

HAL GHARGHUR LOCAL COUNCIL

AUDITED FINANCIAL

STATEMENTS FOR THE YEAR

ENDED

31 DECEMBER 2020

*Prepared by Michael Debono CPA obo DConsulta
Amber Court, Block C No 1
Qormi Road Santa Venera
SVR1301, Malta*

HAL GHARGHUR LOCAL COUNCIL

Table of Contents

Section	Page
Statement of Council Members' and Executive Secretary's Responsibilities	1
Statement of Comprehensive Income	2
Statement of Financial Position	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 26
Independent Auditors Report	27-29

HAL GHARGHUR LOCAL COUNCIL

STATEMENT OF COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2020

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 14 October 2021 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 2020

	Notes	Year Ended 2020 €	Year Ended 2019 €
Income			
Funds received from Central Government	3	337,060	297,715
Income from Law Enforcement System	4	580	2,240
General Income	5	27,282	36,932
		<u>364,922</u>	<u>336,887</u>
Expenditure			
Personal emoluments	7	94,379	89,982
Operations and maintenance	8	196,584	140,180
Administrative and other expenditure	9	191,350	186,575
		<u>482,313</u>	<u>416,737</u>
Net Operating Loss for the year		(117,391)	(79,850)
Investment income	10	-	-
		<u>-</u>	<u>-</u>
Net Loss for the year		(117,391)	(79,850)


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

HAL GHARGHUR LOCAL COUNCIL

STATEMENT OF FINANCIAL POSITION As at 31 December 2020

	Notes	Year Ended 2020 €	Year Ended 2019 €
Assets			
<u><i>Non-current assets</i></u>			
Property, plant, and equipment	11	261,921	349,486
Intangible Assets	12	2,215	-
Total non-current assets		264,136	349,486
<u><i>Current assets</i></u>			
Inventories	13	-	2,242
Trade and other Receivables	14	106,333	27,828
Cash and cash equivalent	15	92,014	273,188
Total current assets		198,347	303,258
Total assets		462,483	652,744
Reserves and liabilities			
<u><i>Reserves</i></u>			
Retained Earnings		348,564	465,955
Total Reserves		348,564	465,955
<u><i>Current liabilities</i></u>			
Trade and Other Payables	17	113,919	186,789
Total current liabilities		113,919	186,789
Total liabilities		113,919	186,789
Total reserves and liabilities		462,483	652,744

The financial statements were approved by the Council on 14 October 2021 and signed on its behalf by:


Helen Gauci
Mayor


Maria Tanti
Executive Secretary

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

HAL GHARGHUR LOCAL COUNCIL

STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2020

	Retained Earnings
	€
At 1 January 2019	545,805
Total comprehensive loss for the year	(79,850)
At 31 December 2019	<u>465,955</u>
At 1 January 2020	465,955
Total comprehensive loss for the year	(117,391)
At 31 December 2020	<u>348,564</u>

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

HAL GHARGHUR LOCAL COUNCIL

STATEMENT OF CASHFLOWS For the year ended 31 December 2020

	Notes	2020	2019
		€	€
Operating activities			
Profit/(Loss) for the year		(117,391)	(79,850)
<u>Adjustments to reconcile profit with net cash flows:</u>			
Depreciation/amortisation		99,191	99,219
Amortisation of grants made by council		1,200	1,200
Movement in provision for doubtful debts		(443)	(143)
<u>Working capital adjustments</u>			48
Movement in inventories		2,242	
Movement in receivables		(79,262)	9,653
Movement in payables		(72,870)	1,811
Cash flows from operating activities		(167,333)	31,938
Interest received		-	-
Net cash flows from operating activities		(167,333)	31,938
Investing activities			
Purchase of property, plant, and equipment	11	(13,841)	(57,179)
Net cash generated from/used in investing activities		(13,841)	(57,179)
Cash flows from financing activities			
Capital Grants received during the year		-	-
Net cash generated by financing activities		-	-
Net movement in cash and cash equivalents in the year		(181,174)	(25,241)
Cash and cash equivalents at beginning of year	15	273,188	298,429
Cash and equivalents at end of year		92,014	273,188
Total Cash in hand and at bank at year end	15	92,014	273,188

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 2020

..... 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 14 October 2021.

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:

- IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis.

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 2020

..... continued

Standards, amendments, and interpretations that are not yet effective.

The following standards and amendments to existing standards have been published and are mandatory (as applicable) for the Local Council's accounting periods beginning on or after 1 January 2021 or later periods and the Local Council has not yet early adopted them:

- IFRS 1 – First-time Adoption of International Financial Reporting Standards – effective on or after 1 January 2022
- IAS 17 – Property, Plant and Equipment – effective on or after 1 January 2022
- IAS 37 – Provisions, Contingent Liabilities and Contingent Assets effective on or after 1 January 2022
- IFRS 17 – Insurance Contracts - effective on or after 1 January 2023
- IAS 1 "Presentation of Financial Statements" - effective on or after 1 January 2023

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 2020

..... 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 considered 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

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 2020

..... Continued

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.

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 using 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

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 2020

..... Continued

amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

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.

Leases

The Local Council as lessee

The Local Council assesses whether a contract is or contains a lease, at inception of the contract. The Local Council recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

Lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Local Council uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.
- The amount expected to be payable by the lessee under residual value guarantees.

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 2020

..... Continued

- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Local Council remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The right-of-use assets are presented as a separate line in the statement of financial position. The Local Council applies IAS 36 to determine whether a right-of-use asset is impaired.

The Council presents right-of-use assets in “property, plant and equipment” and lease liabilities in borrowings in the statement of financial position.

The Council has elected not to recognise right-of-use assets and lease liabilities for short term lease that have a lease term of 12 months or less and lease of low-value items. The Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Cash and cash equivalents

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

Receivables

Receivables are 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.

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 2020

..... Continued

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.

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.

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 2020

..... continued

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 in terms of historical costs in a foreign currency are not retranslated.

Borrowing costs

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

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

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 2020

..... continued

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 2020

..... continued

3. Funds Received from Central Government

	2020	2019
	€	€
In terms of section 55 of the Local Councils Act, 1993	286,824	275,113
Supplementary income	17,774	-
Other government income	32,462	22,602
	<u>337,060</u>	<u>297,715</u>

4. Income raised under Law Enforcement System

	2020	2019
	€	€
LES share of joint committee results	(536)	292
Income from Regional Committees	1,116	1,948
	<u>580</u>	<u>2,240</u>

5. General Income

	2020	2019
	€	€
Cultural activities	1,662	3,576
Income from permits	23,763	32,482
Income from adverts & sponsorships	1,135	619
Other general income	722	255
	<u>27,282</u>	<u>36,932</u>

6. Loss for the year

	Notes	2020	2019
		€	€
Personal Emoluments	7	94,379	89,982
Depreciation on property, plant, and equipment & amortization of intangible assets	11&12	<u>99,191</u>	<u>99,219</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 2020

..... continued

7. Personnel emoluments

	2020	2019
	€	€
Personnel emoluments include, inter alia:		
Mayor's Honoraria	10,404	9,436
Councillors' Allowance	13,000	9,700
Executive Secretary's Salary and Allowance	32,202	32,309
Employees' Salaries	32,660	31,447
Social Security Contributions	5,465	5,253
Overtime	648	1,837
	<u>94,379</u>	<u>89,982</u>

The average number of personnel for the year was 4 FTEs (full time equivalents) - 5 FTEs in 2019. These figures exclude four councilors as they are recipients of allowances only.

8.

	2020	2019
	€	€
Operations and maintenance include, inter alia:		
Repairs and Upkeep:		
Road and Street Pavements (patching works)	13,524	5,925
Road Markings & Signs	17,854	8,091
Plant & machinery	3,993	8,829
Other repairs	17,577	6,630
	<u>52,948</u>	<u>29,475</u>
Contractual Services:		
Refuse collection	64,038	48,520
Bulky refuse collection	5,148	4,917
Bring in sites/tipping fees	33,024	30,132
Roads and street cleaning	13,697	12,883
Cleaning and maintenance public conveniences	4,800	4,872
Cleaning and maintenance parks and gardens	2,613	2,271
LES expenditure	1,218	1,665
Other contractual services	19,098	5,445
	<u>143,636</u>	<u>110,705</u>
TOTAL OPERATIONS AND MAINTENANCE	<u>196,584</u>	<u>140,180</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 2020

..... continued

9. Administration and Other Expenses

	2020	2019
	€	€
Utilities	5,062	6,183
Cleaning Materials & Supplies	1,346	826
Rent	2,102	3,041
Operating materials and supplies	1,050	960
Street lighting	22,126	7,146
e-government services	-	528
Bank charges	187	131
Insurance coverage	2,835	2,961
Participation fees and memberships	587	1,415
Advertising & Public relations expenses	532	2,730
ICT expenses	1,474	1,034
Legal and professional fees	4,370	28,316
Office services	8,413	5,064
Community and Hospitality	37,607	23,915
Fines, penalties, and other minor expenses	236	459
Depreciation	99,028	98,889
Amortisation of intangibles	163	330
Library & information service expenses	1,233	1,542
Amortisation of prepaid expenditure	1,200	1,200
Movement in Provisions on Bad Debts	(443)	(143)
Movement in inventories of books	2,242	48
TOTAL ADMINISTRATION AND OTHER EXPENSES	191,350	186,575

10. Investment income

	2020	2019
	€	€
Bank - interest receivable	-	-

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 2020

..... continued

11. Property, plant and equipment

	Council Premises	Construction & Street Paving	Office Furniture Fixtures & Fittings	Street Signs	Urban Improvements	Office/ Computer Equipment	Plant & Machinery	Special Programmes	Assets under Construction	Total
Cost	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
At 01 January 2020	120,927	369,524	31,044	14,908	150,295	24,854	32,049	1,257,634	27,398	2,028,633
Additions	-	-	4,731	-	2,325	4,407	-	-	-	11,463
Reclassifications		27,398							(27,398)	-
Disposals										
At 31 December 2020	120,927	396,922	35,775	14,908	152,620	29,261	32,049	1,257,634	-	2,040,096
Grant										
At 01 January 2020	(4,669)	(63,937)	(843)	-	(36,686)	(1,328)	-	(716,224)	-	(823,687)
Allocation for the year										
At 31 December 2020	(4,669)	(63,937)	(843)		(36,686)	(1,328)		(716,224)		(823,687)
Depreciation										
At 01 January 2020	(11,006)	(185,278)	(24,069)	(14,908)	(92,032)	(21,779)	(31,863)	(474,525)	-	(855,460)
Charge for the year	(1,162)	(33,194)	(2,460)	-	(9,193)	(1,183)	(41)	(51,795)		(99,028)
At 31 December 2020	(12,168)	(218,472)	(26,529)	(14,908)	(101,225)	(22,962)	(31,904)	(526,320)	-	(954,488)
Carrying Amount										
At 31 December 2020	104,090	114,513	8,403	-	14,709	4,971	145	15,090	-	261,921

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 2020

..... continued

	Council Premises	Construction & Street Paving	Office Furniture Fixtures & Fittings	Street Signs	Urban Improvements	Office/ Computer Equipment	Plant & Machinery	Special Programmes	Assets under Construction	Total
Cost	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)	(5,066)
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 2018	(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)
Release on disposal										-
At 31 December 2019	(11,006)	(185,278)	(24,069)	(14,908)	(92,032)	(21,779)	(31,863)	(474,525)	-	(855,460)
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

HAL GHARGHUR LOCAL COUNCIL

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

..... continued

12. Intangible Assets

	2020	2019
	€	€
Cost of software		
Opening Balance	2,300	2,300
Additions	2,378	-
Closing Balance	<u>4,678</u>	<u>2,300</u>
Depreciation		
Opening Balance	2,300	1,970
Charge for the year	163	330
Closing Balance	<u>2,463</u>	<u>2,300</u>
Net Book Value	<u>2,215</u>	<u>-</u>

13. Inventories

	2020	2019
	€	€
Inventory of books for sale	<u>-</u>	<u>2,242</u>

The inventory of books for sale was written off due to obsolescence during the year.

14. Trade and other Receivables

	2020	2019
	€	€
Amounts owed by related parties (note i)	95,987	12,103
Other receivables (note i)	4,552	4,542
LES debtors	25,904	26,975
Provision for doubtful debts	(31,651)	(32,630)
Prepayments , prepaid expenditure & accrued income (note ii)	11,541	16,838
	<u>106,333</u>	<u>27,828</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 2020

..... continued

	2020	2019
	€	€
<i>Note i - Credit period analysis:</i>		
Within credit period	2,821	5,473
Exceeded credit period but not impaired	61,932	5,518
Impaired and provided for	5,747	5,654
	<u>70,500</u>	<u>16,645</u>

(i) – LES Debtors

LES Debtors amount to €25,904 (2019: €26,975). As these are older than 2 years, the full amounts were provided for. Trade receivables are net of a provision for doubtful debts amounting to €5,747 (2019: €5,654).

(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 €500 at year end (2019: €1,700).

15. Cash and Cash Equivalents

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

	2020	2019
	€	€
Cash at bank	91,774	273,188
Cash in hand	240	-
Cash at bank and in hand	<u>92,014</u>	<u>273,188</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 2020

..... continued

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 €1,351 with amount being due in 2021 which relates to computer equipment bought by council. The comparative figure for prior year amounted to €25,930.

17. Trade and Other Payables

	2020	2019
	€	€
Trade & other Payables	54,822	16,830
Capital creditors	1,351	25,931
Related party undertakings (note 20)	12,220	16,955
Accruals	21,991	95,538
Deferred income	23,535	31,535
Total Payables	113,919	186,789

18. Capital commitments

Capital commitments at year end amounted to €110,889 (2019: €147,723) which refers to capital expenditure on lighting system and playing field at Gnien il-Paci. This will be partly financed up to the sum of €98,369 emanating from UIF funds and other sources. During the year the Local Council did not receive the further tranche amounting to €101,610 from the EAFRD 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 capital commitments at end of year 2019 related to the same EAFRD project mentioned above.

19. Contingent liabilities

The council forms part of a Local Enforcement Pooling System, profits and losses generated from which

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 2020

..... continued

system cannot be quantified at year end and have been excluded from these financial statements.

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

	2020	2019
	€	€
Income – Annual Financial Allocation	286,824	275,113

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 2020

..... continued

The council considers the Mayor, councillors, and executive secretary to be key personnel. Remuneration paid to these amounted to €55,606 (2019: €51,445). Transactions with key personnel are reported in note 7 above.

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.

	2020	2019
	€	€
Trade and other receivables	100,539	10,990
Cash at bank	<u>92,014</u>	<u>273,188</u>
<i>i</i>	192,553	284,178
<i>L</i>		

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 always available; (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 2020 based on the contractual undiscounted payments.

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 2020

..... continued

	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	-	-	-

	2020			
	Less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years
Accruals	21,991	-	-	-
Payables	68,393	-	-	-
Totals	90,384	-	-	-

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

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

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

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 2020

..... continued

Movement in provision for doubtful debts

	2020	2019
	€	€
Provision as of 1 January	5,654	5,797
Movement during the year	93	(143)
Provision as at 31 December	<u>5,747</u>	<u>5,654</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 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

In early 2020 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 monitored the situation during the year and took the necessary actions to safeguard the interests of the Local Council. Given that the Local Council's finances emanate from Central Government this meant that the Local Council continued to operate by and large as normal. The full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing however the Local Council expects that its position will not be significantly altered due to COVID-19 during the upcoming year.

No other adjusting or significant non-adjusting events have occurred between the reporting date and the date of approval of the financial statements.

HAL GHARGHUR LOCAL COUNCIL
Notes to the Financial Statements ,
for the year ended 31 December 2020

..... continued

**REPORT OF THE LOCAL GOVERNMENT AUDITORS ON THE HAL GHARGHUR
LOCAL COUNCIL TO THE DIRECTOR OF AUDIT**

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