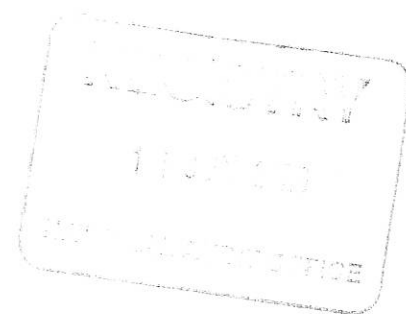




MDINA LOCAL COUNCIL

**Annual Report
and
Financial Statements**

for the year ended 31 December 2019



Prepared by

Daniel Galea B. Accty. (Hons.) CPA

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2019

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Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2019


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

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

This statement was approved by the Local Council on the 25th May 2020 and signed on its behalf by



Peter dei Conti Sant Manduca
Mayor



Mark Mallia
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

		2019 €	2018 €
	<i>Notes</i>		
Income			
Funds received from Central Government	4	261,505	264,340
Income raised under Local Council Bye-Laws	5	14,149	23,774
Income raised under Local Enforcement System	6	454	445
General Income	7	<u>28,864</u>	<u>23,548</u>
		<u>304,972</u>	<u>312,107</u>
Expenditure			
Personal emoluments	9	(78,198)	(59,840)
Operations and maintenance	10	(76,754)	(71,265)
Administrative and other expenditure	11	<u>(116,941)</u>	<u>(76,362)</u>
		<u>(271,893)</u>	<u>(207,467)</u>
Operating Surplus for the year		33,079	104,640
Finance income	12	-	2
Surplus for the year		<u><u>33,079</u></u>	<u><u>104,642</u></u>

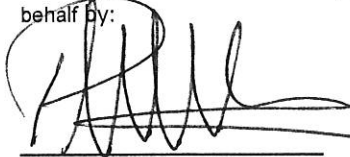
The notes on pages 8 to 24 form an integral part of these financial statements


STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

		2019 €	2018 €
	<i>Notes</i>		
ASSETS			
Non-Current Assets			
Property, plant and equipment	13	15,963	40,637
Intangible assets	14	760	1,234
		<u>16,723</u>	<u>41,871</u>
Current Assets			
Receivables	15	13,482	9,974
Cash and Cash Equivalents	16	190,337	124,361
		<u>203,819</u>	<u>134,335</u>
Total Assets		<u><u>220,542</u></u>	<u><u>176,206</u></u>
EQUITY AND LIABILITIES			
Reserves			
Retained Fund		<u>178,879</u>	145,800
		<u>178,879</u>	<u>145,800</u>
Current Liabilities			
Payables	17	30,432	30,406
Deferred income	18	11,231	-
		<u>41,663</u>	<u>30,406</u>
Total Equity and Liabilities		<u><u>220,542</u></u>	<u><u>176,206</u></u>

These financial statements were approved by the Local Council on 25th May 2020 and signed on its behalf by:


Peter dei Conti Sant Manduca
Mayor


Mark Mallia
Executive Secretary

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Retained Funds €
At 1 January 2018	41,158
Surplus for the year 2018	104,642
	<hr/>
At 31 December 2018	145,800
	<hr/> <hr/>
At 1 January 2019	145,800
Surplus for the year 2019	33,079
	<hr/>
At 31 December 2019	178,879
	<hr/> <hr/>



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

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 €	2018 €
Note		
Cash flows from Operating Activities		
Surplus for the year	33,079	104,642
Reconciliation to cash generated from operations:		
Depreciation and amortisation	26,155	54,450
Movement in provision for doubtful debts	(389)	381
Interest receivable	-	(2)
Operating Profit before Working Capital Changes	<u>58,845</u>	<u>159,471</u>
(Increase)/decrease in receivables	(3,119)	12,320
Increase/(decrease) in payables	<u>26</u>	<u>(58,035)</u>
Cash generated from operating activities	<u><u>55,752</u></u>	<u><u>113,756</u></u>
Cash flows from Investing Activities		
Interest received	-	2
Purchase of intangible assets	-	(1,138)
Purchase of property, plant & equipment	(1,007)	(33,320)
Receipt of grant	<u>11,231</u>	<u>16,090</u>
Cash generated from/(used in) investing activities	<u>10,224</u>	<u>(18,366)</u>
Net increase in Cash and Cash Equivalents	65,976	95,390
Cash and Cash Equivalents at the Beginning of the year	<u>124,361</u>	<u>28,971</u>
Cash and Cash Equivalents at the End of the year	<u><u>190,337</u></u>	<u><u>124,361</u></u>
16		

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

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

1. General Information

The Mdina Local Council is the local Authority of Malta set up in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at Corte Capitanale, Misrah il-Kunsill, Mdina. These financial statements were approved for issue by the Council Members on 25th May 2020. The Local Council's presentation as well as functional currency is denominated in €.

2. Accounting Policies and Reporting Procedures

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

Accounting convention

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

New and amended standards adopted by the Local Council:

In the current year, the Local Council has applied a number of amendments to IFRS issued by the International Accounting Standards Boards (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019.

IFRS 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces IAS 17 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset and an interest expense on the recognised lease liability. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

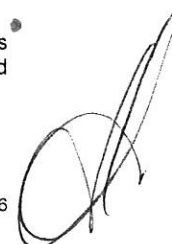
New Standards and amendments not yet effective:

At the end of the reporting period, certain new standards, interpretations or amendments thereto, were in issue and endorsed by the EU, but not yet effective for the current financial period. There have been no instances of early adoption of standards, interpretations or amendments ahead of their effective date.

The Councillors and Executive Secretary are assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Council anticipates that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses to date. Depreciation is calculated on a monthly basis using the straight line method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:



Notes to the Financial Statements for the year ended 31 December 2019 (cont.)

Accounting Policies and Reporting Procedures (cont.)

Property, plant and equipment (cont.)

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

The change in the depreciation method from reducing balance to straight line method took place as of January 2018 and has been effected according to the instructions in the DLG Directive 1/2017.

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

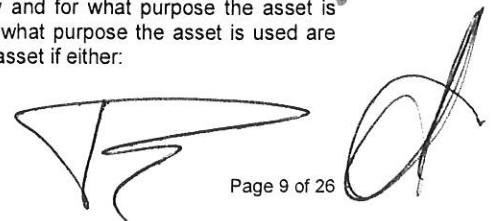
Impairment of Assets

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

Leases

As from 1 January 2019, at inception of a contract, the Council assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Council assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The Council has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Council has the right to direct the use of the asset. The Council has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Council has the right to direct the use of the asset if either:



Notes to the Financial Statements for the year ended 31 December 2019 (cont.)

Accounting Policies and Reporting Procedures (cont.)

Leases (cont.)

- The Council has the right to operate the asset; or
- The Council designed the asset in a way that predetermines how and for what purpose it will be used.

The Council has applied this approach to contracts entered into or changed on or after 1 January 2019. At inception or on reassessment of a contract that contains a lease component, the Council allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Council has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Council recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Council's incremental borrowing rate. Generally, the Council uses its incremental borrowing rate as the discount rate.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Council is reasonably certain to exercise, lease payments in an optional renewal period if the Council is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Council is reasonably certain not to terminate early

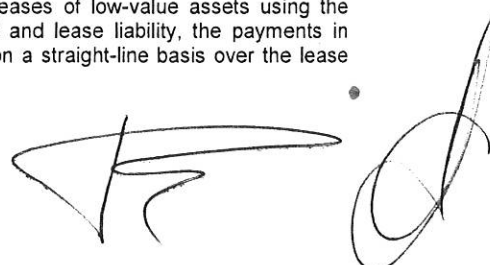
The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Council's estimate of the amount expected to be payable under a residual value guarantee or if the Council changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Council presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position

Short-term leases and leases of low-value assets

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



Notes to the Financial Statements for the year ended 31 December 2019 (cont.)

Accounting Policies and Reporting Procedures (cont.)

Intangible assets

Intangible assets comprise externally generated computer software. In determining the classification of an asset that incorporates both intangible and tangible elements, judgement is used in assessing which element is more significant. Computer software which is an integral part of the related hardware is classified as property and equipment and accounted for in accordance with the Local Council's accounting policy on property and equipment. Where the software is not an integral part of the related hardware, this is classified as an intangible asset.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Computer software is initially measured at cost. It is subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses.

Computer software is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit or loss in the period of derecognition.

Amounts receivable

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

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 and the redemption value is recognised in the income and expenditure account 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 after the statement of financial position date.

Other payables

Other payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material in which case other payables are measured at amortised cost using the effective interest method.

Financial instruments

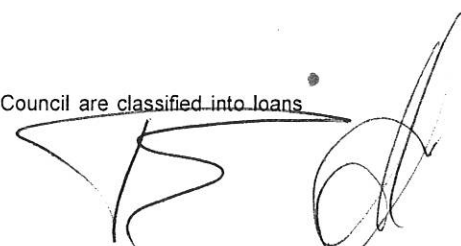
Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of a financial instrument.

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 transactions costs. They are measured subsequently as described below.

Financial assets

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



Notes to the Financial Statements for the period ended 31 December 2019 (cont.)

Accounting Policies and Reporting Procedures (cont.)

Financial assets (cont.)

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

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

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

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

Financial liabilities

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

All interest-related charges are included within 'finance costs'.

Related parties

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

Revenue

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs and it can be measured reliably. Interest income is recognised in the statement of comprehensive income as it accrues.

Income from central government is not recognised until there is reasonable assurance that the Council will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross and any deductions made for non-compliance are to be disclosed separately with expenses.

Local Enforcement System

As from September 2012, the income recognised in the Statement of Comprehensive Income was derived from the five Regional Committees and Local Enforcement System Agency. During the year under review, the Council also received income from the Joint Committee under the pooling system.

Government grants

Government grants relating to operating expenditure are recognized 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.

On 1st January 2018, the capital approach, according to IAS20, 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 IAS8 *Accounting Policies, Changes in Accounting Estimates and Errors*, it has been accounted for retrospectively.

Notes to the Financial Statements for the period ended 31 December 2019 (cont.)

Accounting Policies and Reporting Procedures (cont.)

Foreign currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the Local Council operates. These financial statements are presented in €, which is the Council's functional and presentation currency.

Transactions denominated in foreign currencies are translated into € at the rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into € at the rates of exchange prevailing at the date of the Statement of Financial Position.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Profits and losses

Only surpluses that were realised at the date of the Statement of Financial Position are recognised in these financial statements. All foreseeable liabilities and potential losses arising up to the said date are accounted for even if they become apparent between the said date and the date on which the financial statements are approved.

Cash and cash equivalents

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

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"). This ratio was positive at the reporting date and has not changed significantly from the previous year. 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.

3. Judgments in applying accounting policies and key sources of estimation

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Council, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

4. Funds received from central government

	2019	2018
	€	€
In terms of section 55 of the Local Councils Act	248,802	238,338
Other Government Income	12,703	26,002
	<u>261,505</u>	<u>264,340</u>

Notes to the Financial Statements for the year ended 31 December 2019 (cont.)

5. Income raised from Bye-Laws

	2019	2018
	€	€
Bye-Law - Administration	7,807	16,725
Mdina entry permits	6,342	7,049
	<u>14,149</u>	<u>23,774</u>

6. Local Enforcement system

	2019	2018
	€	€
Administrative charges to LESA and Regional Committees	454	445
	<u>454</u>	<u>445</u>

7. General Income

	2019	2018
	€	€
Income from MTA agreement	6,321	6,406
Income from permits	852	818
Other general income	21,691	16,324
	<u>28,864</u>	<u>23,548</u>

8. Surplus for the year

	2019	2018
	€	€
Surplus for the year is stated after charging		
Staff salaries	78,198	59,840
Decrease in provision for doubtful debts	(389)	381
Depreciation of property, plant & equipment	26,155	54,450
	<u>26,155</u>	<u>54,450</u>



Notes to the Financial Statements for the year ended 31 December 2019 (cont.)

9. Staff Salaries

	2019	2018
	€	€
Mayor's Remuneration	9,353	7,464
Councillors' Allowances	9,700	6,400
Executive Secretary Salary and Allowances	30,514	29,792
Employees' Salaries	24,028	12,722
Social Security Contributions	4,603	3,462
	<u>78,198</u>	<u>59,840</u>

10. Operations and Maintenance

	2019	2018
	€	€
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	-	-
Signs	994	437
Road Markings	-	493
Other repairs and Upkeep	10,634	6,508
Sundry Material	931	1,570
	<u>12,559</u>	<u>9,008</u>
<i>Contractual Services:</i>		
Waste disposal	1,235	854
Refuse Collection	10,676	12,823
Open Skips & Bring-In Sites	577	2,638
Road & Street Cleaning	19,436	16,537
Cleaning & Maintaining Non-Urban	-	1,551
Cleaning - Public Conveniences	194	-
Cleaning - Council Premises	325	750
Cleaning & Maintaining Parks & Gardens	29,828	26,502
Street Lighting	1,020	-
LES related expenditure	904	602
	<u>64,195</u>	<u>62,257</u>
Total Operations and Maintenance Costs	<u>76,754</u>	<u>71,265</u>

Notes to the Financial Statements for the year ended 31 December 2019 (cont.)

11. Administration and other expenditure

	2019	2018
	€	€
Utilities	5,123	4,767
Rent	4,448	(38,895)
National and International Memberships	829	286
Office Services	3,269	2,320
Transport	1,233	330
Travel	2,571	2,893
Information Services	1,822	498
Lease of Equipment	-	835
Insurance Coverage	2,140	2,156
Bank Charges	389	323
Professional Services	20,829	11,816
Other support services	274	1,910
Training	104	-
Hospitality	5,529	1,516
Social events	1,504	2,252
Community Services	-	242
Cultural Events	41,085	28,194
Local enforcement expenses	26	88
(Decrease)/Increase in provision for bad debts	(389)	381
Depreciation	26,155	54,450
	<u>116,941</u>	<u>76,362</u>

12. Finance Income

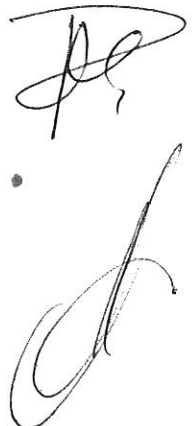
	2019	2018
	€	€
Bank Interest Receivable	-	2
	<u>-</u>	<u>2</u>

MDINA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2019 (cont.)

13. Property, plant and equipment (cont.)

	Construction	Office Furniture & fittings	Street Signs, Mirrors & Bins	Urban Imp, Costumes & Umbrellas	Office Equipment	Plant & machinery	Special programmes	Computer equipment	Trees	Playground Fur, Plants & Street Lights	Total
	€	€	€	€	€	€	€	€	€	€	€
Cost											
At 1 January 2019	99,172	22,976	25,411	103,461	7,614	2,666	92,492	7,366	11,402	56,128	428,688
Additions	-	-	-	-	-	-	-	1,007	-	-	1,007
At 31 December 2019	99,172	22,976	25,411	103,461	7,614	2,666	92,492	8,373	11,402	56,128	429,695
Depreciation											
At 1 January 2019	75,514	20,496	25,411	98,504	6,526	2,666	-	4,232	-	56,128	289,477
Charge for the year	23,142	853	-	231	957	-	-	498	-	-	25,681
At 31 December 2019	98,656	21,349	25,411	98,735	7,483	2,666	-	4,730	-	56,128	315,158
Grants											
At 1 January 2019	-	-	-	4,726	-	-	92,492	1,356	-	-	98,574
At 31 December 2019	-	-	-	4,726	-	-	92,492	1,356	-	-	98,574
Net Book values											
At 31 December 2019	516	1,627	-	-	131	-	-	2,287	11,402	-	15,963



MDINA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2019 (cont.)

13. Property, plant and equipment (cont.)

	Construction €	Office		Street Signs, Mirrors & Bins		Urban Imp, Costumes & Umbrellas		Office Equipment	Plant & machinery	Special programmes	Computer equipment	Trees	Playground Fur, Plants & Street Lights		Total €
		Furniture & fittings €	€	€	€	€	€						€	€	
Cost															
At 1 January 2018	99,172	22,659	25,411	102,365	7,484	2,666	92,492	5,588	11,402	42,219	411,458				
Additions	-	317	-	17,186	130	-	-	1,778	-	-	33,320				
Government grants prior years	-	-	-	(16,090)	-	-	-	-	-	-	(16,090)				
At 31 December 2018	99,172	22,976	25,411	103,461	7,614	2,666	92,492	7,366	11,402	56,128	428,688				
Depreciation															
At 1 January 2018	63,883	15,774	25,411	75,755	5,741	2,630	-	4,085	-	42,221	235,500				
Charge for the year	11,631	4,722	-	32,682	1,324	36	-	147	-	13,907	64,449				
Grants released	-	-	-	(9,933)	(539)	-	-	-	-	-	(10,472)				
At 31 December 2018	75,514	20,496	25,411	98,504	6,526	2,666	-	4,232	-	56,128	289,477				
Grants															
At 1 January 2018	-	-	-	4,726	-	-	92,492	1,356	-	-	98,574				
At 31 December 2018	-	-	-	4,726	-	-	92,492	1,356	-	-	98,574				
Net Book values															
At 31 December 2018	23,658	2,480	-	231	1,088	-	-	1,778	11,402	-	40,637				

Notes to the Financial Statements for the year ended 31 December 2019 (cont.)

14. Intangible assets

	Computer software €
Cost	
At 1 January 2019	1,898
Additions	-
	<hr/>
At 31 December 2019	1,898
	<hr/>
Depreciation	
At 1 January 2019	664
Charge for the year	474
	<hr/>
At 31 December 2019	1,138
	<hr/>
Net Book value	
At 31 December 2019	760
	<hr/> <hr/>
	Computer software €
Cost	
At 1 January 2018	760
Additions	1,138
	<hr/>
At 31 December 2018	1,898
	<hr/>
Depreciation	
At 1 January 2018	190
Charge for the year	474
	<hr/>
At 31 December 2018	664
	<hr/>
Net Book value	
At 31 December 2018	1,234
	<hr/> <hr/>

Notes to the Financial Statements for the year ended 31 December 2019 (cont.)

15. Receivables

	2019	2018
	€	€
Receivables	3,805	1,546
Accrued income	7,355	4,944
Financial assets	<u>11,160</u>	<u>6,490</u>
Prepayments	2,322	3,484
	<u><u>13,482</u></u>	<u><u>9,974</u></u>

Receivables

General receivables are analysed as follows:

	2019	2018
	€	€
Within credit period	3,062	886
Exceeded credit period but not impaired	743	660
Impaired and provided for	48,316	9,319
Provision for doubtful debts	<u>(48,316)</u>	<u>(9,319)</u>
	<u><u>3,805</u></u>	<u><u>1,546</u></u>

Local Enforcement System (LES) Debtors

LES Debtors are stated after a specific provision for doubtful debts amounting to €43,275 (2018 - €3,889).

Included in the accounts receivable are amounts due from related parties amounting to €1,242 (2018 : €640). These amounts are unsecured, interest free and repayable on demand.

16. Cash & cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following statement of financial position amounts.

	2019	2018
	€	€
Cash at Bank	190,309	124,184
Cash in Hand	28	177
	<u><u>190,337</u></u>	<u><u>124,361</u></u>

Notes to the Financial Statements for the year ended 31 December 2019 (cont.)

17. Payables

	2019	2018
	€	€
Payables	10,132	5,051
Other Payables	-	1,747
Accruals	<u>20,300</u>	<u>23,608</u>
	<u><u>30,432</u></u>	<u><u>30,406</u></u>

Included in the accounts payable are amounts to related parties amounting to €143 (2018 : €282). These amounts are unsecured, interest free and repayable on demand.

2019	0-90 days	91-180 days	180-365 days	Total
	€	€	€	€
Payables	10,132	-	-	10,132
Other payables	-	-	-	-
Accruals	<u>20,300</u>	<u>-</u>	<u>-</u>	<u>20,300</u>
	<u><u>28,452</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>28,452</u></u>

2018	0-90 days	91-180 days	180-365 days	Total
	€	€	€	€
Payables	5,051	-	-	5,051
Other payables	1,747	-	-	1,747
Accruals	<u>23,608</u>	<u>-</u>	<u>-</u>	<u>23,608</u>
	<u><u>30,406</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>30,406</u></u>

18. Deferred income

	2019	2018
	€	€
Government grants		
At 1 January	-	-
Increase in year	<u>11,231</u>	<u>-</u>
	<u>11,231</u>	<u>-</u>
Released in year	<u>-</u>	<u>-</u>
At 31 December	<u><u>11,231</u></u>	<u><u>-</u></u>
Current Deferred Income	<u><u>11,231</u></u>	<u><u>-</u></u>
Non-Current Deferred Income	<u><u>-</u></u>	<u><u>-</u></u>

Notes to the Financial Statements for the year ended 31 December 2019 (cont.)**19. Capital commitments**

The Council did not have capital commitments in 2018 since they had not met the Financial Indicator Criteria in 2017. The Council is currently stabilizing its reserves to be in a position to budget for capital expenditure in the future.

20. Contingent asset

The council is due to receive the amount of €3,500 as per agreement with the Restoration Directorate. As at year-end, the council was still due to receive the funds in terms of the general maintenance of the lighting system within the streets of Mdina. As during the year, the council did not perform any works in this regard and the funds were not yet received, this amount has not been provided for.

21. Related party transactions

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department for Local Government	Significant control
North Joint Committee (Local Enforcement)	Joint Control
North Regional Committee	Joint Control
Central Regional Committee	No control
Gozo Regional Committee	No control
South Eastern Regional Committee	No control
South Regional Committee	No control
Planning Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Cleansing Services Department	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Police General Headquarters	No control
Department of Lands	No control
ARMS	No control
Bank of Valletta plc	No control
Mdina Primary School	No control
Department of Information	No control
MITA	No control
Association of Local Councils' Secretaries	No control
Ministry for Resources and Rural Affairs	No control
Local Councils Association	No control
Local Enforcement Systems Agency	No control

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

	2019			2018		
	Related party activity €	Total activity €	%	Related party activity €	Total activity €	%
<i>Income</i>						
Transactions with central government	261,505			264,340		
Transactions with regions	453			445		
	<u>261,958</u>	<u>304,972</u>	<u>86</u>	<u>264,785</u>	<u>312,107</u>	<u>85</u>
<i>Expenditure</i>						
Transactions with government entities	10,806			5,621		
Key personnel remuneration	78,198			59,840		
	<u>89,004</u>	<u>271,893</u>	<u>33</u>	<u>65,461</u>	<u>207,467</u>	<u>32</u>

Notes to the Financial Statements for the year ended 31 December 2019 (cont.)**22. 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, Councils also receive funds relating to specific projects as well as other funds for the improvement and betterment of the locality.

23. 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 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 maximum exposure to credit risk for amounts receivable at the reporting date, net of impairment losses, by type of customer is as follows:

- Receivables from Related Parties: €1,242

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 and cash equivalents the amount of Euro 190,337. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive current net asset position of Euro 162,156 (2018: Euro 103,929) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

Summary of financial assets and liabilities by category:

	2019	2018
	€	€
Current Assets		
Loans and receivables:		
Accounts and other receivables (Note 15)	3,805	1,546
Cash and Cash Equivalents (Note 16)	190,337	124,361
	<u>194,142</u>	<u>125,907</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables (Note 17)	<u>10,132</u>	<u>5,051</u>

Notes to the Financial Statements for the year ended 31 December 2019 (cont.)

23. Financial Risk Management (cont.)

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 objective of interest rate risk management is to optimise the balance between minimizing uncertainty caused by fluctuations in interest rates and maximising the net interest income.

Market risks

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

Other risks

The Council's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Council to cash flow interest rate risk. In general, the Council's exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows are not deemed to be substantial by the Councillors and Executive Secretary in view of the nature of the assets and liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.

24. Fair value of financial assets and financial liabilities

At 31 December 2019 and at 31 December 2018, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively, approximated their fair values due to the short term maturities of these assets and liabilities. The fair values of non-current financial assets and non-current financial liabilities are not materially different from their carrying amount.

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke, located in the bottom right corner of the page.

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 Mdina Local Council set out on pages 4 to 24 which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in 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

Up to 31 August 2011, all income and expenditure from the Local Enforcement System (LES) were centralised through the 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.

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

Responsibilities of those charged with governance for the financial statements

As described on page 3 the Executive Secretary and the members of the Local Council are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Legislation, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Secretary and the members of the Local Council are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is the intention to liquidate the Council or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

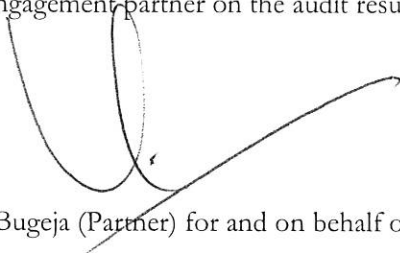
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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



Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

Fort Business Centre
Triq l-Intornjatur, Zone 1
Central Business District,
Birkirkara CBD 1050
Malta

25 May 2020