

Local Council Qormi
Annual Audit Report
for the year ended 31 December 2020

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**Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2020**

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's comprehensive income for the period, and of the Council's retained funds at the end of period. 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 period and its retained funds as at the period 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 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 Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on 9th August 2021 and signed on its behalf by:

Dr. Josef Christian Masini Vento
Mayor

Karen Camilleri
Executive Secretary

**Statement of Comprehensive Income
for the year ended 31 December 2020**

	Notes	2020 €	2019 €
Revenue			
Funds received from Central Government	3	1,746,202	1,287,268
Income raised under Local Council Bye-Laws	4	7,641	8,250
Income raised under Local Enforcement System	5	16,274	16,276
General Income	6	108,552	220,729
		<u>1,878,669</u>	<u>1,532,523</u>
Expenditure			
Personal Emoluments	7	(237,942)	(215,893)
Operations and maintenance	8	(997,907)	(717,096)
Administration and other expenditure	9	(317,916)	(414,917)
		<u>(1,553,765)</u>	<u>(1,347,906)</u>
Operating profit for the year		324,904	184,617
Finance income	10	245	62
Finance costs	11	(8,418)	(11,931)
Loss on assets written off	7	(90)	-
Profit for the year	7	<u>316,641</u>	<u>172,748</u>
Total comprehensive income for the year		<u>316,641</u>	<u>172,748</u>

The notes on pages 6 to 27 form an integral part of these financial statements.

	Notes	2020 €	2019 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	13	1,545,824	1,803,167
Intangible assets	12	401	689
		<u>1,546,225</u>	<u>1,803,856</u>
Current Assets			
Inventories	14	2,620	4,555
Receivables	15	883,254	724,631
Cash at bank and in hand	16	811,469	772,699
		<u>1,697,343</u>	<u>1,501,885</u>
Total Assets		<u><u>3,243,568</u></u>	<u><u>3,305,741</u></u>
RESERVES			
Retained earnings		2,271,477	1,954,836
Total Reserves		<u>2,271,477</u>	<u>1,954,836</u>
Non-Current Liabilities			
Long-term borrowings	18	129,097	151,753
		<u>129,097</u>	<u>151,753</u>
Current Liabilities			
Payables	17, 19	811,871	1,054,207
Short-term borrowings	18	31,123	144,945
		<u>842,994</u>	<u>1,199,152</u>
Total Liabilities		<u>972,091</u>	<u>1,350,905</u>
Total Reserves and Liabilities		<u><u>3,243,568</u></u>	<u><u>3,305,741</u></u>

These financial statements were approved by the Local Council on 9th August 2021 and signed on its behalf by:

Dr. Josef Christian Masini Vento
Mayor

Karen Camilleri
Executive Secretary

The notes on pages 6 to 27 form an integral part of these financial statements.

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

	Retained Earnings
	€
At 1 January 2019	1,782,088
Profit for the year	172,748
At 31 December 2019	<u>1,954,836</u>
At 1 January 2020	1,954,836
Profit for the year	316,641
At 31 December 2020	<u><u>2,271,477</u></u>

Statement of Cash Flows
for the year ended 31 December 2020

	2020		2019	
	€	€	€	€
Cash flow from operating activities				
Net profit for the year	316,641		172,748	
Reconciliation to cash generated from operations:				
Depreciation and amortisation	185,110		257,004	
Loss on disposal of property, plant and equipment	90		-	
Movement in provision for doubtful debts	(2,083)		(1,804)	
Interest receivable	(245)		(62)	
Interest payable	8,418		11,931	
Operating profit before working capital changes	507,931		439,817	
Decrease / (increase) in inventories	1,935		(1,863)	
(Increase) in receivables	(417,906)		(66,241)	
Decrease / (increase) in other receivables	261,366		(191,035)	
Increase / (decrease) in payables	347,424		(147,415)	
(Decrease) / increase in other payables	(589,759)		314,687	
Cash generated from operating activities		110,991		347,950
Cash flow from Investing activities				
Interest received	245		62	
Purchase of property, plant & equipment	(720,548)		(470,225)	
Receipt of grant	792,978		369,089	
Cash generated from / (used in) investing activities		72,675		(101,074)
Cash flow from financing activities				
Bank interest paid	(8,418)		(11,931)	
Repayment of short term bank borrowings	(44,035)		(42,651)	
(Decrease) in overdrawn bank current account	(92,443)		(85,596)	
Cash (used in) financing activities		(144,896)		(140,178)
Net increase in cash in the year		38,770		106,698
Cash at bank and in hand at beginning of year		772,699		666,001
Cash at bank and in hand at end of year		811,469		772,699

1. General Information

The Qormi 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 392, Victory Street, Qormi. These financial statements were approved for issue by the Council Members on 9 August 2021. The Local Council's presentation as well as functional currency are denominated in €.

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).

The COVID-19 pandemic has impacted the Council's operations and functions. In line with the recommendations issued by the Maltese Public Health Authorities, the Council implemented a number of measures to offer its services in a safe environment to the residents, general public, councillors and employees.

During the year the Council has applied the following International Financial Reporting Standards as adopted by the EU which have become mandatorily effective for the year ending 31 December 2020:

New or revised Interpretations adopted:

- Amendments to References to the Conceptual Framework in IFRS Standards. In addition to the revised Conceptual Framework published in March 2018, the IASB 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. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework.

Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASB framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Amendments in the definition of 'material' to align with the definition used in the Conceptual Framework and the standards.

There were also amendments to: IFRS 16 'Leases' - exemption from assessing whether a COVID-19-related rent concession is a lease modification; IFRS 3 'Business Combinations'; IFRS 9 'Financial Instruments'; IAS 39 'Financial Instruments: Recognition and Measurement'; and IFRS 7 'Financial Instruments: Disclosures'. Such amendments were not relevant for the Council's scenario.

New and revised IFRSs adopted by the EU that are not mandatorily effective for the year ending 31 December 2020 and have not been applied during the year under review:

These consisted of 'Amendments to IFRS 4 'Insurance Contracts' and 'Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) Interest Rate Benchmark Reform - Phase 2'. Such amendments are not relevant for the Council's scenario.

Standards and Interpretations issued by the IASB but not yet adopted by the EU:

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the IASB except for the following standards and amendments to the existing standards, which were not endorsed for use in the EU as at 31 December 2020 and cannot be applied by the entities preparing their financial statements in accordance with IFRS as adopted by the EU:

- IFRS 17 Insurance Contracts (issued 18 May 2017)
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current (Issued 23 January 2020)
- Amendments to IFRS 3 Reference to the Conceptual Framework (issued 14 May 2020)
- Amendments to IAS 16 Property, Plant and Equipment - Proceeds before Intended Use (issued 14 May 2020)
- Amendments to IAS 37 Onerous Contracts - Cost of Fulfilling a Contract (Issued 14 May 2020)
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16, and IAS 41) (Issued on 14 May 2020)
- Amendments to IFRS 17 (issued 25 June 2020)
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current - Deferral of Effective Date (Issued 15 July 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.

Intangible Fixed Assets

Computer Software

Computer software is stated at cost less accumulated amortisation and impairment losses to date. Amortisation to write off the cost is calculated on a monthly basis using the straight line method, at a rate calculated to write off the cost less residual value of each asset over its useful life, at 25% per annum.

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 less residual value of each asset over its expected useful life as follows:

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

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each Statement of Financial Position date. 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 period in which they are incurred.

Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is calculated as the present value of the expected future cash flows, discounted at the original effective interest rate inherent in the assets. The recoverable amount of the assets is the greater of their net selling price and value in use.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

Impairment of financial assets

The Council recognises an allowance for expected credit losses (ECLs) for trade receivables. ECLs are based on the difference between the contracted cash flows due in accordance with the contract and all the cash flows that the Council expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

After the adoption of IFRS 9 as from 1 January 2018, the Council applied the simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Amounts receivable

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less expected credit losses. The amount of credit loss is updated at each reporting period to reflect changes in credit risk since initial recognition.

Amounts receivable are derecognised when the rights to receive cash flows have expired or when substantially all risks and rewards of ownership have been transferred. When there is no reasonable expectation of recovering part or all of an amount receivable, its carrying value is written off.

Related parties

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds and the redemption value is recognised in the income and expenditure account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Local Council has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of Financial Position date.

Revenue

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

Income from central government is not recognised until there is reasonable assurance that the Council will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross and any deductions made for non compliance are to be disclosed separately with expenses.

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.

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.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Profits and losses

Only profits 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 cash equivalents

Cash and Cash Equivalents are carried in the Statement of Financial Position at face value. For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash in hand and balances held with banks.

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 Executive Secretary, the accounting estimates and judgements made in the preparation of the Financial Statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS 1 (revised) - 'Presentation of Financial Statements'.

Capital Management

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objectives are to ensure:

- that the Council's ability to continue as a going concern is still valid and
- that the Council maintains a positive working capital ratio.

To achieve the above, the Council carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was positive at the reporting date and has not changed significantly from the previous year. The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

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, as 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 risk 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'.

3. Funds received from central government

	2020	2019
	€	€
In terms of section 55 of the Local Councils Act	1,268,523	1,193,187
Supplementary Government Income	8,666	58,112
EU Funding	335,582	-
Other Government Income	133,431	35,969
	<u>1,746,202</u>	<u>1,287,268</u>

4. Income raised from Bye-Laws

	2020	2019
	€	€
Bye-Law - Advertising on Street Furniture	6,799	5,900
Bye-Law - Use of Facilities De La Cruz Garden	842	2,350
	<u>7,641</u>	<u>8,250</u>

5. Local Enforcement System

	2020	2019
	€	€
Contraventions and other fines	-	23
Administrative charges to Regional Committees	16,274	16,253
	<u>16,274</u>	<u>16,276</u>

6. General Income

	2020	2019
	€	€
Community Services	679	1,367
Sale of books and other merchandise	5	55
General Income	119	-
Tender Documents/Info. Charges	85	20
Media Advertising	-	1,470
Donations	3	-
Refund of expenses	27,367	143,014
Insurance Claims	-	945
Income from Permits	80,294	73,858
	<u>108,552</u>	<u>220,729</u>

7. Profit for the year

	2020	2019
	€	€
Profit for the year is stated after charging:		
Staff salaries	237,942	215,893
Amortisation of intangible assets	288	288
Depreciation of property, plant and equipment	184,822	256,716
Loss on disposal of property, plant and equipment	90	-
	<u>237,942</u>	<u>215,893</u>

Staff salaries

	2020	2019
	€	€
Mayor's Remuneration	19,114	18,006
Councillors' Allowances	27,040	20,217
Executive Secretary Salary and Allowances	34,989	35,172
Employees' Salaries	140,684	127,963
Social Security Contributions	16,115	14,535
	<u>237,942</u>	<u>215,893</u>

Average number of people employed

Employees	10	9
Mayor & Councillors	11	11
	<u>21</u>	<u>20</u>

8. Operations and Maintenance

	2020	2019
	€	€
<i>Repairs and Upkeep:</i>		
Public Property	2,432	-
Road/Street Pavements	365,227	17,982
Signs	8,202	12,799
Road Markings	10,431	11,829
Office Furniture and Equipment	2,728	1,239
Plant & Equipment	1,273	112
Other repairs and Upkeep	5,356	7,103
Council Property	500	1,015
	<u>396,149</u>	<u>52,079</u>
<i>Contractual Services:</i>		
Waste Disposal	135,592	138,066
Refuse Collection	172,347	225,277
Bulky Refuse Collection	13,463	12,924
Bring-in Sites	2,018	861
Cleaning Services	3,087	3,558
Road & Street Cleaning	78,528	79,876
Cleaning & Maintenance of Non-Urban Areas	32,769	17,952
Cleaning - Public Conveniences	18,161	14,772
Cleaning - Council Premises	655	109
Other Contractual Services	16,700	13,323
Cleaning & Maintenance of Parks & Gardens	-	50,837
Cleaning & Maintenance of Soft Areas	81,908	74,613
Street Lighting	35,911	27,896
Experts	4,446	-
Studies & Consultations	4,263	4,470
Local Enforcement Expenses	1,910	483
	<u>601,758</u>	<u>665,017</u>
Total Operations and Maintenance Costs	<u>997,907</u>	<u>717,096</u>

9. Administration and other expenditure

	2020	2019
	€	€
Utilities	15,699	18,169
Other repairs and upkeep	9,075	5,688
Rent	651	-
National and International Memberships	786	786
Office Services	8,606	16,461
Transport	6,093	5,854
Travel	-	2,416
Information Services	20,889	6,677
Insurance Coverage	6,018	5,978
Bank Charges	1,764	1,815
Professional Services	31,205	24,090
Training	5,049	5,173
Entertainment	1,368	-
Conference Expenses	86	1,077
Other Hospitality Costs	2,523	1,489
Social Events	22,894	55,053
Cultural Events	1,948	7,754
Sundry Minor Expenses	235	1,237
Decrease in Provision for Doubtful Debtors	(2,083)	(1,804)
Depreciation and amortisation	185,110	257,004
	<u>317,916</u>	<u>414,917</u>

10. Finance Income

	2020	2019
	€	€
Bank Interest Receivable	245	62
	<u>245</u>	<u>62</u>

11. Finance Costs

	2020	2019
	€	€
Interest on Bank Loan	8,418	11,931
	<u>8,418</u>	<u>11,931</u>

12. Intangible fixed assets

	Computer Software €
Cost	
At 1 January 2019	1,153
Additions	-
At 31 December 2019	<u>1,153</u>
Amortisation	
At 1 January 2019	176
Charge for the year	288
At 31 December 2019	<u>464</u>
Net book values	
At 31 December 2019	<u><u>689</u></u>
Cost	
At 1 January 2020	1,153
Additions	-
At 31 December 2020	<u>1,153</u>
Amortisation	
At 1 January 2020	464
Charge for the year	288
At 31 December 2020	<u>752</u>
Net book values	
At 31 December 2020	<u><u>401</u></u>

**Notes to the Financial Statements
for the year ended 31 December 2020**

13. Property, plant and equipment

	Property	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & equipment	Office Furniture & fittings	Motor vehicles	Special Programmes	Total
Cost	€	€	€	€	€	€	€	€	€
At 1 January 2019	769,307	134,511	70,658	3,349,092	134,315	120,460	15,500	3,989,705	8,583,548
Additions	-	337,997	-	128,900	3,328	-	-	-	470,225
Assets Capitalised	-	(240)	-	240	-	-	-	-	-
Disposals	-	-	-	-	(483)	-	-	-	(483)
At 31 December 2019	769,307	472,268	70,658	3,478,232	137,160	120,460	15,500	3,989,705	9,053,290
Depreciation									
At 1 January 2019	39,408	-	70,658	2,106,213	107,698	79,555	8,014	2,119,375	4,530,921
Charge for the year	4,954	-	-	108,433	4,839	13,156	3,282	122,051	256,715
Released on disposal	-	-	-	-	(483)	-	-	-	(483)
At 31 December 2019	44,362	-	70,658	2,214,646	112,054	92,711	11,296	2,241,426	4,787,153
Grants									
At 1 January 2019	-	-	-	862,067	13,613	-	-	1,218,201	2,093,881
Grants allocated to PPE during the year	-	-	-	18,000	-	-	-	351,089	369,089
At 31 December 2019	-	-	-	880,067	13,613	-	-	1,569,290	2,462,970
Net book values									
At 31 December 2019	724,945	472,268	-	383,519	11,493	27,749	4,204	178,989	1,803,167

**Notes to the Financial Statements
for the year ended 31 December 2020**

13. Property, plant and equipment

	Property	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & equipment	Office Furniture & fittings	Motor vehicles	Special Programmes	Total
Cost	€	€	€	€	€	€	€	€	€
At 1 January 2020	769,307	472,268	70,658	3,478,232	137,160	120,460	15,500	3,989,705	9,053,290
Additions	-	(3,014)	-	716,243	7,318	-	-	-	720,547
Assets capitalised	-	(12,391)	-	12,391	-	-	-	-	-
Disposals	-	-	-	-	(394)	-	-	-	(394)
Write-offs	-	(337,058)	-	-	-	-	-	-	(337,058)
At 31 December 2020	769,307	119,805	70,658	4,206,866	144,084	120,460	15,500	3,989,705	9,436,385
Depreciation									
At 1 January 2020	44,362	-	70,658	2,214,646	112,054	92,711	11,296	2,241,426	4,787,153
Charge for the year	4,954	-	-	88,031	6,104	8,618	2,696	74,419	184,822
Released on disposal	-	-	-	-	(304)	-	-	-	(304)
At 31 December 2020	49,316	-	70,658	2,302,677	117,854	101,329	13,992	2,315,845	4,971,671
Grants									
At 1 January 2020	-	-	-	880,067	13,613	-	-	1,569,290	2,462,970
Grants allocated to PPE during the year	-	57,870	-	535,284	-	-	-	(132,069)	461,085
Forfeited grants	-	-	-	(5,165)	-	-	-	-	(5,165)
At 31 December 2020	-	57,870	-	1,410,186	13,613	-	-	1,437,221	2,918,890
Net book values									
At 31 December 2020	719,991	61,935	-	494,003	12,617	19,131	1,508	236,639	1,545,824

14. Inventories

	2020	2019
	€	€
Souvenirs and similar merchandise	2,620	4,555
	<u>2,620</u>	<u>4,555</u>
	<u><u>2,620</u></u>	<u><u>4,555</u></u>

15. Receivables

	2020	2019
	€	€
Receivables	494,769	76,863
Other receivables	1,435	1,141
Accrued income	329,968	628,164
Financial assets	<u>826,172</u>	<u>706,168</u>
Other receivables	45,655	10,386
Prepayments	11,427	8,077
	<u>883,254</u>	<u>724,631</u>
	<u><u>883,254</u></u>	<u><u>724,631</u></u>

Receivables

General receivables are analysed as follows:

	2020	2019
	€	€
Within credit period	366,746	28,481
Exceeded credit period but not impaired	128,023	48,382
Impaired and provided for	11,156	11,156
Provision for doubtful debts	(11,156)	(11,156)
	<u>494,769</u>	<u>76,863</u>
	<u><u>494,769</u></u>	<u><u>76,863</u></u>

Included in the receivables are debtors with a carrying amount of €128,023 (2019 : €48,382) which are past due at the reporting date for which the council has not provided as there has not been significant change in credit quality and the amounts are still considered recoverable. The age of financial assets past due but not impaired is as follows:

	2020	2019
	€	€
Not more than 3 months	42,206	2,007
More than 3 months but not more than 6 months	-	9,638
More than 6 months	85,817	36,737
	<u>128,023</u>	<u>48,382</u>

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

	2020	2019
	€	€
Balance at 1 January	599,571	601,373
Decrease in provision for LES debtors	(2,083)	(1,802)
Balance at 31 December	<u>597,488</u>	<u>599,571</u>

Local Enforcement System (LES) Debtors

LES Debtors are stated after a specific provision for doubtful debts amounting to €586,331 (2019 - €588,414).

16. Cash and cash equivalents

	2020	2019
	€	€
Bank Balances	808,650	772,467
Cash in Hand	2,819	232
	<u>811,469</u>	<u>772,699</u>

17. Payables

	2020	2019
	€	€
Payables	490,818	143,394
Other creditors	18,902	60,479
Accruals	88,633	371,673
Financial liabilities	598,353	575,546
Other taxes and social security costs	4,753	4,790
Deferred Income Government Grants	<i>Note 19</i> 194,647	457,840
Other Deferred Income	14,118	16,031
	<u>811,871</u>	<u>1,054,207</u>

18. Borrowings

	2020	2019
	€	€
Non-current		
Bank borrowings	<i>Note</i> 129,097	151,753
Current		
Overdrawn current bank balances	<i>Note</i> 7,291	99,734
Bank borrowings	<i>Note</i> 23,832	45,211
	<u>31,123</u>	<u>144,945</u>
Borrowings		
Repayable between one and two years	24,902	18,027
Repayable between two and five years	81,617	47,715
Repayable in five years or more	22,578	86,011
	<u>129,097</u>	<u>151,753</u>

Overdrawn current bank balances

The overdrawn balance is the result of accounting transactions for issued cheques not yet presented at year end and have been cashed on presentation after year end.

Bank borrowings

The bank borrowings are secured by a First General and Special Privilege Hypothec over garage 140, St.Edward Street, Qormi and other pledges on insurance policies. The loan bears interest at 4.75% per annum and is repayable by November 2026 by monthly instalments of €2,592.

19. Deferred income Government Grants	2020	2019
	€	€
Government grants		
At 1 January	457,840	547,247
Movement for the year	18,150	(29,248)
	<u>475,990</u>	<u>517,999</u>
Released in year	(281,343)	-
Reallocated to other creditors	-	(60,159)
At 31 December	<u>194,647</u>	<u>457,840</u>
Current Deferred Income	<u>194,647</u>	<u>457,840</u>
Non-Current Deferred Income	<u>-</u>	<u>-</u>

20. Capital commitments

	2020	2019
	€	€
Details of capital commitments at the accounting date are as follows:		
(i) Approved but not yet contracted for:		
Office Furniture and Fittings	1,000	5,000
Urban Improvements	25,000	135,124
Construction	655,000	220,868
Office Equipment	3,000	5,000
	<u>684,000</u>	<u>365,992</u>
(ii) Contracted for but not provided in the Financial Statements:		
Construction	230,000	-
Urban Improvements	-	31,546
	<u>230,000</u>	<u>31,546</u>
Government grants allocated to capital commitments:		
Road resurfacing and special programmes	-	574,986
Urban improvements	10,000	40,824
Construction	685,000	52,440
	<u>695,000</u>	<u>668,250</u>

21. Contingent liabilities

As at 31 December 2020 the council had contingent liabilities in respect of four claims against it. The council is in a position to quantify the contingent liability of two claims.

One of the claims amounts to €453,123 (2019: €453,123), while the other is quantified as €180,975 (2019: €180,975). As regards the second claim, council has dismissed from legal proceedings but an appeal has been lodged by the aggrieved person. Both claims are being covered by insurance policies.

As at approval date of these financial statements, the council cannot quantify the contingent liability of the other two claims, however it is restricting such claims and no provision has been made in these financial statements in respect of these actions.

22. 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 Councils	Significant control
Central Joint Committee (Local Enforcement)	Joint Control
Northern Harbour District Joint Committee	No control
South Regional Committee	No control
Gozo Regional Committee	No control
North Regional Committee	No control
South Eastern Regional Committee	No control
Central Regional Committee	No control
Police General Head Quarters	No control
Local Councils' Association	No control
Local Enforcement System Agency	No control
Central Bank of Malta	No control
Malta Environment and Planning Authority	No control
Malta Communications Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Department of Inland Revenue	No control
Department of Information	No control
Department for Elderly and Community Care	No control
Commissioner for Data Protection	No control
Wasteserv Malta Limited	No control
Malta Information Technology Agency	No control
ARMS Ltd	No control
Ministry of Finance	No control
GAL - Foundation Local Action Group	No control
Maltapost plc	No control
Transport Malta	No control
Ministry of Transport and Infrastructure	No control
Malta Tourism Authority	No control
Malta Gaming Authority	No control
Malta Council for Science and Technology	No control
Infrastructure Malta	No control
Local Council Zurrieq	No control
Local Council San Pawl il-Bahar	No control

The following were the significant transactions carried out by the Council with related parties having significant control:

	2020	2019
	€	€
Annual Financial Allocation	1,268,523	1,193,187

Key management compensation

	2020	2019
	€	€
Salaries	85,152	73,859

The Council considers the Mayor, Councillors and the Executive Secretary to be Key Management Personnel. Remuneration to Key Management Personnel are disclosed in note 7.

23. Financial Risk Management

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

Credit risk

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution.

The receivable balances of the Council are mainly composed of balances with government-related entities. Given the low risk associated with such entities, the default risk is considered to be insignificant. Given the fact that this will not result in material misstatement, the Council did not calculate and account for this 'expected credit loss'.

The Council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period and is summarised as follows:

	2020	2019
	€	€
Classes of financial assets - carrying amounts		
Trade and other receivables	826,172	706,168
Cash and cash equivalents	811,469	772,699
	<u>1,637,641</u>	<u>1,478,867</u>

Liquidity risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact, at year end, the Council has as cash and cash equivalents the amount of € 811,469 (2019 - € 772,699). This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net asset position of € 2,271,477 (2019 - € 1,954,836) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

At 31 December 2020 the council's financial liabilities have contractual maturities which are summarised below:

31 December 2020

	Current within 1 year €	Non-current 1 to 5 years €	later than 5 years €
Payables	490,818	-	-
Other creditors	18,902	-	-
Accruals	88,633	-	-
Bank loan	23,832	106,519	22,578
	<u> </u>	<u> </u>	<u> </u>

This compares to the maturity of the council's financial liabilities in the previous reporting period as follows:

31 December 2019

	Current within 1 year €	Non-current 1 to 5 years €	later than 5 years €
Payables	143,394	-	-
Other creditors	60,479	-	-
Accruals	371,673	-	-
Bank loan	45,211	65,742	86,011
	<u> </u>	<u> </u>	<u> </u>

Foreign currency risk

Foreign currency transactions arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Council does not trade in any foreign currencies.

Interest rate risk

Interest rate risk mainly arises through interest bearing liabilities and assets. The objective of interest rate risk management is to optimise the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense.

24. Summary of financial assets and liabilities

The carrying amounts of the Council's financial assets and liabilities as recognised at the reporting dates under review are categorised as follows.

	2020	2019
	€	€
Current assets		
Loans and receivables:		
Trade and other receivables	826,172	706,168
Cash and cash equivalents	811,469	772,699
	<u>1,637,641</u>	<u>1,478,867</u>
Non-current liabilities		
Financial liabilities measured at amortised cost:		
Bank loan	<u>129,097</u>	<u>151,753</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Bank loan	23,832	45,211
Payables	490,818	143,394
Other creditors	18,902	60,479
Accruals	88,633	371,673
	<u>622,185</u>	<u>620,757</u>

25. Fair values estimation

The nominal values less estimated credit adjustments of receivables and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair values.

26. Going Concern

The Statement of Financial Position on page 3 and the notes thereto, with special reference to capital commitments, suggest that the going concern assumption used in the preparation of these financial statements is dependent on further sources of funds other than the annual financial allocation by Central Government, on the collection of debts due to the Council and on the continued support of the Council's creditors. Any adverse change in either of these assumptions above, would not let the Council able to meet its financial obligations as they fall due without curtailing its future commitments.

