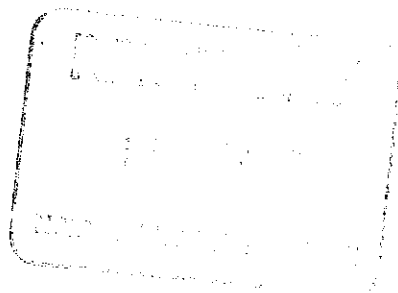


Local Council Birzebuga
Annual Audit Report
for the year ended 31 December 2019

Prepared by
P & D Consultancy Services



Contents

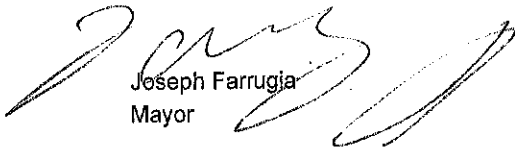
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Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2018

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 8 June 2020 and signed on its behalf by:



Joseph Farrugia
Mayor



Rosalie Minjoff
Executive Secretary

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

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Birzebbuga 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, except for the effects of the matter described in the Basis for Qualified Opinion, the financial statements give a true and fair view of the financial position of the Birzebbuga Local Council as at 31 December 2019, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Qualified 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.

The Council's LES debtors amounting to €67,619 relate to amounts which are receivable from the Zurrieq Joint Committee. We were unable to satisfy ourselves as to the recoverability of this balance.

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.

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

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.

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

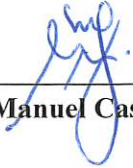
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 OF THE LOCAL GOVERNMENT AUDITORS ON THE BIRZEBBUGA LOCAL
COUNCIL TO THE AUDITOR GENERAL**

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: 8th June 2020

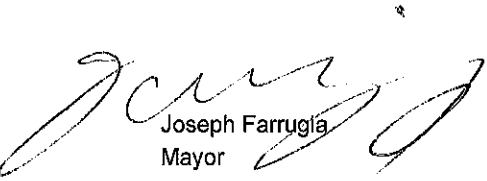
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2019


	Notes	2019 €	2018 €
Revenue			
Funds received from Central Government	3	838,985	787,231
Income raised under Local Council Bye-Laws	4	5,670	4,150
Income raised under Local Enforcement System	5	5,890	7,625
General Income	7	32,596	38,693
		<u>883,141</u>	<u>837,699</u>
Expenditure			
Personal Emoluments	8	(151,601)	(148,636)
Operations and maintenance	9	(354,340)	(337,546)
Administration and other expenditure	10	(341,880)	(747,991)
		<u>(847,821)</u>	<u>(1,234,173)</u>
Operating profit/(loss) for the year		35,320	(396,474)
Finance income	6	240	172
		<u>35,560</u>	<u>(396,302)</u>
Profit/(loss) for the year		<u>35,560</u>	<u>(396,302)</u>
Total comprehensive income/(loss)		<u><u>35,560</u></u>	<u><u>(396,302)</u></u>

The notes on pages 9 to 30 form an integral part of these financial statements.

	Notes	2019 €	2018 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	646,829	838,804
Intangible assets	11	840	816
		<u>647,669</u>	<u>839,620</u>
Current Assets			
Receivables	13	129,209	151,957
Cash at bank and in hand	14	984,197	674,883
		<u>1,113,406</u>	<u>826,840</u>
Total Assets		<u>1,761,075</u>	<u>1,666,460</u>
RESERVES			
Retained earnings		1,164,697	1,129,137
Total reserves		<u>1,164,697</u>	<u>1,129,137</u>
Current Liabilities			
Trade and other payables	15	275,904	209,006
Short-term borrowings	16	320,474	328,317
		<u>596,378</u>	<u>537,323</u>
Total Liabilities		<u>596,378</u>	<u>537,323</u>
Total reserves and liabilities		<u>1,761,075</u>	<u>1,666,460</u>

These financial statements were approved by the Local Council on 8th June 2020 and signed on its behalf by:


Joseph Farrugia
Mayor


Rosalie Mintoff
Executive Secretary

The notes on pages 9 to 30 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	1,525,439	1,525,439
(Loss) for the year	(396,302)	(396,302)
Total comprehensive (loss)	(396,302)	(396,302)
At 31 December 2018	1,129,137	1,129,137
At 1 January 2019	1,129,137	1,129,137
Profit for the year	35,560	35,560
Other comprehensive income	-	-
Total comprehensive income	35,560	35,560
At 31 December 2019	1,164,697	1,164,697

Statement of Cash Flows
for the year ended 31 December 2019

	Note	2019		2018	
		€	€	€	€
Net profit/(loss) for the year		35,560		(396,302)	
Reconciliation to cash generated from operations:					
Depreciation		219,253		647,092	
Amortisation		691		1,027	
Loss on disposal and write offs of property plant and equipment		-		617	
Movement in Provision for Doubtful Debts		(1,093)		(2,561)	
Interest receivable		(240)		(172)	
Operating surplus before working capital changes		254,171		249,701	
Increase /(decrease) in receivables		6,776		(34,699)	
Increase in other receivables		16,961		245	
Decrease in payables		62,874		26,853	
Decrease in other payables		2,696		18,550	
Cash generated from operating activities			343,478		260,650
Cash flow from investing activities					
Interest received		240		172	
Purchase of property, plant & equipment		(108,296)		(325,366)	
Purchase of intangible fixed assets		715		(189)	
Grants returned		-		(22)	
Grants received		81,020		378,596	
Cash (used in) / generated from investing activities			(26,321)		53,191
Cash from financing activities					
Repayment of short term related party borrowings		(15,929)		(1,705)	
Repayment of short term third party borrowings		-		(85,602)	
Cash used in financing activities			(15,929)		(87,307)
Net Increase In cash In the year			301,228		226,534
Cash and equivalents at beginning of year			674,537		448,003
Cash and equivalents at end of year	14		975,765		674,537

1. General Information

The Birzebbuga 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 Dar Birzebbuga, Triq Santa Marija, Birzebbuga, BBG 1651, Malta. These financial statements were approved for issue by the Council Members on 8 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

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.

Foreign currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the Local Council operates. These financial statements are presented in €, which is the Council's functional and presentation currency.

Transactions denominated in foreign currencies are translated into € at the rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into € at the rates of exchange prevailing at the date of the statement of financial position.

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 substantial risks and rewards are transferred.

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

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

Financial assets

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

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

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Council's other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risks characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

Financial liabilities

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

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

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	767,900	738,009
Supplementary Government Income	-	10,570
Other Government Income	71,085	38,652
	<u>838,985</u>	<u>787,231</u>

4. Income raised from Bye-Laws

	2019	2018
	€	€
Bye-Laws - Activity at the pitch and hall	5,670	4,150
	<u>5,670</u>	<u>4,150</u>

5. Local Enforcement Income

	2019	2018
	€	€
Contraventions and other fines	59	12
Income from LES administration fees	5,831	7,613
	<u>5,890</u>	<u>7,625</u>

6. Investment Income

	2019	2018
	€	€
Bank Interest	240	172
	<u>240</u>	<u>172</u>

7. General Income

	2019	2018
	€	€
Social Events	481	-
Sponsorships	1,469	5,413
General Income	330	105
Donations	100	50
Contributions	-	-
Guaranteed forfeited	-	8,589
Income from Permits	30,216	24,536
	<u>32,596</u>	<u>38,693</u>

8. Profit/(loss) for the year

	2019	2018
	€	€
Profit/(loss) for the year is stated after charging:		
Staff salaries	151,601	148,636
Amortisation & Depreciation of non-current assets	219,944	648,119
Loss on write offs of property plant and equipment	-	617
	<u>151,601</u>	<u>148,636</u>

Note

Personal Emoluments

	2019	2018
	€	€
Mayor's Allowance	15,690	12,796
Councillors' Allowance	13,700	7,200
Executive Secretary Salary and Allowances	23,547	32,786
Employees' Salaries	90,410	84,559
Social Security Contributions	8,254	11,295
	<u>151,601</u>	<u>148,636</u>

9. Operations and Maintenance

	2019	2018
	€	€
<i>Repairs and Upkeep:</i>		
Public Property	2,165	6,104
Road/Street Pavements	1,148	374
Walkways	718	-
Signs	5,980	5,265
Road Markings	2,224	2,357
Road & Street Patching	7,658	22,112
Plant & Equipment	193	10
Vehicle maintenance	-	34
Other repairs and Upkeep	12,026	10,374
Council Property	3,369	1,622
	<u>35,481</u>	<u>48,252</u>
<i>Contractual Services:</i>		
Waste Disposal	27,942	63,164
Refuse Collection	96,816	86,399
Bulky Refuse Collection	8,265	7,359
Cleaning Services	71	-
Road & Street Cleaning	71,573	37,885
Cleaning & Maint. Non-Urban	9,535	5,558
Cleaning - Public Conveniences	46,332	36,039
Cleaning - Council Premises	2,960	3,228
Other Contractual Services	24,548	22,651
Clean. & Maint. Parks & Gardens	15,422	15,285
Clean. & Maint. Beaches	189	-
Street Lighting	12,277	11,212
Studies & Consultations	2,638	-
Local Enforcement Expenses	291	514
	<u>318,859</u>	<u>289,294</u>
	<u>354,340</u>	<u>337,546</u>

10. Administration and other expenditure

	2019	2018
	€	€
Utilities	5,643	5,854
Other repairs and upkeep	9,179	6,483
Rent	4,329	5,379
Participation fees - Int. Mtg	150	-
Participation fee - Nat. Mtg.	491	672
Office Services	9,652	10,014
Transport	27,516	22,375
Travel	7,821	-
Information Services	2,087	3,313
Lease of Equipment	590	344
Insurance Coverage	2,809	2,396
Bank Charges	539	191
Professional Services	16,201	19,099
Training	269	-
Entertainment	-	435
Other Hospitality Costs	1,247	695
Social Events	4,665	1,585
Cultural Events	29,018	22,644
General expenses	823	337
Provision for LES receivables	(1,093)	(2,561)
Loss on write offs of property plant and equipment	-	617
Amortisation of intangible asset	691	1,027
Depreciation	219,253	647,092
	<u>341,880</u>	<u>747,991</u>

11. Intangible fixed assets

	Computer Software	Total
	€	€
Cost		
At 1 January 2018	4,724	4,724
Additions	189	189
Disposals	(443)	(443)
At 31 December 2018	<u>4,470</u>	<u>4,470</u>
Grant		
At 1 January 2018	1,003	1,003
	<u>1,003</u>	<u>1,003</u>
Amortisation		
At 1 January 2018	2,062	2,062
On disposals	(438)	(438)
Charge for year	1,027	1,027
At 31 December 2018	<u>2,651</u>	<u>2,651</u>
Net book values		
At 31 December 2018	<u>816</u>	<u>816</u>

11. Intangible fixed assets

	Computer Software	Total
	€	€
Cost		
At 1 January 2019	4,470	4,470
Additions	715	715
At 31 December 2019	<u>5,185</u>	<u>5,185</u>
Grant		
At January 2019	1,003	1,003
At December 2019	<u>1,003</u>	<u>1,003</u>
Amortisation		
At 1 January 2019	2,651	2,651
Charge for year	691	691
At 31 December 2019	<u>3,342</u>	<u>3,342</u>
Net book values		
At 31 December 2019	<u>840</u>	<u>840</u>

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

12. Property, plant and equipment

	Property	Construction	Assets under	New Street	Urban	Plant, Machinery	Office	Trees	Special	Motor	Total
	€	€	Construction	Signs	Improvements	& equipment	F & F		Programmes	Vehicle	€
	€	€	€	€	€	€	€	€	€	€	€
Cost											
At 1 January 2018	80,751	3,456,556	7,356	7,904	407,669	73,301	51,518	14,266	946,871	300	5,046,492
Additions	-	6,440	(50)	-	297,359	4,038	-	1,230	-	16,299	325,366
Reclassifications	-	-	-	-	50	-	-	-	-	-	-
Disposal	-	478	-	(228)	(18,185)	(4,894)	(2,107)	-	-	(300)	(26,192)
At 31 December 2018	80,751	3,456,078	13,746	7,676	666,893	72,445	49,411	15,496	946,871	16,299	5,345,666
Grants											
At 1 January 2018	-	422,693	-	-	179,465	11,022	-	12,483	36,404	-	662,067
Grants for the year	-	-	-	-	288,281	288	-	975	-	-	289,544
Grants returned	-	-	-	-	(22)	-	-	-	-	-	22
At 31 December 2018	-	422,693	-	-	467,724	11,310	-	13,458	36,404	-	951,589
Depreciation											
At 1 January 2018	12,960	1,757,497	-	7,904	195,892	50,806	32,258	-	876,351	93	2,933,761
Disposal	-	(445)	-	(228)	(18,134)	(4,791)	(1,837)	-	-	(145)	(25,580)
Charge for the year	820	574,793	-	-	20,923	5,012	10,836	-	34,113	595	647,092
At 31 December 2018	13,780	2,331,845	-	7,676	198,681	51,027	41,257	-	910,464	543	3,555,273
Net book values											
At 31 December 2018	66,971	701,540	13,746	-	20,488	10,108	8,154	2,038	3	15,756	838,804

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

12. Property, plant and equipment	Property Construction		Assets under construction	New Street Signs	Urban Improvements	Plant, machinery & equipment	Office Furniture & fittings	Trees	Special Programmes	Motor Vehicle	Total
	€	€									
Cost											
At 1 January 2019	80,751	3,456,078	13,746	7,676	686,893	72,445	49,411	15,496	946,871	16,299	5,345,666
Additions	-	70,645	7,981	-	22,430	6,141	320	779	-	-	108,296
Reclassifications	-	400	(400)	-	-	-	-	-	-	-	-
At 31 December 2019	80,751	3,527,123	21,327	7,676	709,323	78,586	49,731	16,275	946,871	16,299	5,453,962
Grants											
At 1 January 2019	-	422,693	-	-	467,724	11,310	-	13,458	36,404	-	951,589
Grants for the year	-	68,068	-	-	12,952	-	-	-	-	-	81,020
	-	490,761	-	-	480,676	11,310	-	13,458	36,404	-	1,032,609
Depreciation											
At 1 January 2019	13,780	2,331,845	-	7,676	198,681	51,027	41,257	-	910,464	543	3,555,273
Charge for the year	820	195,618	-	-	13,496	4,519	1,535	-	3	3,260	219,251
At 31 December 2019	14,600	2,527,463	-	7,676	212,177	55,546	42,792	-	910,467	3,803	3,774,524
Net book values											
At 31 December 2019	66,151	508,899	21,327	-	16,470	11,730	6,939	2,817	-	12,496	646,829

13. Receivables

		2019	2018
		€	€
Receivables	<i>Note</i>	191	755
Related party balances - LES Debtors	<i>Note</i>	67,619	67,619
Related party balances - other	<i>Note</i>	42,806	48,889
Other receivables		7,991	7,816
Accrued income		6,850	19,279
Financial assets		<u>125,457</u>	<u>144,358</u>
Prepayments		3,752	7,599
		<u>129,209</u>	<u>151,957</u>

The carrying value of the above receivables is considered a reasonable approximation of fair value.

In determining the recoverability of receivables the Council considers any change in the credit quality of each receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the debtor base being large and unrelated.

Receivables

General receivables are analysed as follows:

	2019	2018
	€	€
Within credit period	191	250
Exceeded credit period but not impaired	-	505
	<u>191</u>	<u>755</u>

Related party balances - LES Debtors

LES debtors are stated after a specific provision for doubtful debts amounting to € 105,589 (2018:€ 106,682). The amount of € 67,619 (2018: € 67,619) exceeded credit period but is not impaired. These amounts are unsecured, interest free and with no fixed date of repayment.

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

	2019	2018
	€	€
Balance at 1 January	106,682	109,243
Decrease in provision for LES debtors	(1,093)	(2,561)
Balance at 31 December	<u>105,589</u>	<u>106,682</u>

Related party balances - Other

Related party balances - other are analysed as follows:

	2019	2018
	€	€
Within credit period	7,703	9,230
Exceeded credit period but not impaired	35,285	39,659
	<u>42,988</u>	<u>48,889</u>

Related party balances - other are amounts due from government entities for whom there is no recent history of default and exposure is very limited. These amounts are unsecured, interest free and with no fixed date of repayment.

Other receivables

	2019	2018
	€	€
Within credit period	<u>7,800</u>	<u>7,800</u>

Included in other receivables there is a bank guarantee in favour of third party amounting to € 7,800 (2018 : € 7,800).

14. Cash and equivalents

	2019	2018
	€	€
Bank Balances	984,109	674,786
Cash in Hand	88	97
Cash at bank and in hand	<u>984,197</u>	<u>674,883</u>
Bank balance overdrawn	(8,432)	(346)
Cash and cash equivalents	<u><u>975,765</u></u>	<u><u>674,537</u></u>

15. Payables

	2019	2018
	€	€
Payables	153,841	77,800
Other payables	-	258
Accruals	43,512	37,796
Financial liabilities	<u>197,353</u>	<u>115,854</u>
Deferred income	-	1,550
Grants not yet utilised	78,551	91,602
	<u><u>275,904</u></u>	<u><u>209,006</u></u>

Current financial liabilities are carried at their nominal value which is considered a reasonable approximation of fair value.

16. Borrowings

		2019	2018
		€	€
Current			
Bank balance overdrawn		8,432	346
Related party balances	<i>Note</i>	8,621	24,550
Third party borrowings	<i>Note</i>	303,421	303,421
		<u>320,474</u>	<u>328,317</u>

Related party balances

These amounts are unsecured, interest free and with no fixed date of repayment.

Third party borrowings

Third party borrowings represent dues to the two public private partnership payables. The Council entered into these agreements to carry out road resurfacing works. These amounts are unsecured, interest free and are repayable within 1 year.

17. Capital commitments

	2019	2018
	€	€
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	<u>540,000</u>	<u>603,657</u>
These could be analysed as follows:		
<i>(i) Approved but not yet contracted for:</i>		
Urban Improvements	535,000	597,657
Office furniture & fittings	-	5,000
Office equipment	5,000	1,000
	<u>540,000</u>	<u>603,657</u>

18. Contingent liabilities

The Council has a bank guarantee in favour of third parties amounting to € 7,800 (2018: € 7,800).

19. 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>767,900</u>	<u>738,009</u>

Key management compensation

Transactions with key management personnel are disclosed in note 8.

20. 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	984,197	674,883
Receivables	125,457	144,358
	<u>1,109,654</u>	<u>819,241</u>
<i>Financial liabilities</i>		
Trade payables and other payables	205,785	116,200
Borrowings - current	312,042	327,971
	<u>517,827</u>	<u>444,171</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 including related parties of € 110,616 (2018 : € 117,263) 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 € 517,028 (2018: € 289,517) 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	153,841	-	-	-	153,841
Accruals	43,512	-	-	-	43,512
Bank balance overdrawn	8,432	-	-	-	8,432
Third party borrowings	303,421	-	-	-	303,421
Related party balances	8,621	-	-	-	8,621
	<u>517,827</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>517,827</u>
31 December 2018					
Payables	77,800	-	-	-	77,800
Other payables	258	-	-	-	258
Accruals	37,796	-	-	-	37,796
Bank balance overdrawn	346	-	-	-	346
Third party borrowings	303,421	-	-	-	303,421
Related party balances	24,550	-	-	-	24,550
	<u>444,171</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>444,171</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.

21. 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.