020</b>	<b>2019</b>
	<b>€</b>	<b>€</b>
Operations and maintenance includes:		
Repairs and Upkeep:		
Road patching and works	10,579	5,634
Road markings	3,341	1,662
Street signs	3,102	4,772
Surfacing of turf	2,039	-
Other repairs and upkeep	13,335	141
<b>Total</b>	<b>32,396</b>	<b>12,209</b>
<b>Contractual services:</b>	<b>2020</b>	<b>2019</b>
	<b>€</b>	<b>€</b>
Refuse collection	44,933	44,698
Bulky refuse collection	12,384	10,265
Bins on wheels	2,283	-
Road and street cleaning (mechanical and manual)	28,088	10,798
Waste disposal	39,943	37,462
Cleaning and maintenance of public conveniences	804	767
Cleaning and maintenance of parks and gardens	-	1,500
Street lighting	6,929	10,835
Other contractual services	-	2,274
	<b>135,364</b>	<b>118,599</b>
<b>Total operations and maintenance expenses</b>	<b>167,760</b>	<b>130,808</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2020 – continued

<b>15 Administration and other expenditure</b>	<b>2020</b>	<b>2019</b>
	<b>€</b>	<b>€</b>
Utilities	7,613	9,666
Materials and supplies	16,905	18,390
Office services	2,999	4,951
Rent	520	530
Transport	1,568	1,331
Information services	3,164	3,532
Professional services	36,548	33,353
Community and hospitality	15,529	16,015
National meetings / memberships	-	773
Les expenditure	151	2,259
Depreciation	317,360	136,379
	<u>402,357</u>	<u>227,179</u>

**16 Related parties disclosures**

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

Name of entity	Nature of relationship
Department of Local Councils	Significant control
WasteServ Malta Limited	No control
Regional Committees	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2020 – continued

**16 Related parties disclosures - continued**

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

	<b>2020</b>	<b>2019</b>
	<b>€</b>	<b>€</b>
Significant control Revenue:		
Annual financial allocation	391,925	373,856

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

The Council also receives revenue from other Government entities such as Water Services Corporation for trenching works carried out in the locality, and for the reinstatement of roads as a result of the trenching works.

**17 Capital commitments**

Details of capital commitments at the reporting date	<b>2020</b>	<b>2019</b>
	<b>€</b>	<b>€</b>
(i) Approved but not contracted for:		
- Embellishment of St Rokku Square	180,000	100,000
- Measure 4 Project	75,152	-
	<u>255,152</u>	<u>100,000</u>
(ii) Contracted but not provided for		
Embellishment of playing field	36,169	36,169

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2020 – continued

**18 Risk management objectives and policies**

The Council's activities expose it to credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Council is not exposed to any market risk. The Council's risk management is coordinated by the council members and focuses on actively securing the council's short to medium term cash flow by minimising exposure to financial risks.

The most significant financial risks to which the council is exposed are described below.

**18.1 Credit risk**

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

	<b>2020</b>	<b>2019</b>
	€	€
Class of financial assets – carrying amounts		
<i>Amounts due within more than one year</i>		
Trade and other receivables	90,833	90,833
	-----	-----
<i>Amounts due within one year</i>		
Trade and other receivables	130,173	126,080
Cash at bank and in hand	346,687	341,731
	-----	-----
	476,860	467,811
	-----	-----
	<b>567,693</b>	<b>558,644</b>
	-----	-----

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

The Council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See notes 4 and 5 for further information on impairment or financial assets that are past due.

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2020 – continued

**18 Risk management objectives and policies - continued****18.2 Liquidity risk**

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

The Council manage its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. The council's liquidity is deemed to be sufficient in view of an excess of financial assets.

	<b>2020</b>	<b>2019</b>
	€	€
Current Liabilities	288,081	304,062
Non-current liabilities	18,221	34,466
Payables	<u>306,302</u>	<u>338,528</u>

**18.3 Interest rate risk**

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 5), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

**18.4 Summary of the financial assets and liabilities by category**

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

<b>Assets</b>	<b>2020</b>	<b>2019</b>
	€	€
Loans and receivables:		
Trade and other receivables	221,006	216,913
Cash at bank and in hand	346,687	341,731
	<u>567,693</u>	<u>558,644</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2020 – continued

**18 Risk management objectives and policies - continued**

	<b>2020</b>	<b>2019</b>
<b>Liabilities</b>	<b>€</b>	<b>€</b>
Financial liabilities measured at amortised costs:		
Payables	306,302	338,528
Overdrawn bank balance	4,682	15,655
	<hr/>	<hr/>
	310,984	354,183

**18.5 Capital risk management**

The Council's objectives when managing capital are to safeguard the Council's ability to continue as a going concern so that it can continue to provide a service to the residents of the Local Council by maintaining an optimal capital structure to reduce cost of capital.

The Council's equity, as disclosed in the statement of financial position, constitutes its capital. The Council's capital structure is monitored by the Executive Secretary and the Council with appropriate reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Council's activities, the capital level as at the end of the reporting period is deemed adequate by the Council.

**19 Fair value estimation**

At 31 December 2020 and 31 December 2019, the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

**20 Comparative figures**

Comparative figures in notes 4 and 6 to the financial statements have been changed to comply with this year presentation of balances.

**21 Events after the accounting period**

There were no particular important event or transactions affecting the council that have occurred since the end of the accounting period, which, though properly excluded from the financial statements, are of such importance that they should have been disclosed in the notes to the financial statements.

**GHAXAQ LOCAL COUNCIL**

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**REPORT OF THE LOCAL GOVERNMENT AUDITORS' ON THE GHAXAQ  
LOCAL COUNCIL TO THE DIRECTOR OF AUDIT**