



MQABBA LOCAL COUNCIL
AUDITED REPORT & FINANCIAL STATEMENTS
For the year ended 31st December 2020

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

The Local Councils (Financial) Regulations 1993 require the Executive Secretary to prepare a detailed Annual Administrative Report which includes the Local Council's Statement of Profit or Loss and Other Comprehensive Income for the year and of the Council's retained funds at the end of this 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 1993, 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 Local Council on 24 August 2021 and signed on its behalf by:

Mr. Omar Farrugia
(Mayor)

Mr. Fabian Mizzi
(Executive Secretary)

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31st December 2020.

	Notes	Year Ended 2020 €	Year Ended 2019 €
Income			
Funds received from Central Government	4	328,430	315,888
Income raised by Local Council Bye-Laws	5	-	-
Income from Law Enforcement System	6	2,043	9,321
General Income	7	6,767	23,915
		<u>337,240</u>	<u>349,124</u>
Expenditure			
Personnel emoluments	8	88,914	74,033
Operations and maintenance	9	142,239	115,872
Administrative and other expenditure	10	128,822	153,049
		<u>359,975</u>	<u>342,954</u>
Operating (deficit)/surplus for the year		(22,735)	6,170
Investment income	11	11	70
		<u>11</u>	<u>70</u>
(Deficit)/Surplus for the year		(22,724)	6,240
Total comprehensive (deficit)/income for the year		(22,724)	6,240

The notes on pages 6 to 22 form an integral part of these financial statements.

Statement of Financial Position as at 31st December 2020

	Notes	Year Ended 2020 €	Year Ended 2019 €
Assets			
<u>Non-current assets</u>			
Property, plant, and equipment	12 a-b	218,611	294,031
Total non-current assets		218,611	294,031
<u>Current assets</u>			
Trade and other Receivables	13	29,755	26,031
Cash and cash equivalent	14	398,618	310,826
Total current assets		428,373	336,857
Total assets		646,984	630,888
Reserves and liabilities			
<u>Reserves</u>			
Retained Earnings		457,133	479,857
Total Reserves		457,133	479,857
<u>Current liabilities</u>			
Trade and Other Payables	16	189,851	151,031
Total current liabilities		189,851	151,031
Total liabilities		189,851	151,031
Total reserves and liabilities		646,984	630,888

The notes on pages 6 to 22 form an integral part of these financial statements.

These financial statements were approved by the Local Council on 24 August 2021 and are signed by

Mr. Omar Farrugia
(Mayor)

Mr. Fabian Mizzi
(Exec. Secretary)

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

	Retained Earnings €
At 1 January 2019	473,617
Surplus for the year	6,240
Other comprehensive income	-
Total comprehensive income for the year	6,240
At 31 December 2019	<u>479,857</u>
At 1 January 2020	479,857
Deficit for the year	(22,724)
Other comprehensive income	-
Total comprehensive deficit for the year	(22,724)
At 31 December 2020	<u>457,133</u>

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

	Notes	2020 €	2019 €
Cash flows from operating activities			
(Deficit)/Surplus for the year		(22,724)	6,240
<u>Adjustments for:</u>			
Depreciation		87,738	85,017
Increase in provision for doubtful debts		2,472	8,180
Interest receivable		-	(70)
		<hr/>	<hr/>
Operating surplus before working capital changes		67,486	99,367
<u>Movements in working capital:</u>			
Movement in receivables		22,864	(16,110)
Movement in payables		13,948	13,798
		<hr/>	<hr/>
Net cash generated by operating activities		104,298	97,055
Cashflows from investing activities			
Payment to acquire property, plant, and equipment		(16,517)	(108,008)
Interest received		11	95
		<hr/>	<hr/>
Net cash generated used in investing activities		(16,506)	(107,913)
Cash flows from financing activities			
Grants received		-	43,608
Refund to ARPA on project		-	(4,956)
		<hr/>	<hr/>
Net cash generated by financing activities		-	38,652
Net movement in cash and cash equivalents in the year		87,792	27,794
Cash and cash equivalents at beginning of year	14	310,826	283,032
		<hr/>	<hr/>
Cash and equivalents at end of year	14	398,618	310,826
		<hr/> <hr/>	<hr/> <hr/>
Cash and equivalents– cash at bank & in hand		398,618	310,826

The notes on pages 6 to 22 form an integral part of these financial statements.

Notes to the Financial Statements for the year ended 31st December 2020**1. General Information**

Mqabba Local Council is the local authority of Mqabba set up in accordance with the Local Councils Act 1993. The office of the Local Council is situated at 29, Triq il-Parrocca, Mqabba, Malta. These financial statements were approved by the Council on 24 August 2021.

The Local Council's presentations as well as functional currency are denominated in Euro (€). Its ultimate controlling party is the Department for Local Government within the Ministry for Justice, Culture and Local Government.

2. Accounting Policies and Reporting Procedures

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 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, 1993 (Chap. 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, as adopted by the EU. 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, 1993 (Cap 363).

New and amended standards adopted by the Local Council

Certain new standards, amendments and interpretations to existing standards have been published and effective for the current period, however these changes are not expected to have a material effect on the Local Council's financial statements. These include:

- IFRS 4 "Insurance Contracts" applies, with limited exceptions, to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds. In light of the IASB's comprehensive project on insurance contracts, the standard provides a temporary exemption from the requirements of some other IFRSs, including the requirement to consider IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" when selecting accounting policies for insurance contracts.
- IFRS 7 "Financial Instruments: Disclosures" requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters.

Notes to the Financial Statements for the year ended 31st December 2020**New and amended standards adopted by the Local Council**

- The final version of IFRS 9 "Financial Instruments" issued in July 2014 is the IASB's replacement of IAS 39 "Financial Instruments: Recognition and Measurement". The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.
- IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained.
- IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis.
- IAS 39 "Financial Instruments: Recognition and Measurement" outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when an entity becomes a party to the contractual provisions of the instrument and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortized cost or fair value). Special rules apply to embedded derivatives and hedging instruments.

Standards, amendments, and interpretations that are not yet effective

The following standards and amendments to existing standards have been published and are mandatory (as applicable) for the Local Council's accounting periods beginning on or after 1 January 2021 or later periods and the Local Council has not yet early adopted them:

- IFRS 1 – First-time Adoption of International Financial Reporting Standards – effective on or after 1 January 2022
- IAS 17 – Property, Plant and Equipment – effective on or after 1 January 2022
- IAS 37 – Provisions, Contingent Liabilities and Contingent Assets effective on or after 1 January 2022
- IFRS 17 – Insurance Contracts - effective on or after 1 January 2023
- IAS 1 "Presentation of Financial Statements" - effective on or after 1 January 2023

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Local Council.

Notes to the Financial Statements for the year ended 31st December 2020**Principal Accounting Policies**

The principal accounting policies and reporting procedures used by the Local Council are as follows:

Income recognition

Income in general is stated when there is reasonable certainty that the income would be receivable and thus can be accrued for. Other income such as that derived from the organization of courses, cultural, sporting, and social activities is only recognized on a cash basis. Income from investment activities is recognized when the rights of receipt have been established. Interest income from financial assets is recognized when it is probable that the economic benefits will flow to the Council and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Local Enforcement System

Local Enforcement Income represents the income as it accrues from contraventions as controlled by the Local Enforcement System (L.E.S). The amount receivable from the Local Enforcement System is disclosed in the statement of financial position. A full provision for bad debts is accounted for receivables aged over two years. As from the 1st of September 2011, the Council forms part of the Southern Regional Committee, which is responsible for the L.E.S income of the locality. The contract provides for a 10% administration fee payable to the Council for contraventions collected by the Council and remitted to the respective Regional Committees. During the year, the L.E.S. undergone changes with the introduction of the LESA which has taken over the functions previously undertaken by the Regional Committees.

Financial instruments

The Council recognises a financial instrument in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Receivables are initially recognised at fair value plus transaction costs. Receivables are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all risks and rewards of ownership or has not retained control of the financial asset.

The Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If there is objective evidence that an impairment loss on receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

At 31st December 2017, the carrying amounts of cash at bank, receivables, payables, and accrued expenses 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.

Notes to the Financial Statements for the year ended 31st December 2020 (cont.)**Property, Plant and Equipment**

Property, plant, and equipment is stated at historical cost less accumulated depreciation and impairment loss to date. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The present values of property, plant and equipment do not differ materially from those that would be determined by using fair values at the end of each reporting period.

Subsequent costs are included in the asset's carrying amount 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

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:

Category	%
Land / Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works / Special Projects / Urban Improvements (Street Furniture)	10
Office Equipment / Motor Vehicles / Plant and Machinery / Air conditioners	20
Computer Equipment / Computer software	25
Plants / Litter Bins / Playground furniture	100
Traffic / Road Signs / Street Mirrors / Lights	replacement basis

Up to the year ending 31st December 2017, depreciation was calculated using the reducing balance method. The change in the depreciation method has been affected according to the instructions in the DLG Directive 1/2017.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are considered in determining operating surplus. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each year end. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

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

Impairment of property, plant, and equipment

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

Notes to the Financial Statements for the year ended 31st December 2020 (cont.)**Property, Plant and Equipment (cont....)**

individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

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

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

Impairment of financial assets other than inventories

At the end of each reporting period, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

In the case of financial assets that are carried at amortised cost, objective evidence of impairment includes observable data about the following loss events - significant difficulty of the issuer (or counterparty) and/or breach of contract. An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

For loans, and receivables or, if there is objective evidence that an impairment loss has been incurred, the loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

In the case of other assets tested for impairment, the recoverable amount is the higher of fair value less costs to sell (which is the amount obtainable from sale at arm's length transaction between knowledgeable, willing parties, less the costs of disposal) and value in use (which is the present value of the future cash flows expected to be derived, discounted using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Notes to the Financial Statements for the year ended 31st December 2020 (cont.)**Impairment of financial assets other than inventories (cont.)**

Impairment losses are recognized immediately in the statement of comprehensive income, unless the asset is carried at a revalued amount, in which case, the impairment loss is recognized directly against the asset's revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for the asset.

For loans and receivables, if, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized; the previously recognized impairment loss is reversed directly.

In the case of assets tested for impairment, an impairment loss recognized in a prior period is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but in a manner that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods. Impairment reversals are recognized immediately in the comprehensive income statement, unless the asset is carried at a revalued amount, in which case, the impairment reversal is recognized directly in reserves, unless an impairment loss on the same asset was previously recognized in the comprehensive income statements.

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.

Up to the year ended 31st 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 1st 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 a change in accounting policy, and according to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors," it has been accounted for retrospectively.

Amounts Receivable

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

Payables

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of the council's activities from suppliers. Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Notes to the Financial Statements for the year ended 31st December 2020 (cont.)

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 currency. Transactions denominated in foreign currencies are translated into € using the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Related Parties

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

Profits and Losses

Only profits that were realized at the reporting date 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 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.

3. Critical accounting estimates and judgments

In the process of applying the council's accounting policies, the council has made no judgments which can significantly affect the amounts recognised in the financial statements.

At the reporting date, there were no key assumptions concerning the future, or any other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)**4. Funds received from Central Government**

	2020	2019
	€	€
In terms of section 55 of the Local Councils Act (Cap 363)	310,135	297,043
Government Grants	-	8,625
Other Government Income	18,295	10,220
	328,430	315,888

5. Income raised from Bye-Laws

	2020	2019
	€	€
Income raised under Local Council Bye-Laws	-	-

6. Local Enforcement Income

	2020	2019
	€	€
Fines, Penalties, and fees	2,043	9,321

7. General Income

	2020	2019
	€	€
Income from permits	697	359
Contributions and donations	18	52
Income from permits and licenses	6,052	8,519
Other income	-	14,985
	6,767	23,915

8. Personal Emoluments

	2020	2019
	€	€
Mayor's allowance	13,337	10,020
Councillors' allowances	10,600	5,657
Executive Secretary's salary and allowances	17,906	14,662
Employees' salaries	42,850	40,243
Social Security Contributions	4,221	3,451
	88,914	74,033

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)**9. Operations and Maintenance**

	2020	2019
	€	€
Road and street pavements	25,283	6,119
Street signs	3,384	2,382
Road markings	1,130	159
	29,797	8,660

9. Operations and Maintenance (cont.)

	2020	2019
	€	€
Contractual Services:		
Refuse collection	40,783	37,284
Bulky refuse collection	3,271	3,992
Road and Street Cleaning & premises	32,515	29,381
Waste disposal	19,219	17,148
Cleaning and Maintenance of Public Conveniences	2,551	4,645
Cleaning and Maintenance of Parks, Gardens, and premises	1,838	1,465
Street lighting expenses	12,241	4,480
Local Enforcement System (L.E.S) Expenses	24	8,817
	112,442	107,212
	142,239	115,872

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)**10. Administration and other expenditure**

	2020	2019
	€	€
Utilities	7,554	9,313
Other repairs and upkeep	3,421	3,316
Rent	233	398
National and International Memberships	86	5,704
Office Services	2,862	4,342
Transport	292	1,632
Information Services	3,447	2,384
Insurance	1,187	1,177
Professional services	12,855	14,087
Community and hospitality	4,277	15,593
Sundry expenses, uniforms, and bank charges	1,204	128
Other interest	1,194	1,778
Depreciation	87,738	85,017
Increase in provision for doubtful L.E.S debtors	2,472	8,180
	128,822	153,049

11. Investment Income

	2020	2019
	€	€
Bank Interest	11	70

Notes to the Financial Statements for the year ended 31st December 2020 (cont..)**12a. Property, plant, and equipment**

	Council Admin Offices Buildings	Office Furniture & Fittings	Plant & machinery	Computer Equip.	Computer Software	Office Equipment	Urban Improvemen t	New Street Signs	Construction works	Trees	Assets under Constructio n	Total
	€	€	€	€	€	€	€	€	€	€	€	€
Cost												
At 1 January 2020	98,850	12,333	6,986	13,962	7,783	22,593	200,509	7,932	623,327	1,000	650	995,925
Additions/Transfers	-	-	-	161	-	306	2,254	-	9,598	-	-	12,319
Less Government Grants	-	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2020	98,850	12,333	6,986	14,123	7,783	22,899	202,763	7,932	632,925	1,000	650	1,008,244
Depreciation												
At 1 January 2020	(13,356)	(10,169)	(6,986)	(12,930)	(3,114)	(21,839)	(115,120)	(7,932)	(509,615)	(833)	-	(701,893)
Current charge	(988)	(927)	-	(211)	(1,136)	(242)	(20,130)	-	(63,937)	(167)	-	(87,738)
At 31 December 2020	(14,344)	(11,096)	(6,986)	(13,141)	(4,250)	(22,081)	(135,250)	(7,932)	(573,552)	(1,000)	-	(701,893)
N.B.V. at 31 December 2020	84,506	1,237	-	982	3,533	818	67,512	-	59,373	-	650	218,611
N.B.V. at 31 December 2019	85,494	2,164	-	1,032	4,669	754	85,389	-	113,712	167	650	294,031

Notes to the Financial Statements for the year ended 31st December 2019 (cont.)

12a. Property, plant, and equipment	Council Admin Offices Buildings	Office Furniture & Fittings	Plant & machinery	Computer Equip.	Computer Software	Office Equipment	Urban Improvement	New Street Signs	Construction works	Trees	Assets under Constructio n	Total
	€	€	€	€	€	€	€	€	€	€	€	€
Cost												
At 1 January 2019	98,850	12,333	6,986	13,133	3,554	22,488	142,559	7,932	592,689	-	5,393	905,917
Additions	-	-	-	829	4,229	105	950	-	3,463	1,000	97,432	108,008
Transfers	-	-	-	-	-	-	57,000	-	45,175	-	(102,175)	-
Less Govt Grants	-	-	-	-	-	-	-	-	(18,000)	-	-	(18,000)
At 31 December 2019	98,850	12,333	6,986	13,962	7,783	22,593	200,509	7,932	623,327	1,000	650	995,925
Depreciation												
At 1 January 2019	(12,368)	(9,242)	(6,986)	(12,895)	(2,037)	(20,247)	(97,556)	(7,932)	(447,614)	-	-	(616,877)
Current charge	(988)	(927)	-	(35)	(1,077)	(1,592)	(17,564)	-	(62,001)	(833)	-	(85,017)
At 31 December 2019	(13,356)	(10,169)	(6,986)	(12,930)	(3,114)	(21,839)	(115,120)	(7,932)	(509,615)	(833)	-	(701,894)
	-	-	-	-	-	-	-	-	-	-	-	-
N.B.V. at 31 December 2019	85,494	2,164	-	1,032	4,669	754	85,389	-	113,712	167	650	294,031
N.B.V. at 31 December 2018	86,482	3,091	-	238	1,517	2,241	45,003	-	145,075	-	5,393	289,040

Notes to the Financial Statements for the year ended 31st December 2020 (cont.)**13. Receivables**

	2020	2019
	€	€
Receivables & Related party undertakings (note 13.1)	24,788	14,486
Provision for doubtful debts	(7,229)	(4,757)
Other receivables	2,432	6,136
LES debtors (Note 13.2)	-	-
Prepayments and accrued income	9,764	10,166
	<u>29,755</u>	<u>26,031</u>

Note 13.1

	2020	2019
	€	€
Receivables within credit period	5,681	6,600
Receivables not within credit period*	12,628	3,129
Receivables which are impaired and provided for	6,479	4,757
	<u>24,788</u>	<u>14,486</u>

* None of the receivables are at impaired status

The credit period on receivables (Note 13.1) is of 90 days. No interest is charged on receivables for the first 90 days from the date of request of payment. Thereafter, the Council may consider imposing an interest charge of 2% per annum on the outstanding balance. Allowances for doubtful debts are recognised against receivables after 730 days (two years). Receivables disclosed in (Note 13.1) include amounts (see below for aged analysis) that are past due at the end of the reporting date for which the Council has not recognised an allowance for doubtful debts, as these are still considered recoverable. The aging of receivables that are past due but not impaired are as follows;

	2020	2019
	€	€
Receivables within credit period -1 - 89 days	5,681	6,600
Receivables not within credit period* - 90 - 730 days	12,628	3,129
	<u>18,309</u>	<u>9,729</u>

Note 13.2

	2020	2019
	€	€
L.E.S receivables	94,761	121,348
Provision for L.E.S doubtful debts (reconciled in the next page)	(94,761)	(121,348)
	<u>-</u>	<u>-</u>

Notes to the Financial Statements for the year ended 31st December 2020 (cont.)**13. Receivables - cont.****Note 13.2 - cont.**

	2020	2019
	€	€
<i>Movement in the allowance for doubtful debts:</i>		
Balance at beginning of the year	121,348	113,142
Movement in provision	(36,587)	8,206
Balance at the end of the year	94,761	121,348

The credit period on L.E.S receivables (Note 13.2) is of 60 days. As the system is controlled by the Central Government, the Council has no control on the charging of interest or the imposition of penalties. Allowances for doubtful debts are recognised against receivables after 730 days (two years).

14. Cash and Cash Equivalents

	2020	2019
	€	€
Cash at bank	398,402	310,576
Cash in hand	216	250
	398,618	310,826

15. Deferred income

As explained in Note 2 – Accounting policies and reporting procedures on Government Grants, as from 01 January 2018, reporting of grants have been changed from Income approach to Capital approach and government grants related to the purchase of property, plant and equipment are deducted from the carrying amount of the relative non-current asset. Therefore, in financial statements no deferred income is reported. Since this is a change in accounting policy according to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, it has been accounted for retrospectively.

Notes to the Financial Statements for the year ended 31st December 2020 (cont.)**16. Trade and other payables**

	2020	2019
	€	€
Trade Payables	24,209	16,298
Other payables	16,395	5,118
Capital payables	12,753	16,951
Related Party undertakings	7,291	11,177
Deferred income	82,097	57,368
Accruals	47,106	44,119
	189,851	151,031

17. Capital commitments

At the end of the reporting period, the Council had no future capital expenditure plans.

18. Related party transactions

Mqabba Local Council is ultimately controlled by the Central Government Local Councils Department.

Other related parties through ultimate control of the Central Government, but which have no control on the Mqabba Local Council include Water Services Corporation, Enemalta Corporation, LESA and Malta Environmental Planning Authority.

In the ordinary course of its operations, the Council received funds and income from the related parties. The Council's income reflected in the statement of profit or loss and comprehensive income comprises funds received from the Central Government amounting to €328,430 (2019: €315,888). The Council also received income derived from the Local Enforcement System amounting to €2,043 (2019: €9,321).

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

19. Capital management policies and procedures**Capital Management**

It is the policy of the Executive Secretary to maintain an adequate capital base to sustain the future development of the Local Council and safeguard the ability of the Local Council to continue as a going concern. In this respect, the Executive Secretary monitors the operations and results of the Local Council.

Notes to the Financial Statements for the year ended 31st December 2020 (cont.)**20. Risk management objectives**

The Council is exposed to credit risk, liquidity risk and contractual maturity risk through its use of financial instruments which result from its operating and investing activities. The most significant financial risks to which the Council is exposed to are described below.

Credit risk

The Council's exposure to credit risk is limited to the carrying amount of financial assets recognized at the date of the Statement of Financial Position (as disclosed in Notes 13 and 14, and as referred to hereunder), which arises from cash and cash equivalents and credit exposures from receivables as follows:

	€
Receivables (Note 13.1)	24,788
Prepayments and Accrued Income (Note 13)	9,764
Cash and cash equivalents (Note 14)	398,618

L.E.S receivables relate to sentenced cases arising from contraventions which are legally due to the Council. The credit risk exposure is high on L.E.S receivables as the Council has no control on such collectables. The amount disclosed is Nil (2019: Nil) since total L.E.S receivables of €94,761 (2019: €121,348) have been fully provided for with a provision for bad debts of €94,761 (2019: €121,348)

Receivables arise from legal obligations due to the Council by third parties. The credit risk exposure is considered low as the Council is in direct contact with such debtors. Accrued income represents income receivable from Government and related agencies. Their relative credit exposure is considered low. The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective note to the financial statements and there is no collateral to secure such assets.

Cash at bank relates to balances held as savings accounts placed with a local reliable financial institution. The credit risk exposure in this respect is considered low.

Liquidity risk

The Council's exposure to liquidity risk arises from its obligations to meet financial liabilities, which comprise of trade and other payables. The Council monitors and manages its liquidity risk to a shortage of funds by maintaining sufficient cash and cash at bank, and by monitoring the availability of raising funds to ensure adequate amounts of funding to meet the obligations when they become due.

Notes to the Financial Statements for the year ended 31ST December 2020 (cont.)**Contractual maturity risk**

At 31 December 2020 and 31 December 2019, the contractual maturities on the financial liabilities of the Council were as summarised below. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the Statement of Financial Position.

2019				
	Less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years
Payables	83,101	54,269	11,058	-

2020				
	Less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years
Payables	47,995	1,260	101,994	13,354

Foreign currency risk

Most of the Council's transactions are carried out in Euro. Exposure to foreign currency exchange rates arise from the Council's transactions in foreign currency. There were no figures translates from foreign currency to Euro as at the date of the Statement of the Financial Position, thus putting the foreign currency risk at nil.

Fair value of financial assets and financial liabilities

At 31st December 2020, the fair value of non-current financial assets and non-current financial liabilities are not materially different from the carrying amounts.

21. Events after the reporting date

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