

L-IMTARFA LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2019

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L-IMTARFA LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2019

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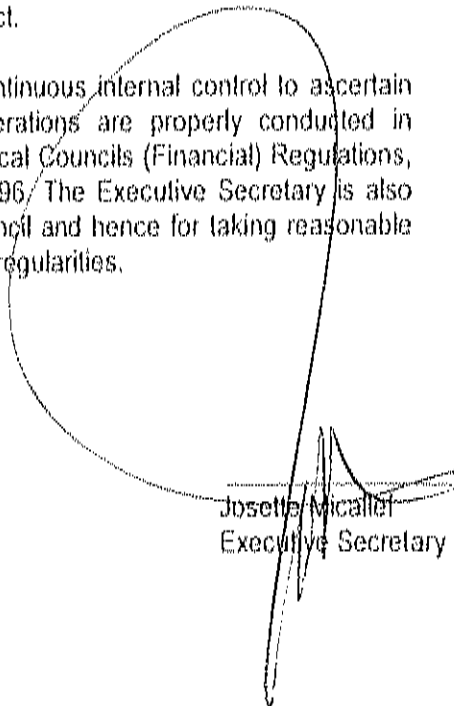
L-IMTARFA LOCAL COUNCIL
STATEMENT OF LOCAL COUNCIL MEMBERS' AND
EXECUTIVE SECRETARY'S RESPONSIBILITIES

The Local Council (Financial) Regulations, 1993, require the Executive Secretary to prepare a detailed Annual Administrative Report, which includes a statement of the Local Council's comprehensive income for the year and of the Local Council's retained funds at the end of the 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 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 Councils (Financial) Regulations, 1993, and the Local Council (Financial) Procedures, 1996 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, CAP 363, the Local Councils (Financial) Regulations, 1993, and the Local Councils (Financial) Procedures, 1996. 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.



Daniel John Altard
Mayor



Josette Micallef
Executive Secretary

Date: 23 April 2020

L-IMTARFA LOCAL COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

		2019	2018
	Notes	Euro	Euro
REVENUE			
Funds received from Government	3	302,348	312,546
Income raised under Law Enforcement system	4	589	-
Income raised from Bye-Laws	5	220	209
Income from EU projects	6	16,614	-
General income	7	8,813	14,305
		<u>328,584</u>	<u>327,060</u>
EXPENDITURE			
Personnel emoluments	9	81,740	71,966
Operations and maintenance	10	141,382	119,928
Administration and other expenditure	11	137,773	132,788
		<u>360,895</u>	<u>324,682</u>
OPERATING (LOSS)/PROFIT FOR THE YEAR		(32,311)	2,378
Finance Income	8	65	52
(LOSS)/PROFIT FOR THE YEAR		(32,246)	2,430

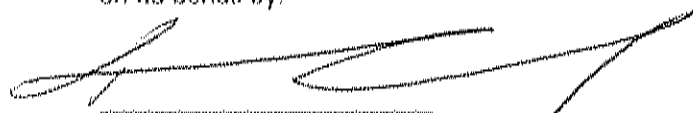
The notes on pages 8 to 27 form an integral part of these financial statements

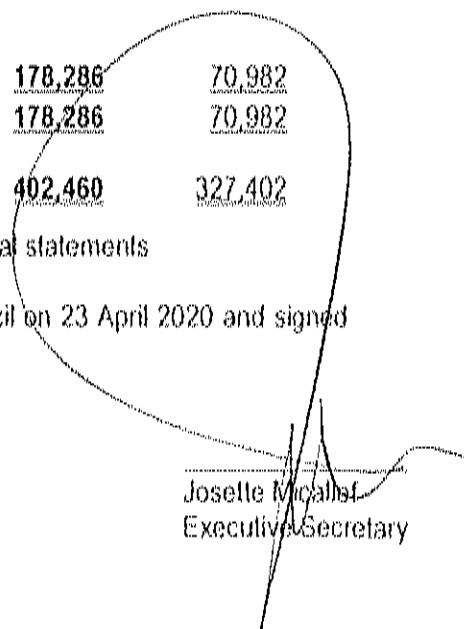
L-IMTARFA LOCAL COUNCIL
 STATEMENT OF FINANCIAL POSITION
 At 31 December 2019

		31-Dec-19	31-Dec-18
	Notes	Euro	Euro
ASSETS			
Non-Current Assets			
Intangible Assets	12	1,058	1,566
Property, plant and equipment	13	<u>114,832</u>	<u>82,369</u>
		115,890	83,935
Current Assets			
Inventories	14	4,081	4,452
Trade and other receivables	15	17,374	28,486
Cash and cash equivalents	16	<u>265,115</u>	<u>210,529</u>
Total Current Assets		<u>286,570</u>	<u>243,467</u>
TOTAL ASSETS		<u>402,460</u>	<u>327,402</u>
RESERVES AND LIABILITIES			
Reserves			
Retained funds		<u>224,174</u>	<u>256,420</u>
Current Liabilities			
Trade and other payables	17	<u>178,286</u>	<u>70,982</u>
Total Current Liabilities		<u>178,286</u>	<u>70,982</u>
TOTAL RESERVES AND LIABILITIES		<u>402,460</u>	<u>327,402</u>

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

These Financial Statements were approved by the Local Council on 23 April 2020 and signed on its behalf by:


 Daniel John Attard
 Mayor


 Josette Micallef
 Executive Secretary

L-IMTARFA LOCAL COUNCIL
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Retained Funds Euro
At 1 January 2018	253,990
Profit for the year	<u>2,430</u>
At 31 December 2018	<u>256,420</u>
At 1 January 2019	256,420
Loss for the Year	<u>(32,246)</u>
At 31 December 2019	<u>224,174</u>

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

L-IMTARFA LOCAL COUNCIL
 STATEMENT OF CASH FLOWS
 For the year ended 31 December 2019

	Notes	Year 2019 Euro	Year 2018 Euro
(Loss)/Profit for the year		(32,246)	2,430
Reconciliation to cash generated from Operations:			
Depreciation		37,183	65,054
Amortisation		508	466
Provision for Bad Debts		-	2,218
Loss on disposal		230	245
Interest receivable		<u>(65)</u>	<u>(52)</u>
Operating Profit before Working Capital changes		5,610	70,361
Movement in working capital			
(Increase)/Decrease in Inventories		371	(3,514)
(Increase)/Decrease in Trade and other receivables		11,112	(7,610)
Increase/(Decrease) in Trade and Other Payables		<u>78,068</u>	<u>30,892</u>
Net cash inflow from operating activities		<u>95,161</u>	<u>90,129</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment		(72,723)	(62,451)
Grants		32,083	-
Interest received		<u>65</u>	<u>52</u>
Net cash (outflow) from investing activities		<u>(40,575)</u>	<u>(62,399)</u>
Movement in cash and cash equivalents		54,586	27,730
Cash and cash equivalents at beginning of year		210,529	182,799
Cash and cash equivalents at end of year	15	<u>265,115</u>	<u>210,529</u>

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

L-IMTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

1. GENERAL INFORMATION

L-Imtarfa Local Council is the local authority of L-Imtarfa incorporated in accordance with the Local Councils Act 1993. The office of the Council is at 'Town Centre', Triq ir-Rigiment i Mallin, L-Imtarfa. The Local Council's presentation as well as functional currency are denominated in €.

The financial statements were authorised for issue by the Council on the 23 April 2020.

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

IFRS 16 Leases

IFRS 16 introduced a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 superseded the lease guidance including IAS 17 Leases and the related interpretations.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees (i.e. on balance sheet) except for short-term leases and leases of low value assets.

L-IMTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating, cash flows; whereas under the IFRS 15 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2019, the Council has non-cancellable operating lease commitments. IAS 17 does not require the recognition of any right of use asset or liability for future payments for these leases, instead, certain information is disclosed as operating lease commitments. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Council will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16.

In contrast, for finance leases where the Council is a lessee, as the Council has already recognized an asset and a related finance lease liability for the lease arrangement, and in cases where the Council is a lessor (for both operating and finance leases), the members of the Council do not anticipate that the application of IFRS 16 will have a significant impact on the amounts recognized in the Council's financial statements.

L-IMTARFA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

New and revised IFRSs in issue but not yet effective

The Council has not applied the following new and revised IFRSs that have been issued but are not yet effective:

The Annual Improvements induce amendments to IFRS 1 and IAS 28 which are not yet mandatorily effective for the Council.

Intangible Fixed Assets

Computer Software

Computer software is valued 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 25% per annum.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss 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	0.0
Trees	0.0
Buildings	1.0
Office Furniture and Fittings	7.5-52.21
Construction works	10.0-17.65
Urban Improvements (street furniture)	10.0-85.71
Special Programs (Projects)	10.0
Office Equipment	20.0-46.14
Motor Vehicles	20.0
Plant and Machinery	20.0-23.08
Computer Equipment	25.0-85.67
Plants	100.0
Litter Bins	Replacement Basis
Playground Furniture	100.0
Traffic Signs	Replacement Basis
Road Signs	Replacement Basis
Street Mirrors	100.0
Street Lights	100.0

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.

L-IMTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

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.

Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24. The paragraphs adopted from IAS 24 are paragraphs 25 – 27, being amendments to government related entities' disclosures.

Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Comprehensive Income.

Leases

Accounting policy applicable from 1 January 2019

As from 1 January 2019, the council considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the council assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the council
- the council has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the council has the right to direct the use of the identified asset throughout the period of use. The council assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

L-IMTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

Measurement and recognition of leases

At lease commencement date, the council recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the council, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The council depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The council also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the council measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the council's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The council has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Accounting policy applicable before 1 January 2019

The council's leases were classified as operating leases. Lease classification was made at the inception of the lease, which was the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.

Rentals payable under operating leases, less the aggregate benefit of incentives received from the lessor, were recognized as an expense in profit or loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

L-IMTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

Amounts Receivable

Amounts receivable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivable. The amount of the provision is the difference between the carrying amount of the asset in the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the Statement of Comprehensive Income.

Revenue recognition

Revenue is recognised when the amount of revenue and the associated costs can be measured reliably. Interest income is recognised in the Statement of Comprehensive Income as it accrues.

Payables and Borrowings

Payable and Borrowing Costs are recognised as an expense in the period in which they are incurred. Amounts payable comprise creditor payments, that is, the amounts payable for the procurement of supplies and services. When an invoice or request for payment is received from a supplier, this is checked to the purchase order previously issued or the services contract, before payment is released in favour of any vendor. All cheque payments are signed by the Mayor and Executive Secretary and then reconciled with the bank statements on a monthly basis.

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.

Inventory

Inventory is calculated at lower of cost and net realisable value.

L-IMTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

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.

Local Enforcement System

L-Imtarfa Local Council formed part of the Tramuntana Joint Committee from September 2002 until 31 August 2011. As from 1st September 2011, the Mtarfa Local Council forms part of the North Regional Council.

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 IAS1 (revised) - 'Presentation of Financial Statements'.

Capital Management Policies and Procedures

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objective 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 this, the Council carries out a quarterly review of the working capital ratio (Financial Situation Indicator). This ratio was positive at the reporting date. 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 transaction costs. They are measured subsequently as described below:

L-IMTARFA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

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 counter party 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 included other payables. These are stated at their nominal account which is a reasonable approximation of fair value.

3. FUNDS RECEIVED FROM GOVERNMENT

	1 Jan 2019- 31 Dec 2019	1 Jan 2018- 31 Dec 2018
	Euro	Euro
In terms of Section 55 of the Local Councils Act, 1993	279,482	264,963
Supplementary Government Income	-	27,267
Other Government Income	<u>22,866</u>	<u>20,316</u>
	<u>302,348</u>	<u>312,546</u>

L-IMTARFA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS (continued)

4. INCOME RAISED UNDER LOCAL ENFORCEMENT SYSTEM		
	1 Jan 2019 - 31 Dec 2019 Euro	1 Jan 2018 - 31 Dec 2018 Euro
Fines and penalties	<u>589</u>	-
	<u>589</u>	-
5. INCOME RAISED FROM BYE-LAWS		
	1 Jan 2019 - 31 Dec 2019 Euro	1 Jan 2018 - 31 Dec 2018 Euro
Courses and skip permits	<u>220</u>	<u>209</u>
	<u>220</u>	<u>209</u>
6. INCOME FROM EU PROJECTS		
	1 Jan 2019 - 31 Dec 2019 Euro	1 Jan 2018 - 31 Dec 2018 Euro
Erasmus Youth Project	<u>16,614</u>	-
	<u>16,614</u>	-
7. GENERAL INCOME		
	1 Jan 2019 - 31 Dec 2019 Euro	1 Jan 2018 - 31 Dec 2018 Euro
Document/Info. Charges	-	54
Permits	3,366	3,712
Library Services	-	400
Organic Waste Collection	-	1,875
Donations & Sponsorships	647	3,215
General Income	<u>4,800</u>	<u>5,049</u>
	<u>8,813</u>	<u>14,305</u>
8. FINANCE INCOME		
	1 Jan 2019 - 31 Dec 2019 Euro	1 Jan 2018 - 31 Dec 2018 Euro
Bank Interest	<u>65</u>	<u>52</u>
	<u>65</u>	<u>52</u>

L-IMTARFA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS (continued)

9. PERSONNEL EMOLUMENTS

	1 Jan 2019-31 Dec 2019	1 Jan 2018- 31 Dec 2018
Personnel Emoluments include, <i>inter alia</i>	Euro	Euro
Mayor's Honoraria	9,353	7,464
Mayor's and Councillors' Allowances	9,700	6,400
Executive Secretary Salary and Allowances	30,998	30,172
Employees' Salaries	26,242	23,516
Social Security Contributions	5,447	4,414
	<u>81,740</u>	<u>71,966</u>
Average number of people employed		
Employees	3	2
Mayor & Councillors	5	5

10. OPERATIONS AND MAINTENANCE EXPENSES

	1 Jan 2019- 31 Dec 2019	1 Jan 2018- 31 Dec 2018
Operations and maintenance includes, <i>inter alia</i>	Euro	Euro
REPAIRS AND UPKEEP		
Plant & Equipment	452	233
Road/Street Pavements	1,293	1,268
Road signs and markings	2,958	2,971
Council property	5,326	11,320
Office furniture & equipment	972	1,042
Other repairs and upkeep	4,946	2,265
	<u>15,947</u>	<u>19,099</u>
CONTRACTUAL SERVICES		
Refuse collection	20,879	15,617
Tipping Fees	19,351	20,024
Bulky refuse collection	5,096	4,356
Road and street cleaning	16,984	15,120
Cleaning and maintenance public conveniences	5,616	5,608
Cleaning and maintenance parks and gardens	26,500	21,599
Cleaning and maintenance council premises	1,821	2,004
Other Contractual Services	20,733	8,813
Street Lighting and security	8,455	7,469
LES related expenditure	-	219
	<u>125,435</u>	<u>100,829</u>
TOTAL OPERATIONS & MAINTENANCE EXPENSES	<u>141,382</u>	<u>119,928</u>

L-IMTARFA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS (continued)

	1 Jan 2019- 31 Dec 2019 Euro	1 Jan 2018- 31 Dec 2018 Euro
11. ADMINISTRATION AND OTHER EXPENDITURE		
Depreciation	37,691	65,520
Professional Fees	32,677	11,085
Advertising and public relations expenses	2,998	66
Bank charges	194	42
Fuel	146	40
Community services	19,292	24,755
Conference and participation expenses	19,336	4,020
Insurance	1,354	1,298
Library Expenses	1,722	2,043
Staff training	489	586
Postages	202	180
Printing and stationery	5,977	1,424
Publications	371	1,693
Rent	7,331	7,331
Provision for bad debts (others)	-	2,300
Provision for bad debts (LES)	-	(82)
Loss on disposal of assets	230	245
Office Services	2,740	714
Sundry Minor Expenses	332	-
Telecommunications	2,560	2,330
Transport expenses	1,663	1,499
Water and Electricity	468	5,699
TOTAL ADMINISTRATIVE AND OTHER EXPENDITURE	137,773	132,788

L-IMTARFA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS (continued)

12. INTANGIBLE ASSETS

	Computer Software €	Total €
Cost		
At 1 January 2018	-	-
Additions	2,032	2,032
Disposal	-	-
At 31 December 2018	<u>2,032</u>	<u>2,032</u>
Depreciation		
At 1 January 2018	-	-
Charge for the year	466	466
Released on disposal	-	-
At 31 December 2018	<u>466</u>	<u>466</u>
Net Book Value		
At 31 December 2018	<u>1,566</u>	<u>1,566</u>
	Computer Software €	Total €
Cost		
At 1 January 2019/31 December 2019	2,032	2,032
Depreciation		
At 1 January 2019	466	466
Charge for the year	<u>508</u>	<u>508</u>
At 31 December 2019	<u>974</u>	<u>974</u>
Net Book Value	<u>1,058</u>	<u>1,058</u>

L-IMTARFA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS (continued)
 13a. PROPERTY, PLANT AND EQUIPMENT

Cost	Office Furniture & Fixtures		New		Street Signs	Urban Improv.	Street Lighting	Construction	Trees	Plant & Machinery	Assets under Construction	Total
	€	€	€	€								
At 1 January 2019	43,901	15,255	9,652	38,068	296,831	13,593	473,314	6,981	8,114	31,291	937,000	
Additions	5,668	4,655	-	-	1,750	27,260	4,639	2,389	993	25,369	72,723	
Disposals	(37)	(1,037)	(123)	-	(475)	-	-	-	-	-	(1,672)	
At 31st December 2019	49,532	18,873	9,529	38,068	298,106	40,853	477,953	9,370	9,107	56,660	1,098,051	
Grants												
At 1 January 2019	-	-	-	-	112,480	-	400,968	-	2,300	-	515,748	
Transferred during the year	-	2,847	-	-	-	-	-	-	-	-	2,847	
At 31st December 2019	-	2,847	-	-	112,480	-	400,968	-	2,300	-	518,595	
Depreciation												
At 1 January 2019	34,603	12,175	8,517	38,068	180,023	13,593	46,418	-	5,486	-	338,883	
Charge for the period	1,825	1,379	542	-	2,288	27,260	3,712	-	177	-	37,183	
Released on disposal	(37)	(1,037)	(123)	-	(245)	-	-	-	-	-	(1,442)	
At 31st December 2019	36,391	12,517	8,936	38,068	182,066	40,853	50,130	-	5,663	-	374,624	
Net Book Value												
At 31st December 2019	13,141	3,509	593	-	3,560	-	26,855	9,370	1,144	56,660	114,832	

L-IMTARFA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS (continued)
 13b. PROPERTY, PLANT AND EQUIPMENT (cont...)

Cost	Office Furniture, Fixtures & Fittings		Office Equipment		Computer Equipment		New Street Signs		Urban Improv.		Street Lighting		Construction		Trees		Plant & Machinery		Assets under Construction		Total
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	
At 1 January 2018	43,524	15,607	10,519	38,068	294,503	-	6,981	449,433	8,114	13,064	879,813										
Additions	414	807	694	-	2,123	13,593	-	23,881	-	-	18,907	60,419									
Disposals	(37)	(1,159)	(1,561)	-	(475)	-	-	-	-	-	-	(5,232)									
Capitalizations	-	-	-	-	680	-	-	-	-	-	-	(680)									
At 31st December 2018	43,901	15,255	9,652	38,068	296,831	13,593	473,314	6,981	8,114	31,291	937,000										
Grants																					
At 1 January 2018	-	-	-	-	106,512	-	400,968	-	2,300	-	509,780										
Transferred during the year	-	-	-	-	5,968	-	-	-	-	-	5,968										
At 31st December 2018	-	-	-	-	112,480	-	400,968	-	2,300	-	515,748										
Depreciation																					
At 1 January 2018	25,344	11,662	8,398	38,068	144,407	-	44,357	-	4,580	-	276,816										
Charge for the period	9,296	1,672	1,680	-	35,846	13,593	2,061	-	906	-	65,054										
Released on disposal	(37)	(1,159)	(1,561)	-	(230)	-	-	-	-	-	(2,987)										
At 31st December 2018	34,603	12,175	8,517	38,068	180,023	13,593	46,418	-	5,486	-	338,883										
Net Book Value																					
At 31st December 2018	9,298	3,080	1,135	-	4,328	-	25,928	6,981	328	-	87,369										

L-IMTARFA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS (continued)

14. INVENTORIES

As at 31 December 2019	As at 31 December 2018
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Books and other publications	4,081	4,452
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15. TRADE AND OTHER RECEIVABLES

2019 Euro	2018 Euro
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Debtors	12,977	9,092
Provision for Bad Debts (General)	(6,050)	(6,050)
Law Enforcement System Debtors	37,185	37,185
Provision for Bad LES Debts	(37,185)	(37,185)
Other debtors	79	128
Accrued income	3,802	18,049
Financial assets	10,808	21,219
Prepayments	6,566	7,267
	<u>17,374</u>	<u>28,486</u>

Prepayments include prepayments of Local Council property rental and insurance premium.

Trade debtors are analysed as follows:

Within credit period	2,515	3,037
Exceeded credit period (past due) but not impaired	4,412	5
Exceeded credit period (past due) and impaired	6,050	6,050
	<u>12,977</u>	<u>9,092</u>

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the Statement of Cash Flows comprise the following amounts in the Local Council's Statement of Financial Position:

	2019 Euro	2018 Euro
Petty cash and cash in hand	153	679
Bank balances		
- BOV current account	523	23,179
- BOV savings accounts	264,439	186,771
Cash and Cash Equivalent in Statement of Financial Position	265,115	210,529

L-IMTARFA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS (continued)

17. TRADE AND OTHER PAYABLES

	2019 Euro	2018 Euro
Payables	46,979	32,788
Other Creditors	746	932
Advance Payment	56,761	-
Accruals	<u>23,479</u>	<u>36,634</u>
Financial Liabilities	127,965	70,354
Deferred Income	<u>50,321</u>	<u>628</u>
	<u>178,286</u>	<u>70,982</u>

Trade Payables are analysed as follows:

	2019 Euro	2018 Euro
Within credit period	35,008	32,788
Exceeded credit period	<u>11,971</u>	-
	<u>46,979</u>	<u>32,788</u>

Accruals include estimates for goods and services received prior to 31 December 2019 and for which invoices have not yet been received by the Local Council.

18. CONTINGENT LIABILITIES

The Council has no contingent liabilities as at 31st December 2019.

19. CAPITAL COMMITMENTS

	As at 31 Dec 2019 Euro	As at 31 Dec 2018 Euro
i- Capital expenditure that has been contracted for but not provided for in the financial statements	-	-
ii- Capital expenditure that has been approved but not yet contracted for.	142,000	138,600

20. 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.

L-IMTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

21. RELATED PARTY TRANSACTIONS

The Mtarfa Local Council has the following related parties, exercising:

- i. Significant Control – The Department of Local Government
- ii. Joint Control – Central Joint Committee for Local Enforcement, Central Regional Committee for Local Enforcement
- iii. No Control – Local Councils Association, Commissioner for Data Protection, Department of Information, Koperattiva Tabelli u Sinjali, Kunsill Malti għall-Isport, Permanent Secretary Justice Cultural & Local Government, Ufficju Gbir tal-Kera, Housing Authority, Kunsill Nazzjonali tal-Klieb, Agricultural & Rural Paying Agency, Gozo Channel, Maltapost plc., Arms Ltd., Water Services Corporation, Enemalta Corporation, Inland Revenue Department, Malta Environment and Planning Authority, Malta Information Technology Agency, Bank of Valletta plc., Gozo Regional Committee, South Regional Committee, North Regional Committee, South Eastern Regional Committee, Police General Head Quarters, Isla Local Council and WasteServ Malta Limited.

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

	2019	2018
	Euro	Euro
Annual Financial Allocation	279,482	264,963
<u>Key Management Emoluments</u>		
Executive Secretary	30,998	30,172
Mayor's Honoraria	9,353	7,464
Mayor & Councillors' Allowances	9,700	6,400

22. 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 program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Council's financial performance.

Market Risk

The Council's interest rate risk arises from its deposits with financial institutions. The Council does not have any long-term borrowings. In general, 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 by the Councillors and Executive Secretary in view of the nature of the assets and liabilities.

L-IMTARFA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS (continued)

22. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk

Financial assets which potentially subject the Council to concentrations of credit risk which are principally made up of cash at bank and debtors. The Council's cash is placed with a quality financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Furthermore, credit risk is limited due to the fact that government-owned customers comprise a high percentage of the council's debtor base. LES Debtor balance has been provided for fully with an allowance for bad debts.

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 summarized as follows:

	2019	2018
	€	€
Classes of financial assets - carrying amounts		
Trade and other receivables	10,808	21,219
Cash and cash equivalents	<u>265,115</u>	<u>210,529</u>
	<u>275,923</u>	<u>231,748</u>

The Council assesses the credit quality of its customers by taking into account their financial standing and past experience. The Council considers the credit quality of its financial assets as being acceptable.

Included in the council's trade receivable there is a balance of €6,050 (2018 - €6,050) which is past due and which has been provided for.

	2019	2018
	Euro	Euro
0-30 days	1,560	2,338
31-60 days	955	699
61-90 days	931	-
91-120 days	903	-
121-365 days	-	-
Over 365 days	<u>8,628</u>	<u>6,055</u>
	<u>12,977</u>	<u>9,092</u>

L-IMTARFA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS (continued)

22. FINANCIAL RISK MANAGEMENT (continued)

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 currency transactions.

Interest Rate Risk

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

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.

At 31 December 2019, the Council's financial liabilities have contractual maturities which are summarised below:

	Current within 1 year €	Non-Current 1 to 5 years €	Non-Current later than 5 years €
Payables	127,965	-	-

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

	Current Within 1 year €	Non-Current 1 to 5 years €	Non-Current later than 5 years €
Payables	70,354	-	-

L-IMTARFA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS (continued)

23. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of the council's financial assets and liabilities as recognized at the reporting dates under review are categorized as follows:

	2019	2018
	€	€
Current assets		
Loans and receivables:		
Trade and other receivables	10,808	21,219
Cash and cash equivalents	<u>265,115</u>	<u>210,529</u>
	<u>275,923</u>	<u>231,748</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	<u>127,965</u>	<u>70,354</u>
	<u>127,965</u>	<u>70,354</u>

24. Comparative information

Certain comparative information has been reclassified to conform to the current year's disclosure for the purpose of fairer presentation.

Report of the Local Government Auditor

To the Auditor General

Report on the audit of the financial statements

Qualified opinion

We have audited the financial statements of Mtarfa Local Council set out on pages 4 to 27 which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 matters described in paragraphs 1 and 2 under the Basis for qualified opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Council as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act, the Local Councils (Financial) Procedures 1996 (the "Legislation").

Basis for qualified opinion

1. Up to 31 August 2011, all income and expenditure from the Local Enforcement System (LES) were centralised through the Joint Committees. The Joint Committees ceased operations on that date. No audited financial statements of the Joint Committee have been made available to us and consequently we were unable to determine whether the Council is entitled to receive any further income from the Joint Committee.
2. In previous years, the council received a number of Government grants with respect to capital projects under the Public Private Partnership (PPP) scheme amounting to €95,716.74. The council also received grants in respect to the Housing Authority project amounting to €62,332.17. To date the council failed to provide supporting documentation to enable us to determine whether or not such amounts recognised in the financial statements are materially misstated.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's 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 of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of those charged with governance for the financial statements

As described on page 3 the Executive Secretary and the members of the Local Council are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Legislation, and for such internal control as they determine is 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 and the members of the Local Council are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is the intention to liquidate the Council or to cease operations, or have no realistic alternative but to do so.

The Executive Secretary and the members of the Local Council are responsible for overseeing the Council's financial reporting process.

Auditor's 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 auditor's 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.

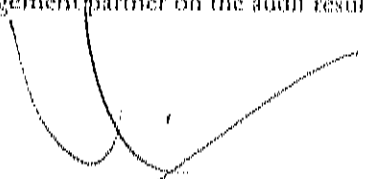
As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- 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 Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management'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 auditor's 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 auditor's 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Mark Bugeja.



Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

Fort Business Centre
Triq L-Intornjatur Zone 1
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Birkirkara CBD1050
Malta

23 April 2020