

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



Prepared by:
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B.Accountancy(Honours) AIA, DIP. IFR CPA, Reg Auditor

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

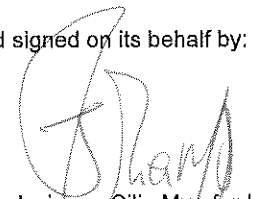
The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of comprehensive income for the year, and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on 10 June 2020 and signed on its behalf by:



Rita Grima
Mayor



Josianne Cilia Mumford
Executive Secretary

REPORT OF THE LOCAL GOVERNMENT AUDITORS ON THE ZURRIEQ LOCAL COUNCIL TO THE AUDITOR GENERAL

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Zurrieq Local Council, which comprise the Statement of Financial Position as at 31 December 2019, and the statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the statement of financial position of Zurrieq Local Council as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Executive Secretary

The Executive Secretary is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the EU, and for such internal control as the Executive Secretary determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Secretary is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the entity is intended to be liquidated or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

REPORT OF THE LOCAL GOVERNMENT AUDITORS ON THE ZURRIEQ LOCAL COUNCIL TO THE AUDITOR GENERAL

Report on the Audit of the Financial Statements


As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Secretary.
- Conclude on the appropriateness of the Executive Secretary's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Executive Secretary regarding, among other matters, the planned scope and timing of the audit and significant audit figures, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements comply fully with the Local Councils Act, the Financial Regulations issued in terms of this Act and the Local Council (Financial) Procedures.



Mr Manuel Castagna

For and on behalf of
Nexia BT
Certified Public Accountants

**The Penthouse, Suite 2
Capital Business Centre, Entrance C
Triq taz-Zwejt
San Gwann SGN 3000
Malta**

Date: 10 June 2020

**Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2019**

	Notes	2019 €	2018 €
Revenue			
Funds received from Central Government	3	920,404	829,786
Income raised under Local Enforcement System	4	5,033	7,079
General Income	6	54,658	75,947
		<u>980,095</u>	<u>912,812</u>
Expenditure			
Personal Emoluments	7	(141,529)	(132,321)
Operations and maintenance	8	(485,934)	(353,997)
Administration and other expenditure	9	(296,382)	(564,779)
		<u>(923,845)</u>	<u>(1,051,097)</u>
Operating profit/(loss) for the year		56,250	(138,285)
Finance income	5	86	55
		<u>56,336</u>	<u>(138,230)</u>
Profit/(loss) for the year	7	<u>56,336</u>	<u>(138,230)</u>
Total comprehensive income/(loss)		<u>56,336</u>	<u>(138,230)</u>

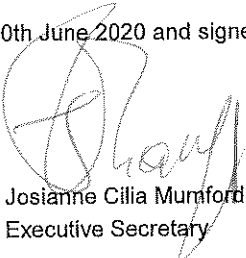
The notes on pages 8 to 27 form an integral part of these financial statements.

Statement of Financial Position
as at 31 December 2019

	Notes	2019 €	2018 €
Non-Current Assets			
Property, plant and equipment	10	826,614	956,589
		<u>826,614</u>	<u>956,589</u>
Current Assets			
Receivables	11	58,647	25,490
Cash and cash equivalents	12	1,074,508	904,727
Total Current Assets		<u>1,133,155</u>	<u>930,217</u>
Total Assets		<u><u>1,959,769</u></u>	<u><u>1,886,806</u></u>
RESERVES			
Retained earnings		1,739,221	1,682,885
Total reserves		<u>1,739,221</u>	<u>1,682,885</u>
Current Liabilities			
Trade and other payables	13	220,157	203,921
Short-term borrowings	14	391	-
		<u>220,548</u>	<u>203,921</u>
Total Liabilities		<u>220,548</u>	<u>203,921</u>
Total reserves and liabilities		<u><u>1,959,769</u></u>	<u><u>1,886,806</u></u>

These financial statements were approved by the Local Council on 10th June 2020 and signed on its behalf by:


Rita Grima
Mayor


Josianne Cilia Mumford
Executive Secretary

The notes on pages 8 to 27 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	1,821,115	1,821,115
(Loss) for the year	(138,230)	138,230
Other comprehensive income	-	-
Total comprehensive (loss)	(138,230)	138,230
At 31 December 2018	<u>1,682,885</u>	<u>1,682,885</u>
At 1 January 2019	1,682,885	1,682,885
Profit for the year	56,336	56,336
Other comprehensive income	-	-
Total comprehensive income	56,336	56,336
At 31 December 2019	<u>1,739,221</u>	<u>1,739,221</u>

Statement of Cash Flows
for the year ended 31 December 2019

	2019		2018	
	€	€	€	€
Net profit/(loss) for the year	56,336		(138,230)	
Reconciliation to cash generated from operations:				
Amortisation and Depreciation	162,700		419,723	
Loss on write off of property, plant and equipment	-		816	
Movement in Provision for Doubtful Debts	(2,224)		(465)	
Interest receivable	(86)		(55)	
Operating surplus before working capital changes	216,726		281,789	
(Increase) in receivables	(10,000)		(4,942)	
(Increase)/decrease in other receivables	(20,933)		12,881	
(Decrease) / increase in payables	(16,238)		52,664	
Increase in other payables	32,865		7,340	
Cash generated from operating activities		202,420		349,732
Cash flow from Investing activities				
Interest received	86		55	
Purchase of property, plant & equipment	(54,449)		(113,320)	
Grants received	21,724		134,238	
Grants (returned)	-		(11,407)	
Cash (used in) / generated from investing activities		(32,639)		9,566
Net increase in cash in the year		169,781		359,298
Cash and equivalents at beginning of year		904,727		545,429
Cash and equivalents at end of year Note 12		1,074,508		904,727

1. General Information

The Zurrieq Local Council 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 Centru tal-Komunita' Joe Cassar, Triq Pietru Pawl Saydon, Zurrieq ZRQ 1030. These financial statements were approved for issue by the Council Members on 10 June 2020. The Local Council's company's presentation as well as functional currency is €.

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).

New and amended standards adopted by the Local Council

In the current year the Council has applied the below new and revised IFRS issued by IASB that is mandatory effective for financial year beginning 1st January 2019.

IFRS 9 Prepayment Features with Negative Compensation allow instruments with symmetric prepayment options to qualify for amortised cost or fair value through other comprehensive income measurement. Amendments to IFRS 9 is effective for financial periods beginning on, or after, 1 January 2019.

IFRS 16, 'Leases', introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows. IFRS 16 contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee. IFRS 16 is effective for financial periods beginning on, or after, 1 January 2019.

Annual improvements to IFRS Standards 2015-2017 are effective for financial periods beginning on, or after, 1 January 2019.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Local Council.

IAS 1 and IAS 8 Definition of Material include amendments to its definition of material to make it easier for companies to make materiality judgements. IAS 1 and IAS 8 Definition of Material, will be effective for financial periods beginning on, or after, 1 January 2020.

Amendments to references to the Conceptual Framework in IFRS standards include some important issues which were not covered or were unclear or out of date. It contain a new chapter on measurement; guidance on reporting financial performance; improved definitions of an asset and a liability and clarifications in important areas. These amendments will be effective for financial periods beginning on, or after, 1 January 2020.

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

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 of each asset over its expected useful life as follows:

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

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each end of the reporting period. 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 trade and other receivables

Trade and other assets are measured at fair value, with changes in fair value subsequently recognised in profit and loss. The Council applies the simplified approach for all trade receivables and contract assets. Accordingly, the assessment to determine whether there is a significant increase in credit risk is not applicable for such financial assets.

Where the Council does not have reasonable and supportable information that is available without undue cost or effort to measure life time expected credit loss on an individual instrument basis and in order to ensure the life time expected credit losses are recognised before an asset becomes credit-impaired or an actual default occurs, life time expected credit losses on the remaining financial assets are measured on a collective basis. In such instances and where appropriate, the financial instruments are grouped on the basis of shared credit risk characteristics and the life time expected credit losses are estimated using a provision matrix based on actual credit loss experience over past years, which is adjusted to reflect current conditions and the Council's view of economic conditions over the expected lives of the receivables.

Such adjustments are based on factors that are specific to the debtors and economic and industry indicators such as GDP, unemployment rates and/or industry projections, where applicable, unless the effect is considered to be immaterial.

The Council's trade receivables are of a short-term nature as they are based on credit terms of less than one year and, thus, do not include a significant financing component.

For the purpose of the provision matrix, loss rates are calculated using a 'roll rate' method based on the probability a receivable progressing through successive stages of delinquency over a selected period, taking into consideration the applicable credit terms for such debtors and the past due status. Unless the effect is immaterial, for receivables after 360 days, the loss rate was adjusted to take into consideration the proportion of actual recoveries over the selected period.

Impairment of cash and cash equivalents

Cash and cash equivalents are demand deposits, a 1-day probability of default has been applied, based on the respective external ratings of the counterparty banks and an adequate loss given default rate to the carrying amount at the measurement date.

The Council banks with local financial institutions with high quality standing and rating and management consider the probability of default to be close to zero.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Related parties

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Revenue

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

Local Enforcement System

Up till August 2011, the Council used to manage the the Local Enforcement System in its locality and used to receive all the income generated from the fines. As from 1 September 2011, the Council started to form part of the Southern Region, which took over the management of Local Enforcement System and the Council is receiving a 10 % administration fee on every fine paid at the Council.

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 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.

Profits and losses

Only losses 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. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and balances held with banks.

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 substantially all 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

Trade and other assets are measured at fair value, with changes in fair value subsequently recognised in profit and loss. Details of impairment policies and the calculation of the loss allowance as per above.

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.'

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 Council, 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 .

Capital management policies

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 services and benefits to its local community

The Council sets the amount of capital in proportion to risk. The Council manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The Council monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt ÷ adjusted capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Adjusted capital comprises of retained earnings.

3. Funds received from central government	2019	2018
	€	€
In terms of section 55 of the Local Council Act	838,120	794,581
Supplementary Government Income	4,032	804
Other Government Income	78,252	34,401
	<u>920,404</u>	<u>829,786</u>
4. Local Enforcement Income	2019	2018
	€	€
Contraventions & other fines	(425)	(303)
Income from LES administration fees	5,458	7,382
	<u>5,033</u>	<u>7,079</u>
5. Investment Income	2019	2018
	€	€
Bank Interest	86	55
	<u>86</u>	<u>55</u>
6. General Income	2019	2018
	€	€
Community Services	21,775	45,665
General Income	47	2,641
Contributions	2,477	-
Insurance Claims	100	84
Income from Permits	30,259	27,557
	<u>54,658</u>	<u>75,947</u>

7. Profit/(Loss) for the year

		2019	2018
		€	€
Profit/(loss) for the year is stated after charging:			
Staff salaries	Note	141,529	132,321
Depreciation of non-current assets		162,700	419,723
Loss on write off of property plant and equipment		-	816
		<u>141,529</u>	<u>132,321</u>

Personal Emoluments

		2019	2018
		€	€
Mayor's Allowance		15,351	12,796
Councillors' Allowance		14,900	9,600
Executive Secretary Salary and Allowances		36,067	36,106
Employees' Salaries		66,682	65,481
Social Security Contributions		8,529	8,338
		<u>141,529</u>	<u>132,321</u>

8. Operations and Maintenance

		2019	2018
		€	€
<i>Repairs and Upkeep:</i>			
Public Property		-	6,049
Road/Street Pavements		59,750	77,885
Road Markings		42,116	21,463
Road & Street Patching		38,650	-
Office Furniture and Equipment		230	-
Other repairs and Upkeep		52,682	21,330
		<u>193,428</u>	<u>126,727</u>

<i>Contractual Services:</i>		
Refuse Collection	166,723	131,776
Bulky Refuse Collection	16,140	13,514
Road & Street Cleaning	45,072	38,264
Cleaning & Maintenance Non-Urban Roads	3,577	-
Cleaning - Public Conveniences	10,665	8,575
Cleaning - Council Premises	2,169	1,763
Cleaning & Maintenance Parks & Gardens	31,333	17,640
Street Lighting	15,402	15,554
Studies & Consultations	1,062	-
Local Enforcement Expenses	363	184
	<u>292,506</u>	<u>227,270</u>
	<u>485,934</u>	<u>353,997</u>

9. Administration and other expenditure

	2019	2018
	€	€
Utilities	21,202	11,443
Operating materials & supplies	8,300	847
Rent	2,818	2,722
Participation fee - Nat. Mtg.	1,095	617
Membership - Local Organisations	900	925
Printing	4,578	1,710
Stationery	2,203	4,171
Subscriptions	340	350
Postages	1,182	770
Transport	2,237	1,343
Travel	2,194	695
Information Services	8,189	8,582
Insurance Coverage	4,577	5,357
Bank Charges	902	439
IT Development Services	5,065	2,250
Legal services	990	582
Accountancy services	3,956	4,284
Architect fees	5,627	3,511
Other support services	9,799	6,333
Training	327	-
Other Hospitality Costs	3,943	35,078
Social Events	21,816	46,095
Cultural Events	22,318	-
Community Services	1,395	4,736
Provision for doubtful debtors	(47)	-
Provision for receivables	(2,224)	(465)
Twinning expenses	-	1,865
Loss on write off of property, plant and equipment	-	816
Amortisation and Depreciation	162,700	419,723
	<u>296,382</u>	<u>564,779</u>

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

10. Property, plant and equipment	Trees	Property	Construction Works	New Street Signs	Urban Improvements	Plant and Machinery	Office Equipment	Office Furniture & fittings	Special Programmes	Assets under construction	Total
	€	€	€	€	€	€	€	€	€	€	€
Cost											
At 1 January 2018	5,879	115,304	453,311	11,615	490,174	4,788	118,891	68,844	2,835,825	13,645	4,118,276
Additions	1,288	-	-	-	12,602	285	7,407	471	86,964	4,303	113,320
Written off	-	-	-	-	-	-	-	-	-	(816)	(816)
At 31 December 2018	7,167	115,304	453,311	11,615	502,776	5,073	126,298	69,315	2,922,789	17,132	4,230,780
Grants											
At 1 January 2018	-	-	-	-	-	-	18,469	-	1,238,306	-	1,256,775
Grants received	-	-	-	-	-	-	-	-	48,202	-	48,202
Grants returned	-	-	-	-	-	-	-	-	(11,407)	-	11,407
At 31 December 2018	-	-	-	-	-	-	18,469	-	1,275,101	-	1,293,570
Depreciation											
At 1 January 2018	-	16,597	341,658	11,615	397,036	4,043	74,802	35,975	679,172	-	1,560,898
Charge for the year	-	1,175	70,506	-	42,144	754	24,501	15,677	264,966	-	419,723
At 31 December 2018	-	17,772	412,164	11,615	439,180	4,797	99,303	51,652	944,138	-	1,980,621
Net book values											
At 31 December 2018	7,167	97,532	41,147	-	63,596	276	8,526	17,663	703,550	17,132	956,589

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

Property, plant and equipment	Trees	Property	Construction Works	New Street Signs	Urban Improvements	Plant and machinery	Office Equipment	Office Furniture & fittings	Special Programmes	Assets under construction	Total
	€	€	€	€	€	€	€	€	€	€	€
Cost											
At 1 January 2019	7,167	115,304	453,311	11,615	502,776	5,073	126,298	69,315	2,922,789	17,132	4,230,780
Additions	3,976	-	-	-	40,118	540	1,805	1,119	-	6,891	54,449
Reclassification	-	-	-	-	27,502	-	358	-	28,386	(1,242)	-
At 31 December 2019	11,143	115,304	453,311	11,615	515,392	5,613	128,461	70,434	2,951,175	22,781	4,285,229
Grants											
At 1 January 2019	-	-	-	-	-	-	18,469	-	1,275,101	-	1,293,570
Grants received	1,696	-	-	-	20,028	-	-	-	-	-	21,724
At 31 December 2019	1,696	-	-	-	20,028	-	18,469	-	1,275,101	-	1,315,294
Depreciation											
At 1 January 2019	-	17,772	412,164	11,615	439,180	4,797	99,303	51,652	944,138	-	1,980,621
Reclassification	-	-	-	-	(19,838)	-	(6,073)	-	25,911	-	-
Charge for the year	-	1,175	7,102	-	20,189	84	5,673	2,547	125,930	-	162,700
At 31 December 2019	-	18,947	419,266	11,615	439,531	4,881	98,903	54,199	1,095,979	-	2,143,321
Net book values											
At 31 December 2019	9,447	96,357	34,045	-	55,833	732	11,089	16,235	580,095	22,781	826,614

11. Receivables

		2019	2018
		€	€
Receivables	<i>Note</i>	1,532	5,789
Related party balances		19,528	5,271
Other receivables		824	-
Accrued income		28,471	4,585
Financial assets		<u>50,355</u>	<u>15,645</u>
Prepayments		8,292	9,845
		<u>58,647</u>	<u>25,490</u>

Receivables

General receivables are analysed as follows:

	2019	2018
	€	€
Exceeded credit period but not impaired	1,532	5,789
	<u>1,532</u>	<u>5,789</u>

Receivables are stated after a specific provision for doubtful debts amounting to € 622 (2018: € 670).

LES Debtors

LES debtors are stated after a specific provision for doubtful debts amounting to € 296,645 (2018: € 298,869).

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

	2019	2018
	€	€
Balance at 1 January	298,869	299,381
Decrease in provision for LES Debtors	(2,224)	(512)
Balance at 31 December	<u>296,645</u>	<u>298,869</u>

Related party balances

Related party balances are analysed as follows:

	2019	2018
	€	€
Within credit period	4,931	4,686
Exceeded credit period but not impaired	14,597	585
	<u>19,528</u>	<u>5,271</u>

12. Cash and equivalents

	2019 €	2018 €
Bank Balances	1,074,204	904,188
Cash in Hand	304	539
Cash and cash equivalent	<u>1,074,508</u>	<u>904,727</u>

13. Payables

	2018 €	2017 €
Payables	52,927	69,165
Other creditors	17,121	-
Other payables	25,000	25,000
Accruals	36,073	23,720
Financial Liabilities	<u>131,121</u>	<u>117,885</u>
Deferred income	3,000	-
Grants not yet utilised	86,036	86,036
	<u>220,157</u>	<u>203,921</u>

14. Borrowings

	2019 €	2018 €
Current		
Related party balances	<u>391</u>	<u>-</u>

Amounts owed to related parties

These amounts are unsecured, interest free and repayable on demand.

15. Capital commitments

	2019	2018
	€	€
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	<u>554,798</u>	<u>578,737</u>
These could be analysed as follows:		
<i>(i) Approved but not yet contracted for:</i>		
Construction	-	475,083
Urban Improvements	550,598	98,654
Office equipment	2,700	5,000
Trees	1,500	-
	<u>554,798</u>	<u>578,737</u>

16. Contingent liabilities

The Council has a pending case in front of the Small Claims Tribunal. The outcome of this case is uncertain. Should the case be decided against the Council, the estimated cash outflow is expected to be less than € 4,820. Due to the uncertainty of the outcome, this amount has not been provided for.

17. 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 Government	Significant control
Regional Committee (Local Enforcement)	Joint control
Fgura Joint Committee (Local Enforcement)	Joint control
Local Enforcement System Agency	No 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
Public General Head Quarters	No control
Local Councils' Association	No control
Malta Information Technology Agency	No control
Malta Communication Authority	No control
Malta Tourism Authority	No control
Malta Transport Authority	No control
Department of Lands	No control
Department of Inland Revenue	No control
Permanent Secretary - Ministry of Education	No control
Permanent Secretary - Ministry for Family & Social Solidarity	No control
Bank of Valletta plc	No control
Airmalta plc	No control
Jobs plus	No control
Arms Limited	No control
Planning Authority	No control
Environment and Resources Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Cleansing Services Department	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Commissioner for Data Protection	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>838,120</u>	<u>794,581</u>

Key management compensation

Transactions with key management personnel are disclosed in note 7.

18. Financial Risk Management

The exposure to risk and the way risks arise, together with the Local Council's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below.

The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development.

Where applicable, any significant changes in the Local Council's exposure to financial risks or manner in which the council manages and measures these risks are disclosed below.

Where possible, the Local Council aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of the risk exposure associated with financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

<i>Categories of financial instruments</i>	2019	2018
	€	€
<i>Financial assets</i>		
<i>Loans and Receivables</i>		
Cash and bank balances	1,074,650	904,727
Receivables	50,355	15,645
	<u>1,125,005</u>	<u>920,372</u>
<i>Financial liabilities</i>		
Trade payables and other payables	131,121	117,885
Borrowings - current	391	-
	<u>131,512</u>	<u>117,885</u>

The Council is exposed 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 flows by minimising the exposure to financial risks.

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

Credit risk

The Council applies the simplified approach for all trade receivables and contract assets which uses a lifetime expected allowance. Accordingly, the assessment to determine whether there is a significant increase in credit risk is not applicable for such financial assets.

Where the Council does not have reasonable and supportable information that is available without undue cost or effort to measure life time expected credit loss on an individual instrument basis and in order to ensure the life time expected credit losses are recognised before an asset becomes credit-impaired or an actual default occurs, life time expected credit losses on the remaining financial assets are measured on a collective basis. In such instances and where appropriate, the financial instruments are grouped on the basis of shared credit risk characteristics and the life time expected credit losses are estimated using a provision matrix based on actual credit loss experience over past years, which is adjusted to reflect current conditions and the Council's view of economic conditions over the expected lives of the receivables

Such adjustments are based on factors that are specific to the debtors and economic and industry indicators such as GDP, unemployment rates and/or industry projections, where applicable, unless the effect is considered to be immaterial.

The Council's trade receivables are of a short-term nature as they are based on credit terms of less than one year and, thus, do not include a significant financing component.

For the purpose of the provision matrix, loss rates are calculated using a 'roll rate' method based on the probability a receivable progressing through successive stages of delinquency over a selected period, taking into consideration the applicable credit terms for such debtors and the past due status. Unless the effect is immaterial, for receivables after 360 days, the loss rate was adjusted to take into consideration the proportion of actual recoveries over the selected period.

As at 31 December 2019, trade receivables of € 1,532 (2018: € 5,789) were past due but not impaired. The ageing of these past due trade receivables was over 1 month. These mainly related to a number of government entities for whom there is no recent history of default and exposure is very limited. Whilst a number of customers account for a certain percentage of the Council's past due trade debts, management has not identified any major concerns with respect to concentration of credit risk. Categorisation of trade receivables as past due is determined by the Council on the basis of the nature of the credit terms in place and credit arrangements actually utilised in managing exposures with customers. Exposure is immaterial.

Previous accounting policy for impairment of trade and other receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment has been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

The Council considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Cash and cash equivalents

The Council banks only with local financial institutions with high quality standing or rating. At 31 December 2019, cash and cash equivalents are held with counterparties with a credit rating of BBB and are callable on demand. Council consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Council.

Liquidity risk

The Council is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise trade and other payables. Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the Council's obligations.

Management monitors liquidity risk by reviewing expected cash flows and ensures that no additional financing facilities are expected to be required over the coming year. The Council manages its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. At the end of the reporting period, the Local Council's net current asset position amounted to € 912,749 (2018: € 726,296) view of the matching of cash inflows and outflows arising from expected maturities of financial instruments. In this respect management does not consider liquidity risk to the Council as significant taking into account the liquidity management process referred to above.

The following table analyses the Council's financial liabilities into relevant maturity groupings based on the remaining period at 31 December 2019 to the contractual maturity date. The amounts disclosed below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Current		Non- Current		Total
	Payable within 1 year	Payable withing 1 & 2 years	Payable within 2 & 5 years	Payable after more than 5 years	
	€	€	€	€	€
31 December 2019					
Payables	52,927	-	-	-	52,927
Other payables	42,121	-	-	-	42,121
Accruals	36,073	-	-	-	36,073
Short term borrowings	391	-	-	-	391
	<u>131,512</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,512</u>
31 December 2018					
Payables	69,165	-	-	-	69,165
Other payables	25,000	-	-	-	25,000
Accruals	23,720	-	-	-	23,720
	<u>117,885</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>117,885</u>

With respect to the maturity of the Council's financial liabilities as at 31 December 2019, the Council disclose that the trade and other payables are entirely repayable within one year from the end of the respective reporting period.

19. 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.

20. Events after the reporting period

On 11th March 2020, the World Health Organisation declared COVID-19 outbreak a global pandemic. Following this, there were no changes in the local council activities and operations as a result of events arising after the reporting date especially due to the fact that the Local Council obtains its funds mainly from the central government.