

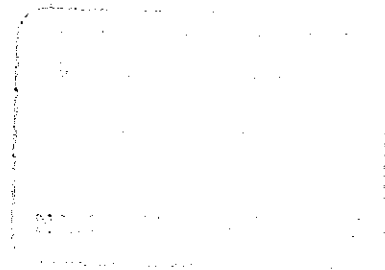
HAL GHARGHUR LOCAL COUNCIL

AUDITED FINANCIAL

STATEMENTS FOR THE YEAR

ENDED

31 DECEMBER 2019



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HAL GHARGHUR LOCAL COUNCIL

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HAL GHARGHUR LOCAL COUNCIL

STATEMENT OF COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2019

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

This entails, inter alia, responsibility for ensuring that an appropriate system of internal control is in operation to provide them with reasonable assurance that the assets of the Council are properly safeguarded, that fraud and other irregularities will be detected and that the operations of the Council are properly conducted in accordance with the Local Councils Act, 1993, the Local Council (Financial) Regulations, 1993, and the policies, systems and time scales referred to in the Local Council (Financial) Procedures, 1996.

This statement was approved by the Council on 11 June 2020 and signed on its behalf by:


Helen Gauci
Mayor


° Maria Tanti
Executive Secretary

HAL GHARGHUR LOCAL COUNCIL

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2019

	Notes	Year Ended 2019 €	Year Ended 2018 €
Income			
Funds received from Central Government	3	297,715	282,384
Income from Law Enforcement System	4	2,240	2,508
General Income	5	36,932	35,165
		<u>336,887</u>	<u>320,057</u>
Expenditure			
Personal emoluments	7	89,982	81,593
Operations and maintenance	8	140,180	115,807
Administrative and other expenditure	9	186,575	163,284
		<u>416,737</u>	<u>360,684</u>
Net Operating Loss for the year		(79,850)	(40,627)
Investment income	10	-	1
		<u>-</u>	<u>1</u>
Net Loss for the year		(79,850)	(40,626)


The notes on pages 6 to 25 form an integral part of these financial statements

HAL GHARGHUR LOCAL COUNCIL

STATEMENT OF FINANCIAL POSITION As at 31 December 2019

	Notes	Year Ended 2019 €	Year Ended 2018 €
Assets			
<i><u>Non-current assets</u></i>			
Property, plant and equipment	11	349,486	398,392
Intangible Assets	12	-	331
Total non-current assets		349,486	398,723
<i><u>Current assets</u></i>			
Inventories	13	2,242	2,289
Trade and other Receivables	14	27,828	29,093
Cash and cash equivalent	15	273,188	298,429
Total current assets		303,258	329,811
Total assets		652,744	728,534
Reserves and liabilities			
<i><u>Reserves</u></i>			
Retained Earnings		465,955	545,805
Total Reserves		465,955	545,805
<i><u>Current liabilities</u></i>			
Trade and Other Payables	17	186,789	182,729
Total current liabilities		186,789	182,729
Total liabilities		186,789	182,729
Total reserves and liabilities		652,744	728,534

The financial statements were approved by the Council on 11 June 2020 and signed on its behalf by:


Helen Gauci
Mayor


Maria Tanti
Executive Secretary

HAL GHARGHUR LOCAL COUNCIL

STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2019

	Retained Earnings
	€
At 1 January 2018	586,431
Total comprehensive loss for the year	(40,626)
At 31 December 2018	<hr/> 545,805 <hr/>
At 1 January 2019	545,805
Total comprehensive loss for the year	(79,850)
At 31 December 2019	<hr/> 465,955 <hr/>

The notes on pages 6 to 25 form an integral part of these financial statements

HAL GHARGHUR LOCAL COUNCIL

STATEMENT OF CASHFLOWS

For the year ended 31 December 2019

	Notes	2019 €	2018 €
Operating activities			
Profit/(Loss) for the year		(79,850)	(40,626)
<u>Adjustments to reconcile profit with net cash flows:</u>			
Depreciation/amortisation		99,219	103,068
Amortisation of grants made by council		1,200	1,200
Movement in provision for doubtful debts		(143)	104
Adjustment re payment to MRRA re M313		-	(7,829)
<u>Working capital adjustments</u>			
Movement in inventories		48	104
Movement in receivables		9,653	(7,194)
Movement in payables		1,811	9,971
Cash flows from operating activities		31,938	58,798
Interest received		-	1
Net cash flows from operating activities		31,938	58,799
Investing activities			
Purchase of property, plant and equipment	11	(57,179)	(63,883)
Net cash generated from/used in investing activities		(57,179)	(63,883)
Cash flows from financing activities			
Capital Grants received during the year		-	27,894
Advance payment from ARPA on grants		-	101,609
Net cash generated by financing activities		-	129,503
Net movement in cash and cash equivalents in the year		(25,241)	124,419
Cash and cash equivalents at beginning of year	15	298,429	174,011
Cash and equivalents at end of year		273,188	298,429
Total Cash in hand and at bank at year end	15	273,188	298,429

The notes on pages 6 to 25 form an integral part of these financial statements

HAL GHARGHUR LOCAL COUNCIL

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

..... continued

1. General Information

The Hal Gharghur Local Council is a local authority of Malta set up in accordance with the Local Councils Act (1993). The office of the Local Council is situated at Triq San Nikola, Hal Gharghur, GHR 1162, Malta. These financial statements were approved for issue by the Council Member on the 11 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 Ministry for Justice, Culture and Local Government.

2. Accounting Policies and Reporting Procedures

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Accounting convention

These financial statements are prepared under the historical cost convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act, 1993 (Chap. 363), the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures, 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards, as adopted by the EU.

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

New and amended standards adopted by the local council

Certain new standards, amendments and interpretations to existing standards have been published and effective for the current period, however these changes are not expected to have a material effect on the Local Council's financial statements. These include:

- IFRS 16, 'Leases', introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows. IFRS 16 contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee.

The notes on pages 6 to 25 form an integral part of these financial statements

HAL GHARGHUR LOCAL COUNCIL

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

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Standards, amendments and interpretations that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published however these are not yet effective. These include:

- Amendments to References to Conceptual Framework in IFRS Standards – effective on or after 1 January 2020.

The Local Council is considering the implications of these standards and their impact on the Council's financial results and position.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Local Council.

Property, plant and equipment

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

HAL GHARGHUR LOCAL COUNCIL

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

..... Continued

	Rates in %
Land	0
Trees	0
Buildings	1
Office Furniture & Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Programmes (Projects)	10
Office Equipment and Computer Equipment	25
Intangible asset – computer software	25
Motor Vehicles	20
Plant and Machinery	20
Road/Street Signs	Replacement Basis
Litter Bins	Replacement Basis
Playground Equipment	100
Street Lighting	100
Street Mirrors	Replacement Basis
Plants	100

Up to the year ended 31 December 2017, depreciation was accounted for using the reducing balance method according to IAS 16 – Property, Plant and Equipment. On 1 January 2018, the straight-line method, according to IAS 16 has been adopted, in line with the Directive No. 1/207 issued by the Department for Local Government. This is a change in accounting estimate, which according to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, has been accounted for prospectively.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating loss. 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 recognized 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 Comprehensive Income Statement 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

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

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

..... Continued

are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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.

HAL GHARGHUR LOCAL COUNCIL

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

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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 statement.

Cash and cash equivalents

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

Receivables

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

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

HAL GHARGHUR LOCAL COUNCIL

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

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Related Parties

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

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.

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.

Foreign currencies

In preparing the financial statements of the Council, transactions in currencies other than the Council's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured^p in terms of historical costs in a foreign currency are not retranslated.

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

HAL GHARGHUR LOCAL COUNCIL

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

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Borrowing costs

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

Investment income on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in Total Comprehensive Income for the period in which they are incurred.

General Payables

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

Judgements in applying accounting policies and key sources of estimating uncertainty

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

At the end of the reporting period, except as disclosed in note 22, there were no key assumptions concerning the future, or any other key sources of estimating uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a first-in-first-out basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

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

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

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

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

HAL GHARGHUR LOCAL COUNCIL

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

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3. Funds Received from Central Government

	2019	2018
	€	€
In terms of section 55 of the Local Councils Act, 1993	275,113	260,821
Supplementary income	-	21,563
Other government income	22,602	-
	<u>297,715</u>	<u>282,384</u>

4. Income raised under Law Enforcement System

	2019	2018
	€	€
LES share of joint committee results	292	137
Income from Regional Committees	1,948	2,371
	<u>2,240</u>	<u>2,508</u>

5. General Income

	2019	2018
	€	€
Cultural activities	3,576	2,563
Income from permits	32,482	26,789
Income from adverts & sponsorships	619	701
Other general income	255	5,112
	<u>36,932</u>	<u>35,165</u>

6. Loss for the year

	Notes	2019	2018
		€	€
Personal Emoluments	7	89,982	81,593
Depreciation on property, plant and equipment & amortization of intangible assets	11&12	<u>99,219</u>	<u>103,068</u>

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

HAL GHARGHUR LOCAL COUNCIL

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

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7. Personnel emoluments

	2019	2018
	€	€
Personnel emoluments include, inter alia:		
Mayor's Honoraria	9,436	7,464
Councillors' Allowance	9,700	6,400
Executive Secretary's Salary and Allowance	32,309	30,502
Employees' Salaries	31,447	29,824
Social Security Contributions	5,253	5,164
Overtime	1,837	2,239
	<u>89,982</u>	<u>81,593</u>

The average number of personnel for the year was 5 FTEs (full time equivalents) - 5 FTEs in 2018. These figures exclude four councilors as they are recipients of allowances only.

8.

	2019	2018
	€	€
Operations and maintenance include, inter alia:		
Repairs and Upkeep:		
Road and Street Pavements (patching works)	5,925	1,984
Road Markings & Signs	8,091	14,330
Plant & machinery	8,829	3,763
Other repairs	6,630	5,046
	<u>29,475</u>	<u>25,123</u>
Contractual Services:		
Refuse collection	48,520	30,601
Bulky refuse collection	4,917	4,583
Bring in sites/tipping fees	30,132	32,142
Roads and street cleaning	12,883	11,743
Cleaning and maintenance public conveniences	4,872	4,445
Cleaning and maintenance parks and gardens	2,271	2,334
LES expenditure	1,665	1,235
Other contractual services	5,445	3,601
	<u>110,705</u>	<u>90,684</u>
TOTAL OPERATIONS AND MAINTENANCE	<u>140,180</u>	<u>115,807</u>

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

HAL GHARGHUR LOCAL COUNCIL

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

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9. Administration and Other Expenses

	2019	2018
	€	€
Utilities	6,183	5,742
Cleaning Materials & Supplies	826	745
Rent	3,041	3,794
Operating materials and supplies	960	854
Street lighting	7,146	14,034
e-government services	528	1,186
Bank charges	131	235
Insurance coverage	2,961	1,916
Participation fees and memberships	1,415	418
Advertising & Public relations expenses	2,730	3,391
ICT expenses	1,034	846
Legal and professional fees	28,316	5,686
Office services	5,064	2,898
Community and Hospitality	23,915	14,456
Fines, penalties and other minor expenses	459	1,192
Depreciation	98,889	102,628
Amortisation of intangibles	330	440
Library & information service expenses	1,542	1,415
Amortisation of prepaid expenditure	1,200	1,200
Movement in Provisions on Bad Debts	(143)	104
Movement in inventories of books	48	104
TOTAL ADMINISTRATION AND OTHER EXPENSES	186,575	163,284

10. Investment income

	2019	2018
	€	€
Bank - interest receivable	-	1

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

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

..... continued

11. Property, plant and equipment

Cost	Council Premises		Construction & Street Paving		Office Furniture Fixtures & Fittings		Street Signs		Urban Improvements		Office/Computer Equipment		Plant & Machinery		Special Programmes		Assets under Construction		Total	
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
At 01 January 2019	120,927	345,529	30,979	14,908	145,898	23,377	31,846	1,257,634	5,066	1,976,164										
Additions	-	23,995	65	-	4,397	1,477	203	-	27,398	57,535										
Reclassifications		3,261							(3,261)											
Disposals		(3,261)							(1,805)											
At 31 December 2019	120,927	369,524	31,044	14,908	149,795	24,854	32,049	1,257,634	27,398	2,028,633										
Grant																				
At 01 January 2019	(4,669)	(61,451)	(843)	-	(36,686)	(1,328)	-	(716,224)	-	(821,201)										
Allocation for the year		(2,486)								(2,486)										
At 31 December 2019	(4,669)	(63,937)	(843)		(36,686)	(1,328)		(716,224)		(823,687)										
Depreciation																				
At 01 January 2019	(9,844)	(155,541)	(21,790)	(14,908)	(79,562)	(21,444)	(30,752)	(422,730)	-	(756,571)										
Charge for the year	(1,162)	(29,737)	(2,279)	-	(12,470)	(335)	(1,111)	(51,795)	-	(98,889)										
At 31 December 2019	(11,006)	(185,278)	(24,069)	(14,908)	(92,032)	(21,779)	(31,863)	(474,525)		(855,460)										
Carrying Amount																				
At 31 December 2019	105,252	120,309	6,132	-	21,577	1,747	186	66,885	27,398	349,486										

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

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

..... continued

Cost	Council Premises		Construction & Street Paving		Office Furniture Fixtures & Fittings		Street Signs		Urban Improvements		Office/Computer Equipment		Plant & Machinery		Special Programmes		Assets under Construction		Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	
At 01 January 2018	120,927	325,527	30,979	14,908	134,354	22,584	31,846	1,239,808	-	1,920,933									1,920,933
Additions		20,002			11,544	793		9,997		47,402									47,402
Disposals																			7,829
At 31 December 2018	120,927	345,529	30,979	14,908	145,898	23,377	31,846	1,257,634	5,066	1,976,164									1,976,164
Grant																			
At 01 January 2018	(4,669)	(61,451)	(843)	-	(36,686)	(1,328)	-	(716,224)	-	(821,201)									(821,201)
Allocation for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2018	(4,669)	(61,451)	(843)	-	(36,686)	(1,328)	-	(716,224)	-	(821,201)									(821,201)
Depreciation																			
At 01 January 2018	(8,682)	(128,144)	(19,514)	(14,908)	(67,851)	(19,473)	(24,188)	(371,183)	-	(653,943)									(653,943)
Charge for the year	(1,162)	(27,397)	(2,276)	-	(11,711)	(1,971)	(6,564)	(51,547)	-	(102,628)									(102,628)
Release on disposal																			
At 31 December 2018	(9,844)	(155,541)	(21,790)	(14,908)	(79,562)	(21,444)	(30,752)	(422,730)	-	(756,571)									(756,571)
Carrying Amount																			
At 31 December 2018	106,414	128,537	8,346	-	29,650	605	1,094	118,680	5,066	398,392									398,392

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

HAL GHARGHUR LOCAL COUNCIL

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

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12. Intangible Assets

	2019	2018
	.€	€
Cost of software		
Opening Balance	2,300	2,300
Additions	-	-
Closing Balance	<u>2,300</u>	<u>2,300</u>
Depreciation		
Opening Balance	1,970	1,529
Charge for the year	330	440
Closing Balance	<u>2,300</u>	<u>1,969</u>
Net Book Value	<u>-</u>	<u>331</u>

13. Inventories

	2019	2018
	€	€
Inventory of books for sale	<u>2,242</u>	<u>2,289</u>

14. Trade and other Receivables

	2019	2018
	€	€
Amounts owed by related parties (note i)	12,103	5,414
Other receivables (note i)	4,542	7,906
LES debtors	26,975	26,778
Provision for doubtful debts	(32,630)	(32,575)
Prepayments , prepaid expenditure & accrued income (note ii)	<u>16,838</u>	<u>21,570</u>
	<u>27,828</u>	<u>29,093</u>

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HAL GHARGHUR LOCAL COUNCIL

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

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	2019	2018
	€	€
<i>Note i - Credit period analysis:</i>		
Within credit period	5,473	3,989
Exceeded credit period but not impaired	5,468	634
Impaired and provided for	5,704	5,797
	16,645	10,420

(i) - LES Debtors

LES Debtors amount to €26,975 (2018: €26,778). As these are older than 2 years, the full amounts was provided for. Trade receivables are net of a provision for doubtful debts amounting to €5,654 (2018: €5,797).

(ii) - Prepaid Expenditure

Includes prepaid expenditure relating to PPP grants made by council to two local organizations, Banda San Bert and Gharghur Football Club, which is being amortised over the respective periods of the agreements. This prepaid expenditure is for future use of musical and sports services and facilities. The closing balances on these PPP grants amounted to €1,700 at year end (2018: €2,900).

15. Cash and Cash Equivalents

Cash and cash equivalents in the cash flow statement comprise the following amounts:

	2019	2018
	€	€
Cash at bank	273,188	298,393
Cash in hand	-	36
Cash at bank and in hand	273,188	298,429

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

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16. 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. No deferred income should be reported in this respect. Since this is a change in accounting policy according to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, it has been accounted for retrospectively.

16A. Capital Creditors

Capital creditors at end of current year amounted to €25,930 with amount being due in 2020 which related in the main to road works in Triq ta' Xghajrat. The comparative figure for prior year amounted to €30,641.

17. Trade and Other Payables

	2019	2018
	€	€
Trade Payables	16,830	15,776
Capital creditors	25,931	30,641
Related party undertakings (note 20)	16,955	17,879
Accruals	95,538	16,825
Deferred income	31,535	101,608
Total Payables	186,789	182,729

18. Capital commitments

Capital commitments at year end amounted to €147,723 (2018: €225,797) which refers to the project named “Improving Accessibility to Rural Areas in Gharghur” part financed by the Rural Development Programme 2014-2020 (EAFRD) under Measure 4.3 – Support for Investments in Infrastructure related to development, modernization or adaptation of agriculture and forestry. The Council has up to end of 2019 received the sum of €101,608 is due to receive during 2020 a further tranche from the EAFRD amounting to a maximum value of €101,610.

19. Contingent liabilities

The council forms part of a Local Enforcement Pooling System, profits and losses generated from which system cannot be quantified at year end and have been excluded from these financial statements.

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

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20. Related party transactions

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

The ultimate controlling party of the Local Council is the Local Councils Department within the Office of the Prime Minister since the Council's main revenue is from the Government allocation received every quarter. Apart from the normal funds received from Government, Councils also receive funds relating to specific projects as well as other funds for the improvement and betterment of the locality.

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

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

Name of Entity:	Nature of Relationship
Department of Local Councils	Significant
Regional Committee - Local Law Enforcement	No Control
Bank of Valletta	No Control
Department of Education	No Control
L.E.S.A.	No Control
Local Councils Association	No Control
Water Services Corporation	No Control
Wasteserv Malta Limited	No Control
Works Division - Director General Works	No Control

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

	2019	2018
	€	€
Income – Annual Financial Allocation	275,113	260,821

The council considers the Mayor, councillors and executive secretary to be key personnel. Remuneration paid to these amounted to €51,445 (2018: €44,366). Transactions with key personnel are reported in note 7 above.

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

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

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21. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset is any asset that is cash or a contractual right to receive cash. A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. Financial instruments give rise to the following risks:

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash at banks, receivables and due from related parties. The Local Council controls this credit risk through strict monitoring procedures and regular coordination with its related parties, with the result that the Local Council's exposure to impairment loss is not significant. The Local Council's maximum exposure to credit risk is the carrying amount of its financial assets.

	2019	2018
	€	€
Trade and other receivables	10,990	7,523
Cash at bank	273,188	298,429
<i>i</i>	<u>284,178</u>	<u>305,952</u>

Liquidity Risk

This is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The council receives guaranteed funds from central government which are predetermined as to how they are to be spent in services towards the community. Other funds are available to the council to finance capital projects.

The Council's objectives to manage its liquidity profile are: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; (c) to be able to access funding when needed at the least possible cost; and (d) to maintain an adequate time spread of refinancing maturities. The Council closely monitors its cash flows to be able to finance its operations and capital expenditures and pay its obligation as and when they fall due.

The table below summarises the maturity profile of the Local Council's financial liabilities on 31 December 2019 based on the contractual undiscounted payments.

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for the year ended 31 December 2019

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	2018			
	Less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years
Accruals	16,825	-	-	-
Payables	64,296	-	-	-
Totals	81,121	-	-	-

	2019			
	Less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years
Accruals	95,538	-	-	-
Payables	59,716	-	-	-
Totals	155,254	-	-	-

Foreign Currency Risk

Foreign currency transactions arise when the council buys and 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 foreign currency.

Interest Rate Risk

Interest rate risk mainly arise 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 maximize the net interest income and expenses.

22. Financial Risk Management

Credit risk

Financially assets which potentially subject the Council to concentration of credit risk consist primarily of cash at bank and receivables. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any financial credit history.

In this respect, credit with respect to receivables is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

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

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

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Movement in provision for doubtful debts

	2019	2018
	€	€
Provision as at 1 January	5,797	5,694
Movement during the year	<u>(143)</u>	<u>103</u>
Provision as at 31 December	<u>5,654</u>	<u>5,797</u>

Provision for doubtful debts is in respect of trade debtors. At year end the council provided for all debts that were due for more than 24 months. With respect to LES debtors the council made a full provision after correctly reflecting the amount due to the council in respect of LES as per Loqus (Datatrak) report. Included in the Council's receivables balance are the following receivables which are past due at the end of the reporting period net of an allowance for doubtful debts and excluding related party receivables. The credit period allowed by the Council to its debtors is 30 days.

23. Events after the reporting date

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

No other adjusting or significant non-adjusting events have occurred between the reporting date and the date of approval of the financial statements – 11 June 2020 by the council members.

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 Gharghur Local Council set out on pages 2 to 25 which comprise the statement of financial position as at 31 December 2019, and the statement of total 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 North Joint Committee. The Joint Committee 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. From 1 January 2018 the Council changed its accounting policy for grants from the income to the capital approach in accordance with IAS 20 '*Accounting for Government Grants and Disclosure of Government Assistance*'. In their audit report for the year ended 31 December 2018, the predecessor auditors noted that when comparing the grant working schedules provided by the council to the adjustments recorded in the property plant and equipment schedule in the financial statements a discrepancy of €21,135 was identified. Furthermore, the predecessor auditors pointed out another discrepancy of €13,258 when comparing accumulated depreciation and deferred income to the grant workings provided by the council. These discrepancies were not resolved in the year under review and consequently we were unable to determine whether or not the carrying amount of property, plant and equipment at balance sheet date was 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 1 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

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Malta

11 June 2020