

HAL-SAFILOCAL COUNCIL
Report and Financial Statements for
the year ended 31 December 2019

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Obo Dconsulta Ltd,
(February 2020)

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HAL-SAFI LOCAL COUNCIL

STATEMENT OF COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S RESPONSIBILITIES

For the year ended 31 December 2019

The Local Councils (Financial) Regulations 1993 require the Secretary to prepare a detailed Annual Administrative Report which includes a statement of the Council's statement of comprehensive income for the year and of the Council's retained funds at the end of the year. By virtue of the same regulations it is the duty of the Council and the Deputy Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with accounting policies applicable to Local Councils, the income and expenditure of the Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, 1993, and the Local Council (Financial) Procedures, 1996 issued in terms of the said Act.

The Deputy Executive Secretary is responsible to ensure that an appropriate system of internal control is in operation, to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, 1993, the Local Council (Financial) Regulations, 1993, and the policies, systems and time scales referred to in the Local Council (Financial) Procedures, 1996. The Deputy Executive Secretary is also responsible to provide reasonable assurance that the assets of the Council are properly safeguarded, that fraud and other irregularities will be detected and that the operations of the Council are properly conducted in accordance with the Local Councils Act, 1993.

This statement was approved by the Council on _____ and signed on its behalf by:

Mr Johan Mula
Mayor

Ms Maria Dolores Baldacchino
Executive Secretary

HAL-SAFI LOCAL COUNCIL

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the year ended 31 December 2019

	Notes	Year Ended 2019	Year Ended 2018
		€	€
Income			
Funds received from Central Government	3	280,431	272,230
Income raised under Council Byelaws	4	7,185	6,991
Income from Local Enforcement System	5	1,798	2,422
General and other Income	6	20,163	22,133
		309,577	303,776
Expenditure			
Personnel emoluments	7	(90,454)	(86,146)
Operations and maintenance	8	(102,781)	(103,037)
Administrative and other expenditure	9	(82,741)	(131,317)
		(275,976)	(320,500)
Operating Surplus/(Deficit) for the year		33,601	(16,724)
Finance income	10	43	47
Finance charge	11	(206)	(53)
Net Surplus/(Deficit) for the year		33,438	(16,730)
Total Comprehensive Income/(Expense)		33,438	(16,730)

The notes on pages 6 to 26 form an integral part of these financial statements.

HAL-SAFI LOCAL COUNCIL

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	Year Ended 2019 €	Year Ended 2018 €
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	12	273,626	294,540
		273,626	294,540
<i>Current assets</i>			
Trade and other receivables	13	68,200	117,262
Cash at bank and in hand	14	259,658	213,213
		327,858	330,475
Total assets		601,484	625,015
Reserves and liabilities			
<i>Reserves</i>			
Retained Earnings		529,149	495,711
<i>Current liabilities</i>			
Short-term borrowings	15	29,254	8,388
Trade and other payables	16	43,081	120,916
		72,335	129,304
Total reserves and liabilities		601,484	625,015

Mr Johan Mula
Mayor

Ms Maria Dolores Baldacchino
Executive Secretary

The financial statements were approved by the Council on _____ and signed on its behalf by:

The notes on pages 6 to 26 form an integral part of these financial statements.

HAL-SAFI LOCAL COUNCIL

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Retained Earnings €	Total Earnings €
At 1 January 2018	512,441	512,441
Deficit for the year	(16,730)	(16,730)
Total comprehensive expense	(16,730)	(16,730)
At 31 December 2018	495,711	495,711
At 1 January 2019	495,711	495,711
Surplus for the year	33,438	33,438
Total comprehensive income	33,438	33,438
At 31 December 2019	529,149	529,149
Equity Interest	529,149	529,149

The notes on pages 6 to 26 form an integral part of these financial statements.

HAL-SAFI LOCAL COUNCIL

STATEMENT OF CASHFLOWS For the year ended 31 December 2019

	Notes	2019	2018
		€	€
Cash flows from operating activities			
Surplus/(Deficit) for the year		33,438	(16,730)
<i>Adjustments for:</i>			
Depreciation		27,880	62,508
Interest receivable		(43)	(47)
Interest payable		206	53
		61,481	45,784
<i>Movements in working capital:</i>			
Decrease in receivables		8,533	20,330
Increase /(Decrease) in payables		6,977	(6,750)
Net cash flows from operating activities		76,991	59,364
Cash flows used in investing activities			
Purchase of property, plant and equipment		(195,214)	(82,857)
Interest received		43	47
Interest paid		(206)	(53)
Net cash flows used in investing activities		(195,377)	(82,863)
Cash flows from financing activities			
Grants received		143,965	39,474
Net cash flows from financing activities		143,965	39,474
Net increase in cash and cash equivalents		25,579	15,975
Cash and cash equivalents at beginning of year		204,825	188,850
Cash and equivalents at end of year	14	230,404	204,825

The notes on pages 6 to 26 form an integral part of these financial statements.

HAL-SAFI LOCAL COUNCIL

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

1. General Information

The Safi Local Council is a local authority of Malta set up in accordance with the Local Councils Act (1993). The office of the Local Council is situated at Dar il-Kunsill, Triq l-Iskola, Hal- Safi. These financial statements were approved for issue by the Council Members on the _____. The Local Council's presentations as well as functional currency are denominated in Euro (€). Its ultimate controlling party is the Department for Local Government within the Office of the Prime Minister.

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, 1993 (Chap. 363), the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures, 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards, as adopted by the EU.

These financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of Section 67 of the Local Councils Act, 1993 (Chap. 363).

New and revised standards that are issued but not yet effective

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

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2. Accounting Policies and Reporting Procedures – continued

New and revised standards that are issued but not yet effective (continued)

Amendments to IFRS 3 Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Additional guidance is provided that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

Amendments to References to the Conceptual Framework in IFRS Standards

The IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

The Council does not expect that the adoption of the amended Standards will have a material impact on the financial statements of the Local Council.

New and revised standards that are effective for the current period

In the current year, the Local Council has applied IFRS 16, Leases that is effective for periods that begin on or after 1 January 2019. IFRS 16 introduced a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. Under the new standard, an asset (the right-of-use the leased item) and a financial liability to pay rentals are recognized, with the exception of short-term and low-value leases. IFRS 16 superseded the current lease guidance of IAS 17 and the related interpretations.

The adoption of IFRS 16 has not had an impact on the financial position and financial performance of the Local Council.

HAL-SAFI LOCAL COUNCIL

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

..... continued

2. Accounting Policies and Reporting Procedures – continued

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, impairment and grants received for specific projects (which grants were treated through the balance sheet approach). Depreciation is calculated on a monthly basis using the **straight-line method of depreciation** at rates estimated to write down the cost of all assets over their expected useful life, other than land and trees as follows:

	Rates in %
Land	0
Trees	0
Buildings	1
Office Furniture & Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Programmes (Projects)	10
Office Equipment	20
Computer Equipment	25
Motor Vehicles	20
Plant and Machinery	20
Road/Street Signs	Replacement basis
Litter Bins	Replacement basis
Playground Equipment	100
Street Lighting	100
Street Mirrors	Replacement basis
Plants	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 surplus. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each year end. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

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

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

..... continued

2. Accounting Policies and Reporting Procedures – continued

Impairment of property, plant and equipment

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

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

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

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

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

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

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2. Accounting Policies and Reporting Procedures – continued

Impairment of financial assets other than inventories

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

In the case of financial assets that are carried at amortised cost, objective evidence of impairment includes observable data about the following loss events - significant difficulty of the issuer (or counterparty) and/or breach of contract.

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

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

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

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

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

In the case of assets tested for impairment, an impairment loss recognised in a prior year is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but in a manner that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

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

..... Continued

2. Accounting Policies and Reporting Procedures – continued

Impairment of financial assets other than inventories - continued

Impairment reversals are recognised immediately in the statement of comprehensive income, unless the asset is carried at a re-valued amount, in which case, the impairment reversal is recognised directly in reserves, unless an impairment loss on the same asset was previously recognised in the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents are carried in the Statement of Financial Position at face value. For the purpose of the Statement of cash flows, cash and cash equivalents comprise cash in hand and balances held at banks.

Receivables

Receivables are recognised initially at the transaction price, less provision for impairment. A provision for impairment of general receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

A provision for impairment is established when there is objective evidence that the Council will not be able to collect all amounts receivable. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount to be received is impaired. Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Related parties

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

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

..... continued

2. Accounting Policies and Reporting Procedures – continued

Income recognition

Income in general is stated when there is reasonable certainty that the income would be receivable and thus can be accrued for. Other income such as that derived from the organisation of courses, cultural, sporting and social activities is only recognised on a cash basis.

Income from investment activities is recognised when the rights of receipt have been established.

Interest income from financial assets is recognised when it is probable that the economic benefits will flow to the Council and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Government grants

Government grants relating to operating expenditure are recognised in the Statement of Comprehensive income in the same period that the related expenditure is incurred.

Government grants relating to the purchase of property, plant and equipment are accounted for using the capital approach; and are thus deducted from the carrying amount of the relative non-current asset. Up to the year ended 31st December 2017, government grants were accounted for using the income approach according to IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance.” On 1st January 2018, the capital approach, according to IAS 20, has been adopted, in line with the directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting policy, and; according to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors,” it has been accounted for retrospectively

Government grants are not recognised until there is reasonable assurance that the Council will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in statement of comprehensive income on a systematic basis over the years in which the Council recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Council with no future related costs are recognised in statement of comprehensive income in the year in which they become receivable.

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

..... continued

2. Accounting Policies and Reporting Procedures – continued

Financial instruments

Financial assets and financial liabilities are recognised when the council becomes a party to the contractual provisions of the financial instruments.

Financial assets are de-recognised 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.

Financial liabilities are de-recognised when they are extinguished, discharged, cancelled or expired. Financial assets and financial liabilities are measured initially at fair value plus transaction costs. Financial assets and financial liabilities are measured subsequently as described below:

Financial assets

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

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss.

Loans and 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.

Loans and receivables

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 company's trade receivables and cash and cash equivalents fall into this category of financial instruments.

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

Financial liabilities

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

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

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2. Accounting Policies and Reporting Procedures – continued

Foreign currencies

Functional and presentation currency

These financial statements are presented in Euro (€), which is the Local Council's functional and presentation currency. In preparing the financial statements of the Council, transactions in currencies other than the Council's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting year, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical costs in a foreign currency are not retranslated.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for the intended use or sale.

Investment income on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in total comprehensive income for the year in which they are incurred.

Payables

Payables and accrued expenditure are recognised initially at the transaction price and subsequently measured at amortised cost. The difference between the proceeds and the amount payable is recognised over the period of the payable using the effective interest method.

Judgements in applying accounting policies and key sources of estimating uncertainty

In the process of applying the Council's accounting policies, the Council Members have made no judgements which can significantly affect the amounts recognised in the financial statements.

At the end of the reporting year, except as disclosed in note 20, there were no key assumptions concerning the future, or any other key sources of estimating uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

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2. Accounting Policies and Reporting Procedures – continued

Provisions

Provisions are recognised when the Council has a present obligation (legal or constructive) as a result of a past event, it is probable that the Council will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting year, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

HAL-SAFI LOCAL COUNCIL

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

..... continued

3. Funds Received from Central Government

	2019	2018
	€	€
In terms of section 55 of the Local Councils Act, 1993	270,007	255,981
Supplementary Income	10,424	16,249
	<u>280,431</u>	<u>272,230</u>

4. Income raised under Council Byelaws

	2019	2018
	€	€
Income from Permits	5,264	4,613
Income from hire of football pitch	1,400	2,075
Income from Kiosks	521	303
	<u>7,185</u>	<u>6,991</u>

5. Income from Law Enforcement System

	2019	2018
	€	€
Contraventions	1,798	2,422

In accordance with the Law Enforcement System (LES) issued by the Ministry by virtue of Section 72 of the Local Councils Act, 1993, the income relating to contraventions was delegated to the local councils through Legal Notice 32 of 2000.

Up to the 31 August 2011, income from contraventions was based on cash received which represented 100% of the contravention.

As from the 1 September 2011 the contraventions previously accruing to the Council started accruing in favour of the 'Regjun Nofsinnhar'. The Council's income from the Law Enforcement System therefore started reflecting two revenue streams as of that date. The revenue streams are as follows:

- Receipts of funds accruing to the council up to the 31 August 2011;
- 10% on the contraventions accruing to all Regional Committees that were settled at the Council's cash point.

HAL-SAFI LOCAL COUNCIL

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

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6. General Income

	2019	2018
	€	€
Income from Community and cultural activities	2,113	5,596
Income from Local Regions	6,508	1,805
Income from Sponsorships	1,687	2,761
Income from MEPA guarantee	275	2,754
Income from Wasteserv – Organic waste	10,006	1,834
Other income	(426)	7,383
	<u>20,163</u>	<u>22,133</u>

7. Personnel emoluments

	2019	2018
	€	€
<i>Personnel emoluments include:</i>		
Mayor's Honoraria and Allowance	11,436	9,064
Council Members' Allowance	7,329	4,800
Executive Salary and Allowance	29,612	28,137
Employees' Salaries	36,332	37,955
Social Security Contribution	5,745	6,190
	<u>90,454</u>	<u>86,146</u>

HAL-SAFI LOCAL COUNCIL

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

..... continued

8. Operations and maintenance

	2019	2018
	€	€
<i>Operations and maintenance include:</i>		
Repairs and Upkeep:		
Road and Street Pavements	1,491	2,065
Road signs and markings	3,907	2,759
Other Repairs & Upkeep	2,490	10,728
Public Property	165	54
Office furniture and equipment repairs	100	542
Plant & machinery and sundry repairs	5,092	822
Street Lighting	5,917	5,815
	<hr/> 19,162	<hr/> 22,785
Contractual Services:		
Waste Disposal	11,452	12,949
Refuse Collection	25,582	22,818
Bulky Refuse Collection	2,277	2,615
Hire of Open Skips	-	266
Road & Street Cleaning	17,099	17,099
Cleaning & Maintenance - Public Conveniences	3,970	3,900
Cleaning & Maintenance Soft Areas	3,283	723
Cleaning Council Premises	7,664	7,643
Other Contractual Service	12,292	12,148
LES related expenses	-	91
	<hr/> 83,619	<hr/> 80,252
Total Operations and Maintenance expenses	<hr/> 102,781	<hr/> 103,037

HAL-SAFI LOCAL COUNCIL

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

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9. Administrative and other expenditure

	2019	2018
	€	€
Utilities	7,005	8,631
Operating materials and supplies	2,325	2,016
Participation fee national and EU organisations	1,812	5,453
Office services	3,539	3,655
Hire of transport	393	1,031
Transport expenses	2,525	1,974
Information services	323	840
Library expenses	743	1,461
Insurance coverage	1,414	1,405
Bank charges	74	44
Professional services	7,762	10,957
ICT expenses	1,546	3,201
Community services and social events	20,309	23,230
Sundry minor expenses	967	819
Rent	4,124	4,092
Depreciation	27,880	62,508
	82,741	131,317

10. Finance income

	2019	2018
	€	€
Bank interest receivable	43	47

11. Finance charge

	2019	2018
	€	€
Bank interest paid	206	53

HAL-SAFI LOCAL COUNCIL

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

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12. Property, plant and equipment

	Assets Under Construction	Buildings & Improvements	Construction Works	Office Furniture & Fittings	New Street Signs	Urban. Improve- ments	Trees	Office & Computer Equip.	Plant & machinery	Special Programmes	Total
	€	€	€	€	€	€	€	€	€	€	€
Cost											
At 1 January 2019	141,800	267,132	121,280	48,599	18,611	161,139	1,031	52,154	15,457	311,428	1,138,631
Additions	-	-	129,661	1,585	-	61,780	-	838	1,350	-	195,214
Transfer to Construction	(141,800)	-	-	-	-	-	-	-	-	-	(141,800)
At 31 December 2019	-	267,132	250,941	50,184	18,611	222,919	1,031	52,992	16,807	311,428	1,192,045
Grants											
At 1 January 2019	126,452	-	26,700	400	-	57,850	-	5,733	6,677	27,247	251,059
Additions	-	-	129,333	-	-	42,729	-	838	-	-	172,900
Transfer to Construction	(126,452)	-	-	-	-	-	-	-	-	-	(126,452)
At 31 December 2019	-	-	156,033	400	-	100,579	-	6,571	6,677	27,247	297,507
Depreciation											
At 1 January 2019	-	39,843	71,128	32,067	18,611	94,806	-	44,213	8,183	284,181	593,032
Charge for the year	-	2,680	11,088	3,665	-	9,608	-	619	220	-	27,880
At 31 December 2019	-	42,523	82,216	35,732	18,611	104,414	-	44,832	8,403	284,181	620,912
N.B.V. at 31 December 2019	-	224,609	12,692	14,052	-	17,926	1,031	1,589	1,727	-	273,626

HAL-SAFI LOCAL COUNCIL

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

..... continued

12. Property, plant and equipment

	Assets Under Construction	Buildings & Improvements	Construction Works	Office Furniture & Fittings	New Street Signs	Urban. Improve- ments	Trees	Office & Computer Equip.	Plant & machinery	Special Programmes	Total
	€	€	€	€	€	€	€	€	€	€	€
Cost											
At 1 January 2018	-	261,296	121,280	44,484	18,611	149,520	1,031	49,574	14,765	311,428	971,989
Additions	141,800	5,836	-	4,115	-	11,619	-	2,580	692	-	166,642
At 31 December 2018	141,800	267,132	121,280	48,599	18,611	161,139	1,031	52,154	15,457	311,428	1,138,631
Grants											
At 1 January 2018	-	-	26,700	-	-	46,431	-	5,733	6,677	27,246	112,787
Additions	126,452	-	-	400	-	11,420	-	-	-	-	138,272
At 31 December 2018	126,452	-	26,700	400	-	57,850	-	5,733	6,677	27,247	251,059
Depreciation											
At 1 January 2018	-	37,187	61,669	28,573	18,611	84,496	-	36,145	6,487	257,356	530,524
Charge for the year	-	2,656	9,459	3,494	-	10,310	-	8,068	1,696	26,825	62,508
At 31 December 2018	-	39,843	71,128	32,067	18,611	94,806	-	44,213	8,183	284,181	593,032
N.B.V. at 31 December 2018	15,348	227,289	23,452	16,132	-	8,483	1,031	2,208	597	-	294,540

HAL-SAFI LOCAL COUNCIL

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

..... continued

13. Trade and other receivables

	2019	2018
	€	€
Falling due within One Year		
Receivables – LES	92,833	92,833
Provision for doubtful debts – LES	(92,833)	(92,833)
Trade receivables	8,835	5,467
Amounts owed by related parties	305	192
Other receivables	842	1,005
Prepayments and accrued income	58,218	110,598
	68,200	117,262

Local Enforcement System (LES) debtors amount to €92,833; these have been fully provided for. As at 31.12.2019, provision for doubtful debts amounts to €92,833 (2018: €92,833). At year end LES debtors which are two (2) years old or older have been fully provided for. All other receivables are within credit period allowed and receivable within 1 year.

14. Cash and cash equivalents

Cash and cash equivalents in the Statement of cash flows comprise the following amounts:

	2019	2018
	€	€
Petty cash	22	130
Bank balances: Savings and current accounts	167,124	120,779
Bank balances: LES deposits account	81,498	81,293
Bank balances: football ground sinking fund account	11,014	11,011
Cash at bank and in hand	259,658	213,213
Less bank balances overdrawn (note 15)	(29,254)	(8,388)
	230,404	204,825

HAL-SAFI LOCAL COUNCIL

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

.....continued

15. Short- term borrowings

	2019	2018
	€	€
Falling due within one year:		
Bank balances overdrawn	29,254	8,388

16. Trade and other Payables

	2019	2018
	€	€
Falling due within One Year		
Trade Payables	16,304	16,418
Other creditors	2,572	753
Accruals (including Capital Creditors)	11,774	102,795
Deferred income	12,431	950
	43,081	120,916

17. Capital commitments

	2019	2018
	€	€
<i>Details of capital commitments at the accounting date are as follows:</i>		
(i) Contracted for and provided for in books	-	139,309
(ii) Approved but not yet contracted for (note (i) – (a)):	71,265	90,870

(i) Capital Commitments refer to projects as follows:

- (a) Development of Green Infrastructure project which has been selected for funding under the Rural Development Programme (2014 – 2020), Measure 4.4 of the Xlokk Local Development Strategy (M19.2). Funding for this project will amount to €57,012.

HAL-SAFI LOCAL COUNCIL

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

.....continued

18. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The ultimate controlling party of the Safi Local Council is the Local Councils Department within the Office of the Prime Minister.

All the companies, Authorities and Agencies set-up by the Central Government are also considered to be related parties to Safi Local Council but do not have significant control. All Regional Committees (from 1 September 2011), the Local Councils Association and the other Local Councils are also considered to be related parties.

During the year under review the Council carried out transactions with the following parties:

Name of Entity:	Nature of Relationship	
Department of Local Councils	Significant	
Regional Committee - Local Law Enforcement	No Control	
Bank of Valletta	No Control	
Department of Education	No Control	
Enemalta Corporation	No Control	
Local Councils Association	No Control	
Water Services Corporation	No Control	
Wasteserv Malta Limited	No Control	
Works Division - Director General Works	No Control	
	2019	2018
	€	€
Income - Annual Financial Allocation	270,007	255,981

19. Financial Risk Management

The Council's activities expose it to a variety of financial risks that include market risks, credit risk, liquidity risk and interest risk. The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Council's financial performance.

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

Where possible, the 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 risk exposure associated with the financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

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

.....continued

19. Financial Risk Management – continued

With respect to credit risk, the receivables are monitored continuously for recoverability. Receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidences of a reduction in the recoverability of the cash flows. Known bad debts are therefore maintained to the lowest possible, thereby lowering as much as possible the concentration of credit risk.

Liquidity risk

The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and plans projects accordingly. The Council Members and Executive Secretary do not consider that it is significantly exposed to liquidity risk.

Capital management

It is the policy of the council to maintain an adequate capital base in order to sustain the future development of the council and safeguard the ability of the council to continue operating. In this respect, the council monitors the operations and results of the council. The council is not subject to externally imposed capital requirements. There were no changes in the council's approach to capital management during the year.

Interest Rate risk

The Council's interest rate risk arises from the borrowings issued at variable rates expose the Council to cash flow interest rate risk, In general, the Council Members and Executive Secretary the Council's exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows are not deemed to be substantial in view of the nature of the assets and liabilities.

Credit risk

Financial assets which potentially subject the Council to concentration of credit risk consist primarily of cash at bank and receivables. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any financial credit history. In this respect, credit with respect to receivables is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

HAL-SAFI LOCAL COUNCIL

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

.....continued

19. Financial Risk Management – continued

Movement in provision for doubtful debts

	2019	2018
	€	€
Provision at 1 January	92,833	92,833
Movement	-	-
Provision at 31 December	<u>92,833</u>	<u>92,833</u>

Provision for doubtful debts is in respect of LES debtors. As at 31.12.2019, full provision has been made in this respect after correctly reflecting the amount due to the council in respect of LES as per Loqus (Datatrak) report.

20. Events after the reporting date

Subsequent to year end, the World Health Organisation declared the spread of Coronavirus Disease (COVID-19), a worldwide pandemic. COVID-19 is having significant effects on global markets, supply chains, businesses, and communities. The Local Council Members' and Executive Secretary are monitoring the situation and taking action to safeguard the interests of the Local Council. To date the Local Council is operating as normal. The full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

HAL-SAFI LOCAL COUNCIL

REPORT OF THE LOCAL GOVERNMENT AUDITORS ON THE HAL-SAFI LOCAL COUNCIL TO THE AUDITOR GENERAL

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hal-Safi 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 Hal-Safi Local Council as at 31 December 2019, and of its financial performance and its cash flows for the period 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 Council 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 Council'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 Council 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.

HAL-SAFI LOCAL COUNCIL

REPORT OF THE LOCAL GOVERNMENT AUDITORS ON THE HAL-SAFI LOCAL COUNCIL TO THE AUDITOR GENERAL

Report on the Audit of the Financial Statements - Continued

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 Council'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 Council'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 Council 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

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Date: 29 May 2020