



L-Isla
(Città Invicta)

L-Isla Local Council

Annual Report and Financial Statements
31 December 2019

Table of Contents	Pages
Statement of Local Council Members' and Executive Secretary's Responsibilities	1
Statement of Profit or Loss and other 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
Report of the Local Government Auditors on the Financial Statements	27

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

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

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Council (Financial) Regulations 1993, and the Local Council (Financial) Procedures 1996. The Executive Secretary is also responsible for safeguarding the assets of the Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Local Council on the 16 March 2020 and signed on its behalf by:

IFFIRMATA
Clive Pulis
Mayor

IFFIRMATA
Graziella Gellel
Executive Secretary

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2019 €	2018 €
Income			
Funds received from central government	3	348,507	327,027
Income raised under Local Enforcement System	5	1,827	2,108
General Income	6	37,546	30,753
Income from Bye Law	7	9,551	5,156
		397,431	365,044
Expenditure			
Personal emoluments	8	71,223	64,249
Operations and Maintenance	9	180,304	175,173
Administrative and other Expenditure	10	95,070	152,682
		346,597	392,104
Operating profit/(loss) for the year		50,834	(27,060)
Investment Income	4	114	74
Profit/(Loss) for the year		50,948	(26,986)
Total comprehensive income/(expenditure) for the year		50,948	(26,986)

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

Statement of Financial Position

	Notes	2019 €	2018 €
ASSETS			
Non-current assets			
Intangible asset	12	1,011	1,273
Tangible assets			
Property, plant and equipment	13	77,712	91,138
		78,723	92,411
Current assets			
Receivables	14	68,137	7,457
Cash and cash equivalents	15	353,151	269,772
		421,288	277,229
Total Assets		500,011	369,640
Reserves			
Retained Fund		275,243	224,295
Current Liabilities			
Payables	16	224,768	145,345
Total Liabilities		224,768	145,345
Total Reserves and Liabilities		500,011	369,640

These financial statements were approved by the Local Council on the 16 March 2020 and are signed on its behalf by:

Clive Pulis
Mayor

Graziella Gellel
Executive Secretary

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

Statement of Changes in Equity

	Retained Earnings €	Total €
Balance at 1 January 2018	251,281	251,281
Total comprehensive expense for the year	(26,986)	(26,986)
Balance at 31 December 2018	224,295	224,295
Balance at 1 January 2019	224,295	224,295
Total comprehensive income for the year	50,948	50,948
Balance at 31 December 2019	275,243	275,243

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

Statement of Cash Flows

	Notes	2019 €	2018 €
Cash flows from operating activities			
Profit/(Loss) for the year		50,948	(26,986)
Adjustments for:			
Depreciation	13a	33,459	115,102
Amortisation charge	12	440	418
Provision for bad debts		0	(174)
Investment income receivable		(114)	(74)
Loss on disposal		0	139
		84,733	88,425
Surplus for the period before working capital movements		84,733	88,425
(Increase)/Decrease in receivables		(56,665)	29,972
Increase in payables		66,199	28,467
		94,267	146,864
Net cash generated from operating activities		94,267	146,864
Cash flows used in investing activities			
Investment income receivable		114	74
Grants received		56,610	0
Payment to acquire property, plant and equipment	13a	(76,643)	(4,700)
Payment to acquire intangible asset	12	(178)	(1,466)
		(20,097)	(6,092)
Net cash used in investing activities		(20,097)	(6,092)
Movement in cash and cash equivalents		74,170	140,772
Cash and cash equivalents at the beginning of the year		251,704	110,932
		325,874	251,704
Bank Balance Overdrawn		27,277	18,068
Cash and cash equivalents at the end of the year	15	353,151	269,772

**Notes to the Financial Statements
For the year ended 31 December 2019****1. Statutory Information**

L-Isla Local Council is the local authority of Isla setup in accordance with the Local Councils Act. The Office of the Local Council is situated at 2, St. Joseph Street, L-Isla, Malta.

2. Accounting policies

The principal accounting policies adopted 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.

a. Basis of preparation

The financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap 363). The financial statements are prepared under the historical cost convention, in accordance to the requirements of International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

b. Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

However, in the opinion of the Council members, there are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

2. Accounting policies - continued**c. Application of new and revised international Financial Reporting Standards (IFRSs)**

In the current year, the Council has applied IFRS 16 'Leases' which introduced a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized, with the exception of short-term and low value leases. IFRS 16 superseded the lease guidance of IAS 17 and the related interpretations.

The Council did not apply IFRS 16 as amounts are not material.

d. New and revised IFRSs in issue but not yet effective***Standards and Interpretations issued by the IASB but not yet approved by the EU:***

Annual Improvements to IFRS Standards 2015-2017 Cycle (issued 12 December 2017)

e. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the L-Isla Local Council and the revenue can be reliably measured, regardless of when the payment is received.

Revenue is recognised upon transfer of funds from the Central Government when there are no significant uncertainties concerning the derivation of consideration or associated costs.

Interest income is recognised in the income statement as it accrued under finance income.

2. Accounting policies - continued**f. Functional and presentation currency**

Items included in the Local Council's financial statements are measured using the currency of the primary economic environment in which the entity operates. The Local Council's financial statements are presented in Euro, which is the Local Council's functional currency.

g. Local Enforcement System

The amount disclosed in the financial statements under Local Enforcement Income represents the administrative charges to Regional Committees.

h. 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.

i. Intangible assets

Intangible assets comprise computer software. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of 25% using the straight-line method. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Where an indication of impairment exists, in that the carrying amount of an intangible asset is greater than its estimated recoverable amount, a charge is made to write down the value of the asset to its estimated recoverable amount (Accounting policy (k)).

2. Accounting policies - continued**j. Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss to date. Depreciation is calculated on a monthly basis using the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives as follows:

• Land	0%
• Trees	0%
• Buildings	1%
• Office furniture and fittings	7.5%-23.59%
• Construction works	10%-40%
• Urban Improvements (Street Furniture)	10%-28.57%
• Special Projects	10%-22.22%
• Office Equipment	20%-46.17%
• Motor Vehicles	20%
• Plant and Machinery	20%
• Plants	100%
• Computer Equipment	25%-25.53%
• Litter Bins	Replacement Basis
• Traffic and Road Signs	Replacement Basis
• Street Mirrors	Replacement Basis
• Street Lights	100%
• Playground Furniture	100%

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each Statement of Financial Position date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

2. Accounting policies - continued**j. Property, plant and equipment - continued**

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

k. Impairment of assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

l. Amounts receivable

Amounts receivable are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Amounts receivable are carried at original invoice amount less provisions made for impairment of these receivables. A provision for impairment of amount receivables is established when there is objective evidence that the Local Council will not be able to collect all amounts due according to the set original terms. The amount of provision is recognised in the Statement of Comprehensive Income. Bad debts are written off during the year in which they are identified.

2. Accounting policies - continued**m. Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at face value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

n. Profits and losses

Only profits that were realized at the date of the Statement of Financial Position are recognized in these Financial Statements. All foreseeable liabilities and potential losses arising up to the said date are accounted for even if they become apparent between the said date and the date on which the Financial Statements are approved.

o. Payables

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

p. Provisions

Provisions are recognised when the Local Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

q. Operating leases

Leases of assets where a significant portion of the risk and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

r. Borrowings

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

Borrowings are classified as current liabilities unless the Local Council has an unconditional right to defer settlement of the liability for at least 12 months from the end of the reporting period.

2. Accounting policies - continued**s. Capital Management**

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

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

To achieve the above, the Council carries out a quarterly review of the working capital ratio ('Financial Situation Indicator'). The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

t. Financial instruments

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs. They are measured subsequently as described below.

u. Financial assets

For the purpose of subsequent measurement, financial assets of the Council are classified into loans and receivables upon initial recognition.

Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets as described below.

All income and expenses relating to loans and receivables are presented within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administration and other expenditure'.

2. Accounting policies – continued**u. Financial assets - continued**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Council's other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considerable to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counter party and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

v. Financial liabilities

The Council's financial liabilities include other payables. These are stated at their nominal amount which is reasonable approximation of fair value.

All interest-related charges are included within finance costs.

3. Funds Received from Central Government

	2019 €	2018 €
In terms of Section 55 of the Local Councils Act (Cap 363)	296,593	281,185
Other Government Income	42,415	24,518
Other supplementary income	9,499	21,324
	<u>348,507</u>	<u>327,027</u>

4. Investment income

	2019 €	2018 €
Bank interest receivable	114	74
	<u>114</u>	<u>74</u>

5. Local Enforcement System

	2019 €	2018 €
Administrative charges to Regional Committees	1,792	2,003
Contraventions	35	105
	<u>1,827</u>	<u>2,108</u>

6. General Income

	2019 €	2018 €
Income from permits	22,465	27,463
EU Programme	1,100	(12,871)
Other income	6,112	211
Contributions and donations	7,869	15,950
	<u>37,546</u>	<u>30,753</u>

7. Income from bye law

	2019 €	2018 €
Income from bye laws	9,551	5,156
	<u>9,551</u>	<u>5,156</u>

8. Personal Emoluments

	2019 €	2018 €
Mayor's allowance	9,390	7,464
Executive Secretary and allowances	30,586	29,792
Employees' salaries	17,529	16,622
Social Security Contributions	4,018	3,971
Councillors' remuneration	9,700	6,400
	<u>71,223</u>	<u>64,249</u>

Average number of people employed

Employees	<u>2</u>	<u>2</u>
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9. Operations and Maintenance

	2019 €	2018 €
Repairs and Upkeep:		
Road and street maintenance	8,142	13,416
Repair plant and equipment	50	0
Repair office furniture and equipment	1,276	500
Sundry repairs	22,705	18,702
	<u>32,173</u>	<u>32,618</u>

	2019 €	2018 €
Contractual Services:		
Refuse collection (including bins on wheels)	38,114	37,905
Waste disposal	20,739	27,359
Bulky refuse collection (including open skips)	20,421	16,028
Road and street cleaning (mechanical and manual)	26,366	29,049
Other contractual services	4,011	4,373
Cleaning and Maintenance of Council Premises	1,940	1,929
Cleaning and Maintenance of Public Conveniences	23,455	10,924
Cleaning and Maintenance of Parks and Gardens	5,700	5,668
Street Lighting Maintenance	6,033	6,132
LES related expenditure	1,352	3,188
	<u>148,131</u>	<u>142,555</u>
	<u>180,304</u>	<u>175,173</u>

10. Administrative and other expenditure

	2019	2018
	€	€
Water and Electricity	1,309	5,140
Telecommunications	3,707	3,983
Fuel	280	160
Rent	3,557	3,547
Printing and Stationery	1,912	1,245
Postages	134	119
Subscriptions	21	15
Library	1,840	2,268
Staff Training	442	0
National & International membership	1,990	1,343
Meetings and conventions	5,213	1,821
Office services	2,192	2,524
Transport	396	1,463
Insurance	2,352	2,145
Professional services	12,265	11,959
Community and hospitality	22,468	(898)
Bank charges	405	136
Depreciation	33,459	115,102
Amortisation charge	440	418
Loss on disposal	0	139
Provision for bad LES debts	0	(174)
Advertising and Public Relations	688	(23)
Penalties	0	250
	95,070	152,682

13a. Property, plant and equipment

	Office Furniture, Fixtures & Fittings		New		Urban Improv.		Construction		Special Programmes		Trees		Plant & Machinery		Motor Vehicles		Assets under Construction		Total	
	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€		
At 1 January 2019	56,848	22,399	8,266	8,924	170,252	182,854	517,472	4,113	1,096	0	0	0	0	0	0	0	0	0	972,224	
Additions	545	1,149	0	0	72,265	0	0	0	458	0	0	0	0	0	0	0	0	0	2,226	76,643
Disposals/Transfers	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
At 31st December 2019	57,393	23,548	8,266	8,924	242,517	182,854	517,472	4,113	1,554	0	0	0	0	0	0	0	0	0	2,226	1,048,867
Grants																				
At 1 January 2019	0	10,075	0	0	6,500	0	332,048	0	0	0	0	0	0	0	0	0	0	0	0	348,623
Transferred during the year	0	0	0	0	56,610	0	0	0	0	0	0	0	0	0	0	0	0	0	0	56,610
At 31st December 2019	0	10,075	0	0	63,110	0	332,048	0	0	0	0	0	0	0	0	0	0	0	0	405,233
Depreciation																				
At 1 January 2019	54,160	11,062	7,273	8,924	134,288	167,005	148,655	0	1,096	0	0	0	0	0	0	0	0	0	0	532,463
Charge for the period	535	1,328	431	0	16,375	4,770	9,987	0	33	0	0	0	0	0	0	0	0	0	0	33,459
Released on disposal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
At 31st December 2019	54,695	12,390	7,704	8,924	150,663	171,775	158,642	0	1,129	0	0	0	0	0	0	0	0	0	0	565,922
Net Book Value																				
At 31st December 2019	2,698	1,083	562	0	28,744	11,079	26,782	4,113	425	0	0	0	0	0	0	0	0	0	2,226	77,712

13b. Property, plant and equipment

	Office Furniture, & Fixtures		Office Equipment		Computer Equipment		New Street Signs		Urban Improv.		Construction		Special Programmes		Trees		Plant & Machinery		Motor Vehicles		Assets under Construction		Total
	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	
Cost																							
At 1 January 2018	57,490	20,159	8,266	9,209	170,026	182,854	517,472	4,113	1,096	0	0	0	0	0	0	0	0	0	0	0	0	0	970,685
Additions	0	2,240	0	0	2,460	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4,700
Disposals/Transfers	-642	0	0	-285	-2,234	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-3,161
At 31st December 2018	56,848	22,399	8,266	8,924	170,252	182,854	517,472	4,113	1,096	0	0	0	0	0	0	0	0	0	0	0	0	0	972,224
Grants																							
At 1 January 2018	0	10,075	0	0	6,500	0	332,048	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	348,623
Adjusted	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
At 31st December 2018	0	10,075	0	0	6,500	0	332,048	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	348,623
Depreciation																							
At 1 January 2018	39,917	6,725	5,854	9,209	114,799	129,640	113,251	0	988	0	0	0	0	0	0	0	0	0	0	0	0	0	420,383
Charge for the period	14,746	4,337	1,419	0	21,723	37,365	35,404	0	108	0	0	0	0	0	0	0	0	0	0	0	0	0	115,102
Released on disposal	-503	0	0	-285	-2,234	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-3,022
At 31st December 2018	54,160	11,062	7,273	8,924	134,288	167,005	148,655	0	1,096	0	0	0	0	0	0	0	0	0	0	0	0	0	532,463
Net Book Value																							
At 31st December 2018	2,688	1,262	993	0	29,464	15,849	36,769	4,113	0	0	0	0	0	0	0	0	0	0	0	0	0	0	91,138

14. Receivables

	2019 €	2018 €
Receivables	25,141	3,977
Accrued income	40,527	849
Financial assets	65,668	4,826
Prepayments	2,259	2,050
Other receivables	210	581
	68,137	7,457

The total financial assets for the year amounted to €65,668 (2018: €4,826).

The average credit period on sales of services is 60 days. Receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the company has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

	2019 €	2018 €
Age of receivables that are past due but not impaired		
60-90 days	2,901	3,977
91-120 days	3,021	0
More than 120 days	19,219	0
Total	25,141	3,977

	2019 €	2018 €
Movement in the allowance for doubtful debts		
Balance at beginning of the year	135,212	135,212
Increase in provision for LES debtors	0	0
Balance at end of the year	135,212	135,212

14. Receivables - continued

In determining the recoverability of a receivable, the Local Council considers any change in the credit quality of the receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated. The impairment loss on receivables is included in administrative expenses in the statement of comprehensive income.

Receivables are stated net of a provision for doubtful debts of €135,212 (2018: €135,212).

15. Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following amounts in the Local Council Statement of Financial Position:

	2019 €	2018 €
Term deposit 1 year	10,315	10,315
Bank balances:		
Ordinary funds	342,680	259,227
Cash in hand	156	230
	<hr/>	<hr/>
Cash at bank	353,151	269,772
Bank Current Account	(27,277)	(18,068)
	325,874	251,704
	<hr/>	<hr/>

16. Payables

	2019 €	2018 €
Payables	88,522	24,197
Advance Payment	82,062	82,062
Other Payables	11,213	5,839
Accruals	15,694	15,179
Bank Balance overdrawn	27,277	18,068
	<hr/>	<hr/>
	224,768	145,345
	<hr/>	<hr/>

The total financial liabilities for the year amounted to €224,768 (2018: €145,345)

17. Contingent liabilities

There were no Contingent Liabilities as at 31 December 2019.

18. Related party transactions

During the year, the Local Council had affected transactions with related parties resulting mainly in connection with income and administrative transactions, are disclosed in notes 8 and 10 to these financial statements. The following were the related parties:

Name of Entity	Nature of relationship
Department of Local Councils	Significant Control
Gozo Regional Council	No Control
Central Regional Council	No Control
North Regional Council	No Control
South Regional Council	No Control
South Eastern Regional Council	Joint Control
Local Enforcement Systems Agency	No Control
ARMS Ltd	No Control
Commissioner of Data Protection	No Control
Department of Information	No Control
Ministry of Finance	No Control
Police General Head Quarters	No Control
Malta Environment and Planning Authority	No Control
Water Services Corporation	No Control
Enemalta Corporation	No Control
Cleansing Directorate	No Control
Department of Lands	No Control
Wasteserv Malta Limited	No Control
Bank of Valletta plc	No Control
Department of Lands	No Control
Local Councils' Association	No Control
Central Bank of Malta	No Control
Department of Inland Revenue	No Control
Ministry for Justice, Culture and Local Government	No Control

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

	2019	2018
	€	€
(a) Funds received from Local Government	296,593	281,185

18. Related party transactions – continued**Key management compensation**

Transactions with key management personnel are disclosed in note 8.

Ultimate controlling party

The ultimate controlling party of the local council is Central Government since the Council's main revenue is from the Government allocation received every quarter. Apart from the normal funds received from Government, the Council also receives funds relating to specific projects as well as other funds for the improvement of the locality.

19. Financial risk management

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

Credit risk

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

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

	2019 €	2018 €
Classes of financial assets – carrying amounts		
Trade and other receivables	65,668	4,826
Cash and cash equivalents	353,151	269,772
	418,819	274,598

19. Financial risk management – continued***Liquidity risk***

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short-term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact, at year end, the Council has as cash in bank and in hand the amount of €325,874. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net asset position of €196,520 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

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

At 31 December 2019

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	88,522	-	-
Advance payment	82,062		
Other creditors	11,213	-	-
Accruals	15,694	-	-
Bank Balance Overdrawn	27,277	-	-

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

At 31 December 2018

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	24,197	-	-
Advance Payment	82,062		
Other creditors	5,839	-	-
Accruals	15,179	-	-
Bank Balance Overdrawn	18,068	-	-

Foreign currency risk

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

Interest rate risk

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

20. Summary of financial assets and liabilities

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

	2019 €	2018 €
Current assets		
Loans and receivables:		
Trade and other receivables	65,668	4,826
Cash and cash equivalents	353,151	269,772
	<u>418,819</u>	<u>274,598</u>
Current liabilities		
Financial liabilities measured at amortised costs:		
Payables	88,522	24,197
Other payables	89,260	87,901
Accruals	15,694	15,179
Bank Balance Overdrawn	27,277	18,068
	<u>220,753</u>	<u>145,345</u>

21. Fair values estimation

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

22. Capital commitments**Capital expenditure**

Commitments for capital expenditure not provided for in these financial statements are as follows:

	2019 €	2018 €
Contracted but not provided for	-	-
Authorised but not contracted	235,630	192,930
	<u>235,630</u>	<u>192,930</u>