

**Local Council Marsaxlokk**

**Annual Audit Report**

**for the year ended 31 December 2019**

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

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The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of 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 \_\_\_\_\_ and signed on its behalf by:

Steven Grech  
Mayor

Charles Attard  
Deputy Executive Secretary

**Statement of Comprehensive Income  
for the year ended 31 December 2019**

		<b>2019</b>	<b>2018</b>
	<b>Notes</b>	<b>€</b>	<b>€</b>
<b>Revenue</b>			
Funds received from Central Government	3	425,580	414,299
Income raised under Local Enforcement System	4	1,713	1,861
General Income	6	18,740	18,428
		<u>446,033</u>	<u>434,588</u>
<b>Expenditure</b>			
Personal Emoluments	7	(115,556)	(106,732)
Operations and maintenance	8	(167,705)	(179,242)
Administration and other expenditure	9	(134,502)	(189,239)
		<u>(417,763)</u>	<u>(475,213)</u>
<b>Operating profit/(loss) for the year</b>		28,270	(40,625)
Finance income	5	65	25
		<u>28,335</u>	<u>(40,600)</u>

The notes on pages 6 to 23 form an integral part of these financial statements.

		<b>2019</b>	<b>2018</b>
	<b>Notes</b>	<b>€</b>	<b>€</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	10	208,562	222,705
		<u>208,562</u>	<u>222,705</u>
<b>Current Assets</b>			
Receivables	11	27,446	19,687
Cash and cash equivalents	12	257,944	176,154
		<u>285,390</u>	<u>195,841</u>
<b>Total Assets</b>		<u><u>493,952</u></u>	<u><u>418,546</u></u>
<b>RESERVES</b>			
Retained earnings		385,212	356,877
<b>Total reserves</b>		<u>385,212</u>	<u>356,877</u>
<b>Current Liabilities</b>			
Trade and other payables	13	108,740	61,669
<b>Total Liabilities</b>		<u><u>108,740</u></u>	<u><u>61,669</u></u>
<b>Total reserves and liabilities</b>		<u><u>493,952</u></u>	<u><u>418,546</u></u>

These financial statements were approved by the Local Council on \_\_\_\_\_ and signed on its behalf by:

Steven Grech  
Mayor

Charles Attard  
Deputy Executive Secretary

The notes on pages 6 to 23 form an integral part of these financial statements.

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

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	Retained Funds	Total
	€	€
<b>At 1 January 2018</b>	397,477	397,477
Loss for the year	(40,600)	(40,600)
<b>At 31 December 2018</b>	<u>356,877</u>	<u>356,877</u>
<b>At 1 January 2019</b>	356,877	356,877
Profit for the year	28,335	28,335
<b>At 31 December 2019</b>	<u>385,212</u>	<u>385,212</u>

**Statement of Cash Flows  
for the year ended 31 December 2019**

	<b>2019</b>		<b>2018</b>	
	€	€	€	€
<b>Net profit/ (loss) for the year</b>	28,335		(40,600)	
Reconciliation to cash generated from operations:				
Amortisation and Depreciation	52,897		101,054	
Movement in Provision for Doubtful Debts	-		(627)	
Interest receivable	(65)		(25)	
Government grant released	-		-	
Operating surplus before working capital changes	81,167		59,802	
(Increase) in receivables	(5,184)		(2,495)	
(Increase) / decrease in other receivables	(2,575)		2,996	
Increase / (decrease) in payables	9,070		(11,338)	
Increase in other payables	38,001		21,811	
Cash generated from operating activities		120,479		70,776
<b>Cash flow from investing activities</b>				
Interest received	65		25	
Purchase of property, plant & equipment	(45,447)		(5,318)	
Grants received	6,693		894	
Cash used in investing activities		(38,689)		(4,399)
<b>Net increase in cash in the year</b>		81,790		66,377
Cash and equivalents at beginning of year		176,154		109,777
<b>Cash and equivalents at end of year</b>		257,944		176,154

**1. General Information**

The Marsaxlokk 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 2, Triq Vittorjo Cassar, Marsaxlokk. These financial statements were approved for issue by the Council Members on \_\_\_\_\_. 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 ters 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 - 100
Construction Works	10 - 100
Urban Improvements (Street Furniture)	10 - 100
Special Projects	10 - 100
Office Equipment	20 - 100
Motor Vehicles	20 - 46
Plant and Machinery	20 - 100
Computer Equipment	25 - 100
Plants	100
Litter Bins	Replacement Basis
Playground Furniture	100
Traffic Signs	Replacement Basis
Road Signs	Replacement Basis
Street Mirrors	Replacement Basis
Street Lights	100

Up to the year ended 31st December 2017, depreciation was 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 according to IAS 16 Property, Plant and Equipment. On 1st January 2018, the straight line method in line with IAS 16, has been adopted, in line with the Directive No.1/2017 issued by the Department for Local Government. This is a change in accounting estimate, and according to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, it has been accounted for prospectively.

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

***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. As from October 2015, LESA took over the administration of the Local Enforcement System.

***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**

	<b>2019</b>	<b>2018</b>
	<b>€</b>	<b>€</b>
In terms of section 55 of the Local Council Act	357,808	339,221
Supplementary Government Income	-	3,116
Other Government Income	67,772	71,962
	<u>425,580</u>	<u>414,299</u>

**4. Local Enforcement Income**

	<b>2019</b>	<b>2018</b>
	<b>€</b>	<b>€</b>
Income from LES administration fees	1,713	1,861
	<u>1,713</u>	<u>1,861</u>

**5. Investment Income**

	<b>2019</b>	<b>2018</b>
	<b>€</b>	<b>€</b>
Bank Interest	65	25
	<u>65</u>	<u>25</u>

**6. General Income**

	<b>2019</b>	<b>2018</b>
	<b>€</b>	<b>€</b>
General Income	1	3
Media Advertising	1,050	1,020
Contractors' Guarantees Withdrawn	-	1,546
Contributions	4,027	1,185
Income from Permits	13,662	14,674
	<u>18,740</u>	<u>18,428</u>

**7. Profit/(loss) for the year**

	<b>2019</b>	<b>2018</b>
	<b>€</b>	<b>€</b>
Profit/(loss) for the year is stated after charging:		
Staff salaries	115,556	106,732
Depreciation of non-current assets	52,897	101,054
	<u>168,453</u>	<u>207,786</u>

*Personal Emoluments*

	<b>2019</b>	<b>2018</b>
	<b>€</b>	<b>€</b>
Mayor's Honoraria	9,384	7,464
Mayor's & Councillors' Allowance	9,700	6,400
Executive Secretary Salary and Allowances	29,719	30,053
Employees' Salaries	59,236	55,440
Social Security Contributions	7,517	7,375
	<u>115,556</u>	<u>106,732</u>

**8. Operations and Maintenance**

	<b>2019</b>	<b>2018</b>
	<b>€</b>	<b>€</b>
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	227	439
Signs and road markings	3,989	2,018
Road & Street Patching	6,921	-
Office Furniture and Equipment	305	994
Plant & Equipment	468	133
Maintenance of motor vehicle	1,120	127
Sundry Repairs	-	35
Other repairs and Upkeep	7,360	3,384
Council Property	724	-
	<u>21,114</u>	<u>7,130</u>
<i>Contractual Services:</i>		
Refuse Collection	42,818	73,337
Bulky Refuse Collection	9,272	5,202
Tipping fees	18,010	21,312
Hire of Open Skips	1,652	952
Road & Street Cleaning	25,833	21,775
Cleaning & Maintenance Non-Urban Roads	-	330
Cleaning - Public Conveniences	16,646	30,690
Cleaning & Maintenance Parks & Gardens	19,565	1,017
Clean. & Maint. Soft Areas	-	6,333
Street Lighting	10,370	10,989
Studies & Consultations	2,313	-
Local Enforcement Expenses	112	175
	<u>146,591</u>	<u>172,112</u>
	<u>167,705</u>	<u>179,242</u>

**9. Administration and other expenditure**

	<b>2019</b>	<b>2018</b>
	<b>€</b>	<b>€</b>
Utilities	8,059	11,516
Uniforms	43	430
Cleaning materials & supplies	171	-
Sundry materials & supplies	2,119	1,644
Rent	8,434	8,431
Participation fee - Nat. Mtg.	303	283
Printing	6,285	6,043
Stationery	1,323	1,232
Subscriptions	504	520
Couriers	2,945	2,843
Postages	493	454
Transport	2,306	1,644
Travel	171	557
Information Services	4,632	4,626
Insurance Coverage	4,396	2,881
Bank Charges	54	166
IT Development Services	4,801	3,280
Legal services	1,187	950
Accountancy services	6,747	5,901
Other support services	13,449	7,207
Training	207	-
Entertainment	300	-
Other Hospitality Costs	492	874
Social Events	12,184	9,948
Sundry Expenses	-	17,381
Provision for LES receivables	-	(627)
Amortisation and Depreciation	52,897	101,055
	<u>134,502</u>	<u>189,239</u>



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

**10. Property, plant and equipment**

	Motor Vehicle	Property	Construction Works	New Street Signs	Urban Improvements	Plant and Machinery	Office & Computer Equipment	Office Furniture & fittings	Assets under construction	Total
	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>										
At 1 January 2018	20,807	57,635	1,482,518	14,554	320,655	33,934	74,190	101,859	-	2,106,152
Additions	-	-	-	-	-	1,163	2,527	580	1,048	5,318
Reclassifications	(1)	(2)	1,365	-	3,222	(19,265)	17,546	(2,865)	-	-
At 31 December 2018	<u>20,806</u>	<u>57,633</u>	<u>1,483,883</u>	<u>14,554</u>	<u>323,877</u>	<u>15,832</u>	<u>94,263</u>	<u>99,574</u>	<u>1,048</u>	<u>2,111,470</u>
<b>Grants</b>										
At 1 January 2018	-	44,232	760,810	-	264,966	-	51,176	57,862	-	1,179,046
Government grants current year	-	-	-	-	-	-	-	894	-	894
At 31 December 2018	<u>-</u>	<u>44,232</u>	<u>760,810</u>	<u>-</u>	<u>264,966</u>	<u>-</u>	<u>51,176</u>	<u>58,756</u>	<u>-</u>	<u>1,179,940</u>
<b>Depreciation</b>										
At 1 January 2018	9,630	290	445,450	14,554	79,333	23,886	15,896	18,732	-	607,771
Reclassification	1	-	(615)	-	161	(11,081)	11,546	(12)	-	-
Charge for the year	5,067	134	132,807	-	(51,810)	1,326	8,031	5,499	-	101,054
At 31 December 2018	<u>14,698</u>	<u>424</u>	<u>577,642</u>	<u>14,554</u>	<u>27,684</u>	<u>14,131</u>	<u>35,473</u>	<u>24,219</u>	<u>-</u>	<u>708,825</u>
<b>Net book values</b>										
At 31 December 2018	<u><u>6,108</u></u>	<u><u>12,977</u></u>	<u><u>145,431</u></u>	<u><u>-</u></u>	<u><u>31,227</u></u>	<u><u>1,701</u></u>	<u><u>7,614</u></u>	<u><u>16,599</u></u>	<u><u>1,048</u></u>	<u><u>222,705</u></u>

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

**10. Property, plant and equipment**

	Motor Vehicle	Property	Construction Works	New Street Signs	Urban Improvements	Plant and machinery	Office & Computer Equipment	Office Furniture & fittings	Assets under construction	Total
	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>										
At 1 January 2019	20,806	57,633	1,483,883	14,554	323,877	15,832	94,263	99,574	1,048	2,111,470
Additions	-	-	-	-	7,360	125	5,820	1,182	30,960	45,447
At 31 December 2019	<u>20,806</u>	<u>57,633</u>	<u>1,483,883</u>	<u>14,554</u>	<u>331,237</u>	<u>15,957</u>	<u>100,083</u>	<u>100,756</u>	<u>32,008</u>	<u>2,156,917</u>
<b>Grants</b>										
At 1 January 2019	-	44,232	760,810	-	264,966	-	51,176	58,756	-	1,179,940
Government grant current year	-	-	-	-	5,168	-	807	718	-	6,693
At 31 December 2019	<u>-</u>	<u>44,232</u>	<u>760,810</u>	<u>-</u>	<u>270,134</u>	<u>-</u>	<u>51,983</u>	<u>59,474</u>	<u>-</u>	<u>1,186,633</u>
<b>Depreciation</b>										
At 1 January 2019	14,698	424	577,642	14,554	27,684	14,131	35,473	24,219	-	708,825
Charge for the year	5,067	134	32,183	-	7,540	657	5,222	2,094	-	52,897
At 31 December 2019	<u>19,765</u>	<u>558</u>	<u>609,825</u>	<u>14,554</u>	<u>35,224</u>	<u>14,788</u>	<u>40,695</u>	<u>26,313</u>	<u>-</u>	<u>761,722</u>
<b>Net book values</b>										
At 31 December 2019	<u><u>1,041</u></u>	<u><u>12,843</u></u>	<u><u>113,248</u></u>	<u><u>-</u></u>	<u><u>25,879</u></u>	<u><u>1,169</u></u>	<u><u>7,405</u></u>	<u><u>14,969</u></u>	<u><u>32,008</u></u>	<u><u>208,562</u></u>

**11. Receivables**

	<b>2019</b>	<b>2018</b>
	<b>€</b>	<b>€</b>
Receivables	12,559	7,375
Other receivables	2,948	2,804
Accrued income	6,285	4,462
Financial assets	<u>21,792</u>	<u>14,641</u>
Prepayments	5,654	5,046
	<u>27,446</u>	<u>19,687</u>

**Receivables**

Receivables are non-interest-bearing and are generally on 30-days term.

General receivables are analysed as follows:

	<b>2019</b>	<b>2018</b>
	<b>€</b>	<b>€</b>
Within credit period	2,251	4,025
Exceeded credit period but not impaired	10,308	3,350
	<u>12,559</u>	<u>7,375</u>

**LES Debtors**

LES debtors are stated after a specific provision for doubtful debts amounting to € 49,625 (2018:€ 49,625).

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

	<b>2019</b>	<b>2018</b>
	<b>€</b>	<b>€</b>
Balance at 1 January	49,625	50,253
(Decrease) in provision for LES Debtors	-	(628)
Balance at 31 December	<u>49,625</u>	<u>49,625</u>

**12. Cash and equivalents**

	<b>2019</b>	<b>2018</b>
	<b>€</b>	<b>€</b>
Bank Balances	257,898	175,955
Cash in Hand	46	199
Cash and cash equivalents	<u>257,944</u>	<u>176,154</u>

**13. Payables**

	<b>2019</b>	<b>2018</b>
	<b>€</b>	<b>€</b>
Payables	25,861	16,791
Other payables	116	117
Accruals	67,758	38,816
Financial Liabilities	<u>93,735</u>	<u>55,724</u>
Deferred income and grants	14,921	2,245
Indirect taxes and social security	84	3,700
	<u>108,740</u>	<u>61,669</u>

**14. Capital commitments**

	<b>2019</b>	<b>2018</b>
	<b>€</b>	<b>€</b>
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	<u>175,000</u>	<u>41,864</u>
These could be analysed as follows:		
<i>(i) Approved but not yet contracted for:</i>		
Construction	125,000	-
Urban improvement	50,000	41,864
	<u>175,000</u>	<u>41,864</u>

**15. Contingent liabilities and contingent asset**

The Council is still discussing a penalty received from the Environment & Resources Authority amounting to € 6,400. The outcome is uncertain and due to the this, the amount has not been provided for.

A third party has instituted legal proceedings against the Council amounting to € 17,381 due to an incident that happened at Marsaxlokk. Though the Local Council has appealed the court decision, the above amount have been provided for.

The Council has also a contingent asset amounting to € 18,225, being a grant in respect of a project carried out in 2019. Due to the fact that the Council is still waiting for the architect's certification and official inspectors to certify the project, this amount has not been provided for.

**16. 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:

	<b>2019</b>	<b>2018</b>
	<b>€</b>	<b>€</b>
Annual Financial Allocation	<u>357,808</u>	<u>339,221</u>

#### **Key management compensation**

Transactions with key management personnel are disclosed in note 7.

**17. 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>	<b>2019</b>	<b>2018</b>
	€	€
<i>Financial assets</i>		
<i>Loans and Receivables</i>		
Cash and bank balances	257,944	176,154
Receivables	21,792	14,641
	<u>279,736</u>	<u>190,795</u>
<i>Financial liabilities</i>		
Trade payables and other payables	93,735	55,724
	<u>93,735</u>	<u>55,724</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 € 10,308 (2018 :€ 3,350) 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 institution with high quality standing or rating. At 31 December 2019, cash and cash equivalents are held with counterparty with a credit rating of BBB and are callable on demand. Council consider the probability of default to be close to zero as the counterparty has a strong capacity to meet its 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 asset position amounted to € 176,650 (2018: € 134,172) 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	
	€	€	€	€	€
<b>31 December 2019</b>					
Payables	25,861	-	-	-	-
Other payables	116	-	-	-	-
Accruals	67,758	-	-	-	-
	<u>93,735</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>31 December 2018</b>					
Payables	16,791	-	-	-	16,791
Other payables	117	-	-	-	117
Accruals	38,816	-	-	-	38,816
	<u>55,724</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,724</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.

#### 18. 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.

#### 19. Comparative Figures

Certain amounts have been re-classified to conform with the current year's presentation.



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