



**MQABBA LOCAL COUNCIL  
AUDITED REPORT & FINANCIAL STATEMENTS  
for the year ended 31<sup>st</sup> December 2019**

Prepared by: Michael Debono CPA, MBA (Henley)

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## TABLE OF CONTENTS

<i>SECTION</i>	<i>PAGE</i>
Statement of Local Council Members' and Executive Secretary's Responsibilities	1
Report of the Local Government Auditors to the Auditor General	2 - 3
Statement of Profit or Loss and Other Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 24

**Statement of Local Council Members' and Executive Secretary's Responsibilities**

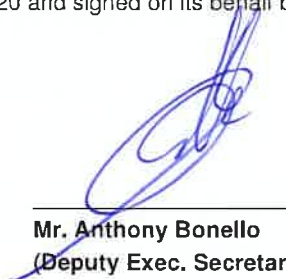
The Local Councils (Financial) Regulations 1993 require the Executive Secretary to prepare a detailed Annual Administrative Report which includes the Local Council's Statement of Profit or Loss and Other Comprehensive Income for the year and of the Council's retained funds at the end of this year. By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

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act 1993, 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 Local Council on 29 June 2020 and signed on its behalf by:



**Mr. Omar Farrugia**  
(Mayor)



**Mr. Anthony Bonello**  
(Deputy Exec. Secretary)

**REPORT OF THE LOCAL GOVERNMENT AUDITORS ON THE MQABBA LOCAL COUNCIL TO  
THE AUDITOR GENERAL****Report on the Audit of the Financial Statements****Opinion**

We have audited the financial statements of Mqabba 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 Mqabba Local 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 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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.

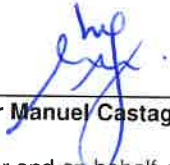
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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.



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Mr Manuel Castagna

For and on behalf of  
**Nexia BT**  
Certified Public Accountants

The Penthouse, Suite 2  
Capital Business Centre, Entrance C  
Triq taz-Zwejt  
San Gwann SGN 3000  
Malta

Date: 29 June 2020

**Statement of Profit or Loss and Other Comprehensive Income for the year ended 31<sup>st</sup> December 2019**

	Notes	2019 €	2018 €
<b>Income</b>			
Funds received from Central Government	4	315,888	290,995
Income raised by Local Council Bye-Laws	5	8,519	8,183
Income from Law Enforcement System	6	9,321	2,605
General Income	7	15,396	7,502
		<u>349,124</u>	<u>309,285</u>
<b>Expenditure</b>			
Personnel emoluments	8	74,033	77,486
Operations and maintenance	9	115,872	100,161
Administrative and other expenditure	10	153,049	121,366
		<u>342,954</u>	<u>299,013</u>
<b>Operating surplus for the year</b>		<b>6,170</b>	<b>10,272</b>
Investment income	11	70	108
		<u>70</u>	<u>108</u>
<b>Surplus for the year</b>		<b>6,240</b>	<b>10,380</b>
<b>Total comprehensive income for the year</b>		<b>6,240</b>	<b>10,380</b>

The notes on pages 8 to 24 form an integral part of these financial statements.

Statement of Financial Position as at 31<sup>st</sup> December 2019

	Notes	2019 €	2018 €
<b>Assets</b>			
<b><u>Non-current assets</u></b>			
Property, plant and equipment	12 a-b	294,031	289,040
<b>Total non-current assets</b>		<b>294,031</b>	<b>289,040</b>
<b><u>Current assets</u></b>			
Trade and other Receivables	13	26,031	18,101
Cash and cash equivalent	14	310,826	283,032
<b>Total current assets</b>		<b>336,857</b>	<b>301,133</b>
<b>Total assets</b>		<b>630,888</b>	<b>590,173</b>
<b>Reserves and liabilities</b>			
<b><u>Reserves</u></b>			
Retained Earnings		479,857	473,617
<b>Total Reserves</b>		<b>479,857</b>	<b>473,617</b>
<b><u>Current liabilities</u></b>			
Trade and Other Payables	16	151,031	116,556
<b>Total current liabilities</b>		<b>151,031</b>	<b>116,556</b>
<b>Total liabilities</b>		<b>151,031</b>	<b>116,556</b>
<b>Total reserves and liabilities</b>		<b>630,888</b>	<b>590,173</b>

The notes on pages 8 to 24 form an integral part of these financial statements.

These financial statements were approved by the Local Council on 29 June 2020 and are signed by

Mr. Omar Farrugia  
(Mayor)

Mr. Anthony Bonello  
(Deputy Exec. Secretary)

**Statement of Changes in Equity for the year ended 31<sup>st</sup> December 2019**

	<b>Retained Earnings €</b>
<b>At 1 January 2018</b>	463,237
Surplus for the year	10,380
Other comprehensive income	-
Total comprehensive income for the year	10,380
<b>At 31 December 2018</b>	<u>473,617</u>
<b>At 1 January 2019</b>	<b>473,617</b>
Surplus for the year	6,240
Other comprehensive income	-
Total comprehensive income for the year	<b>6,240</b>
<b>At 31 December 2019</b>	<u><b>479,857</b></u>



**Statement of Cash Flows for the year ended 31<sup>st</sup> December 2019**

	Notes	2019 €	2018 €
<b>Cash flows from operating activities</b>			
Surplus for the year		6,240	10,380
<u>Adjustments for:</u>			
Depreciation		85,017	82,959
Increase in provision for doubtful debts		8,180	466
Interest receivable		(70)	(108)
Operating surplus before working capital changes		<u>99,367</u>	<u>93,697</u>
<u>Movements in working capital:</u>			
Movement in receivables		(16,110)	(2,324)
Movement in payables		13,798	(8,359)
<b>Net cash generated by operating activities</b>		<u>97,055</u>	<u>83,014</u>
<b>Cashflows from investing activities</b>			
Payment to acquire property, plant and equipment		(108,008)	(16,442)
Interest received		95	108
<b>Net cash generated used in investing activities</b>		<u>(107,913)</u>	<u>(16,334)</u>
<b>Cash flows from financing activities</b>			
Grants received		43,608	29,900
Refund to ARPA on project		(4,956)	-
<b>Net cash generated by financing activities</b>		<u>38,652</u>	<u>29,900</u>
<b>Net movement in cash and cash equivalents in the year</b>		<b>27,794</b>	<b>96,580</b>
Cash and cash equivalents at beginning of year	14	<u>283,032</u>	186,452
<b>Cash and equivalents at end of year</b>	14	<u><u>310,826</u></u>	<u>283,032</u>
<b>Cash and equivalents– cash at bank &amp; in hand</b>		<u><u>310,826</u></u>	<u>283,032</u>

The notes on pages 8 to 24 form an integral part of these financial statements.

**Notes to the Financial Statements for the year ended 31<sup>st</sup> December 2019****1. General Information**

Mqabba Local Council is the local authority of Mqabba set up in accordance with the Local Councils Act 1993. The office of the Local Council is situated at 29, Triq il-Parrocca, Mqabba, Malta. These financial statements were approved by the Council on 29 June 2020.

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 Ministry for Justice, Culture and Local Government.

**2. Accounting Policies and Reporting Procedures**

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 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 (Cap 363).

**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.

Annual Improvements to IFRS Standards 2015-2017 Cycle – various standards.

Amendments to IFRS 3 Business Combinations and IFRS 11 Joint Operations, covering instances where an entity obtains control of another entity that was a joint operation than the parent has to remeasure previously held interest and if an entity obtains joint control of another entity that is a joint operation, then the investing entity does not need to remeasure previously held interest in said joint operation.

Amendment to IFRS 9 Financial Instruments which introduces an amendment to the classification of certain financial assets, namely those with specific prepayment options such as prepayment features with negative compensation.

Clarification on IFRS 11 Joint Arrangements

**Notes to the Financial Statements for the year ended 31<sup>st</sup> December 2019****2. Accounting Policies and Reporting Procedures (continued)****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.

**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 Local Council Members' and Executive Secretary do not expect that the adoption of the amended Standards will have a material impact on the financial statements of the local council.

**Notes to the Financial Statements for the year ended 31<sup>st</sup> December 2019****2. Accounting Policies and Reporting Procedures (continued)****Principal Accounting Policies**

The principal accounting policies and reporting procedures used by the Local Council are as follows:

**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 organization of courses, cultural, sporting and social activities is only recognized on a cash basis. Income from investment activities is recognized when the rights of receipt have been established. Interest income from financial assets is recognized 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.

**Local Enforcement System**

Local Enforcement Income represents the income as it accrues from contraventions as controlled by the Local Enforcement System (L.E.S). The amount receivable from the Local Enforcement System is disclosed in the statement of financial position. A full provision for bad debts is accounted for receivables aged over two years. As from the 1<sup>st</sup> September 2011, the Council forms part of the Southern Regional Committee, which is responsible for the L.E.S income of the locality. The contract provides for a 10% administration fee payable to the Council for contraventions collected by the Council and remitted to the respective Regional Committees. During the year the L.E.S. undergone changes with the introduction of the LESA which has taken over the functions previously undertaken by the Regional Committees.

**Financial instruments**

The Council recognises a financial instrument in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Receivables are initially recognised at fair value plus transaction costs. Receivables are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all risks and rewards of ownership or has not retained control of the financial asset.

The Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If there is objective evidence that an impairment loss on receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

At 31st December 2019, the carrying amounts of cash at bank, receivables, payables, and accrued expenses reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

**Notes to the Financial Statements for the year ended 31<sup>st</sup> December 2019****2. Accounting Policies and Reporting Procedures (continued)****Property, Plant and Equipment**

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment loss to date. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The present values of property, plant and equipment do not differ materially from those that would be determined by using fair values at the end of each reporting period.

Subsequent costs are included in the asset's carrying amount 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 Local Council and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

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:

Category	%
Land / Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works / Special Projects / Urban Improvements (Street Furniture)	10
Office Equipment / Motor Vehicles / Plant and Machinery / Air conditioners	20
Computer Equipment / Computer software	25
Plants / Litter Bins / Playground furniture	100
Traffic / Road Signs / Street Mirrors / Lights	replacement basis

Up to the year ending 31st December 2017, depreciation was calculated using the reducing balance method. The change in the depreciation method has been affected according to the instructions in the DLG Directive 1/2017.

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 Profit or Loss and Other Comprehensive Income during the financial year in which they are incurred.

**Impairment of property, plant and equipment**

At the end of each reporting period, 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.

**Notes to the Financial Statements for the year ended 31<sup>st</sup> December 2019****2. Accounting Policies and Reporting Procedures (continued)****Impairment of property, plant and equipment (continued)**

Intangible 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 revalued 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 revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**Impairment of financial assets other than inventories**

At the end of each reporting period, 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.

**Notes to the Financial Statements for the year ended 31st December 2019****2. Accounting Policies and Reporting Procedures (continued)****Impairment of financial assets other than inventories (cont.)**

Impairment losses are recognized immediately in the statement of comprehensive income, unless the asset is carried at a revalued amount, in which case, the impairment loss is recognized 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 period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed directly.

In the case of assets tested for impairment, an impairment loss recognized in a prior period 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 recognized. 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 recognized for the asset in prior periods. Impairment reversals are recognized immediately in the comprehensive income statement, unless the asset is carried at a revalued amount, in which case, the impairment reversal is recognized directly in reserves, unless an impairment loss on the same asset was previously recognized in the comprehensive income statements.

**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.

**Amounts Receivable**

Amounts receivable are recognised initially at fair value and subsequently measured at amortised 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 receivables. 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 recognised in the profit or loss.

**Payables**

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of the council's activities from suppliers. Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

**Notes to the Financial Statements for the year ended 31<sup>st</sup> December 2019****2. Accounting Policies and Reporting Procedures (continued)****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 currency. Transactions denominated in foreign currencies are translated into € using the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or 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.

**Profits and Losses**

Only profits that were realized at the reporting date 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.

**3. Critical accounting estimates and judgments**

In the process of applying the council's accounting policies, the council has made no judgments which can significantly affect the amounts recognised in the financial statements.

At the reporting date, there were no key assumptions concerning the future, or any other key sources of estimation 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****4. Funds received from Central Government**

	2019	2018
	€	€
In terms of section 55 of the Local Councils Act (Cap 363)	297,043	281,612
Government Grants	8,625	571
Other Government Income	10,220	8,812
	<u>315,888</u>	<u>290,995</u>

**5. Income raised by Local Council Bye-Laws**

	2019	2018
	€	€
Income raised under Local Council Bye-Laws	<u>8,519</u>	<u>8,183</u>

**6. Income from Law Enforcement System**

	2019	2018
	€	€
Fines, Penalties and fees	<u>9,321</u>	<u>2,605</u>

**7. General Income**

	2019	2018
	€	€
Income from permits	359	2,877
Contributions and donations	52	863
Other income	14,985	3,762
	<u>15,396</u>	<u>7,502</u>

**8. Personal Emoluments**

	2019	2018
	€	€
Mayor's allowance	10,020	7,452
Councillors' allowances	5,657	8,294
Executive Secretary's salary and allowances	14,662	20,233
Employees' salaries	40,243	36,969
Social Security Contributions	3,451	4,538
	<u>74,033</u>	<u>77,486</u>

**Notes to the Financial Statements for the year ended 31 December 2019****9. Operations and Maintenance**

	2019	2018
	€	€
Road and street pavements	6,119	4,268
Street signs	2,382	3,898
Road markings	159	698
	<u>8,660</u>	<u>8,864</u>

	2019	2018
	€	€
<b>Contractual Services:</b>		
Refuse collection	37,284	33,400
Bulky refuse collection	3,992	2,684
Road and Street Cleaning & premises	29,381	18,157
Waste disposal	17,148	22,641
Cleaning and Maintenance of Public Conveniences	4,645	3,922
Cleaning and Maintenance of Parks and Gardens	1,465	3,943
Street lighting expenses	4,480	4,680
Local Enforcement System (L.E.S) Expenses	8,817	1,870
	<u>107,212</u>	<u>91,297</u>
	<u>115,872</u>	<u>100,161</u>

**Notes to the Financial Statements for the year ended 31 December 2019****10. Administration and other expenditure**

	2019	2018
	€	€
Utilities	9,313	8,303
Other repairs and upkeep	3,316	2,221
Rent	398	558
National and International Memberships	5,704	208
Office Services	4,342	3,268
Transport	1,632	1,638
Information Services	2,384	3,003
Insurance	1,177	1,245
Professional services	14,087	4,808
Community and hospitality	15,593	9,955
Sundry expenses and bank charges	128	379
Other interest	1,778	2,355
Depreciation	85,017	82,959
Increase in provision for doubtful L.E.S debtors	8,180	466
	<u>153,049</u>	<u>121,366</u>

**11. Investment Income**

	2019	2018
	€	€
Bank Interest	<u>70</u>	<u>108</u>

Notes to the Financial Statements for the year ended 31<sup>st</sup> December 2019

## 12a. Property, plant and equipment

Cost	Council Admin Buildings	Office Furniture & Fittings	Plant & machinery	Computer Equip.	Computer Equip.	Office Equipment	Urban Improvement	New Street Signs	Construction works	Trees	Assets under Construction		Total
											€	€	
At 1 January 2019	98,850	12,333	6,986	13,133	3,554	22,488	142,559	7,932	592,689	-	5,393	905,917	
Additions	-	-	-	829	4,229	105	950	-	3,463	1,000	97,432	108,008	
Transfers	-	-	-	-	-	-	57,000	-	45,175	-	(102,175)	-	
Less Government Grants	-	-	-	-	-	-	-	-	(18,000)	-	-	(18,000)	
At 31 December 2019	98,850	12,333	6,986	13,962	7,783	22,593	200,509	7,932	623,327	1,000	650	995,925	
Depreciation													
At 1 January 2019	(12,368)	(9,242)	(6,986)	(12,895)	(2,037)	(20,248)	(97,556)	(7,932)	(447,613)	-	-	(616,877)	
Current charge	(988)	(927)	-	(35)	(1,077)	(1,592)	(17,564)	-	(62,001)	(833)	-	(85,017)	
At 31 December 2019	(13,356)	(10,169)	(6,986)	(12,930)	(3,114)	(21,840)	(115,120)	(7,932)	(509,614)	(833)	-	(701,893)	
N.B.V. at 31 December 2019	85,494	2,164	-	1,032	4,669	753	85,389	-	113,713	167	650	294,031	
N.B.V. at 31 December 2018	86,482	3,091	-	238	1,517	2,240	45,003	-	145,076	-	5,393	289,040	

Notes to the Financial Statements for the year ended 31<sup>st</sup> December 2019

12b. Property, plant and equipment	Council Admin										
	Buildings	Office Furniture & Fittings	Plant & machinery	Computer Equip.	Computer Software	Office Equipment	Urban Improvement	New Street Signs	Construction works	Assets under Construction	Total
Cost	€	€	€	€	€	€	€	€	€	€	€
At 1 January 2018	98,850	12,333	6,986	12,816	3,554	21,436	132,879	7,932	592,689	-	889,475
Additions	-	-	-	317	-	1,052	9,680	-	-	5,393	16,442
At 31 December 2018	98,850	12,333	6,986	13,133	3,554	22,488	142,559	7,932	592,689	5,393	905,917
Depreciation											
At 1 January 2018	(11,379)	(8,317)	(5,642)	(11,217)	(2,037)	(15,750)	(83,300)	(7,932)	(388,344)	-	(533,919)
Current charge	(989)	(925)	(1,344)	(1,678)	-	(4,498)	(14,256)	-	(59,259)	-	(82,958)
At 31 December 2018	(12,368)	(9,242)	(6,986)	(12,895)	(2,037)	(20,248)	(97,556)	(7,932)	(447,613)	-	(616,877)
Government Grants											
At 1 January 2018	-	-	-	-	-	-	-	-	-	-	-
Movement during year	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2018	-	-	-	-	-	-	-	-	-	-	-
N.B.V. at 31 December 2018	86,482	3,091	-	238	1,517	2,240	45,003	-	145,076	5,393	289,040
N.B.V. at 31 December 2017	87,471	4,016	1,344	1,599	1,517	5,686	49,579	-	204,345	-	355,557

**Notes to the Financial Statements for the year ended 31<sup>st</sup> December 2019****13. Trade and other receivables**

	2019	2018
	€	€
Receivables & Related party undertakings (note 13.1)	14,486	10,142
Provision for doubtful debts	(4,757)	(4,783)
Other receivables	6,136	750
LES debtors (Note 13.2)	-	752
Prepayments and accrued income	10,166	11,240
	<u>26,031</u>	<u>18,101</u>

**Note 13.1**

	2019	2018
	€	€
Receivables within credit period	6,600	4,174
Receivables not within credit period*	3,129	1,185
Receivables which are impaired and provided for	4,757	4,783
	<u>14,486</u>	<u>10,142</u>

\* None of the receivables are at impaired status

The credit period on receivables (Note 13.1) is of 90 days. No interest is charged on receivables for the first 90 days from the date of request of payment. Thereafter, the Council may consider imposing an interest charge of 2% per annum on the outstanding balance. Allowances for doubtful debts are recognised against receivables after 730 days (two years). Receivables disclosed in (Note 13.1) include amounts (see below for aged analysis) that are past due at the end of the reporting date for which the Council has not recognised an allowance for doubtful debts, as these are still considered recoverable. The aging of receivables that are past due but not impaired are as follows;

	2019	2018
	€	€
Receivables within credit period -1 - 89 days	6,600	4,174
Receivables not within credit period* - 90 - 730 days	3,129	1,185
	<u>9,729</u>	<u>5,359</u>

**Note 13.2**

	2019	2018
	€	€
L.E.S receivables	121,348	113,894
Provision for L.E.S doubtful debts (reconciled in the next page)	(121,348)	(113,142)
	<u>-</u>	<u>752</u>

**Notes to the Financial Statements for the year ended 31<sup>st</sup> December 2019****13. Receivables - cont.****Note 13.2 - cont.**

	2019	2018
	€	€
<i>Movement in the allowance for doubtful debts:</i>		
Balance at beginning of the year	113,142	113,142
Movement in provision	8,206	-
Balance at the end of the year	<u>121,348</u>	<u>113,142</u>

The credit period on L.E.S receivables (Note 13.2) is of 60 days. As the system is controlled by the Central Government, the Council has no control on the charging of interest or the imposition of penalties. Allowances for doubtful debts are recognised against receivables after 730 days (two years).

**14. Cash and Cash Equivalent**

	2019	2018
	€	€
Cash at bank	310,576	282,782
Cash in hand	250	250
	<u>310,826</u>	<u>283,032</u>

**15. Deferred income**

As explained in Note 2 – Accounting policies and reporting procedures on Government Grants, as from 01 January 2018, reporting of grants have been changed from Income approach to Capital approach and government grants related to the purchase of property, plant and equipment are deducted from the carrying amount of the relative non-current asset.

**Notes to the Financial Statements for the year ended 31st December 2019****16. Trade and other payables**

	2019	2018
	€	€
Trade Payables	16,298	13,732
Other payables	5,118	3,065
Capital payables	16,951	7,636
Related Party undertakings	11,177	23,428
Deferred income	57,368	27,500
Accruals	44,119	41,195
	<u>151,031</u>	<u>116,556</u>

**17. Capital commitments**

At the end of the reporting period, the Council had no future capital expenditure plans.

**18. Related party transactions**

Mqabba Local Council is ultimately controlled by the Central Government Local Councils Department.

Other related parties through ultimate control of the Central Government, but which have no control on the Mqabba Local Council include Water Services Corporation, Enemalta Corporation, LESA and Malta Environmental Planning Authority.

In the ordinary course of its operations, the Council received funds and income from the related parties. The Council's income reflected in the statement of profit or loss and comprehensive income comprises funds received from the Central Government amounting to €315,888 (2018: €290,995). The Council also received income derived from the Local Enforcement System amounting to €9,321 (2018: €2,605).

In the opinion of the Local Council's members, disclosure of related party transactions, which are generally carried out, is only necessary when the transactions effected have a material impact on the operating results and financial position of the Council.

**19. Capital management policies and procedures****Capital Management**

It is the policy of the Executive Secretary to maintain an adequate capital base to sustain the future development of the Local Council and safeguard the ability of the Local Council to continue as a going concern. In this respect, the Executive Secretary monitors the operations and results of the Local Council.



**Notes to the Financial Statements for the year ended 31st December 2019****20. Risk management objectives**

The Council is exposed to credit risk, liquidity risk and contractual maturity risk through its use of financial instruments which result from its operating and investing activities. The most significant financial risks to which the Council is exposed to are described below.

**Credit risk**

The Council's exposure to credit risk is limited to the carrying amount of financial assets recognized at the date of the Statement of Financial Position (as disclosed in Notes 13 and 14, and as referred to hereunder), which arises from cash and cash equivalents and credit exposures from receivables as follows:

	€
Receivables (Note 13.1)	14,486
Prepayments and Accrued Income (Note 13)	10,166
Cash and cash equivalents (Note 14)	310,826

L.E.S receivables relate to sentenced cases arising from contraventions which are legally due to the Council. The credit risk exposure is high on L.E.S receivables as the Council has no control on such collectables. The amount disclosed is Nil (2018: €752) since total L.E.S receivables of €121,348 (2018: €113,894) have been fully provided for with a provision for bad debts of €121,348 (2018: €113,142)

Receivables arise from legal obligations due to the Council by third parties. The credit risk exposure is considered low as the Council is in direct contact with such debtors. Accrued income represents income receivable from Government and related agencies. Their relative credit exposure is considered low. The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective note to the financial statements and there is no collateral to secure such assets.

Cash at bank relates to balances held as savings accounts placed with a local reliable financial institution. The credit risk exposure in this respect is considered low.

**Liquidity risk**

The Council's exposure to liquidity risk arises from its obligations to meet financial liabilities, which comprise of trade and other payables. The Council monitors and manages its liquidity risk to a shortage of funds by maintaining sufficient cash and cash at bank, and by monitoring the availability of raising funds to ensure adequate amounts of funding to meet the obligations when they become due.

**Notes to the Financial Statements for the year ended 31<sup>st</sup> December 2019****20. Risk management objectives (continued)****Contractual maturity risk**

At 31 December 2019 and 31 December 2018, the contractual maturities on the financial liabilities of the Council were as summarised below. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the Statement of Financial Position.

	2018			
	Less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years
Payables	85,991	30,565	-	-

	2019			
	Less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years
Payables	83,101	54,269	11,058	-

**Foreign currency risk**

Most of the Council's transactions are carried out in Euro. Exposure to foreign currency exchange rates arise from the Council's transactions in foreign currency. There were no figures translates from foreign currency to Euro as at the date of the Statement of the Financial Position, thus putting the foreign currency risk at nil.

**Fair value of financial assets and financial liabilities**

At 31st December 2019, the fair value of non-current financial assets and non-current financial liabilities are not materially different from the carrying amounts.

**21. Events after the reporting period**

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.