



Ir-Rabat Local Council

Annual Report and Financial Statements  
31 December 2020



*Prepared by Romina Perici Ferrante CPA*

	Pages
Table of Contents	
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 – 28
Report of the Local Government Auditors on the Financial Statements	29

### 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 2 September 2021 and signed on its behalf by:



Sandro Craus  
Mayor



Anthony Bonello  
Executive Secretary

**Statement of Profit or Loss and Other Comprehensive Income**

	Notes	2020 €	2019 €
<b>Income</b>			
Funds received from central government	3	1,376,410	1,239,049
Income raised under Local Enforcement System	5	3,133	4,667
General Income	6	39,571	36,168
Income from Bye Law	7	1,801	4,037
		<u>1,420,915</u>	<u>1,283,921</u>
<b>Expenditure</b>			
Personal emoluments	8	180,197	150,052
Operations and Maintenance	9	812,862	915,310
Administrative and other Expenditure	10	773,641	347,529
		<u>1,766,700</u>	<u>1,412,891</u>
<b>Operating (loss) for the year</b>		<u>(345,785)</u>	<u>(128,970)</u>
Investment Income	4	2,594	3,992
<b>(Loss) for the year</b>		<u>(343,191)</u>	<u>(124,978)</u>
<b>Total comprehensive (expenditure) for the year</b>		<u>(343,191)</u>	<u>(124,978)</u>


The notes on pages 6 to 28 form an integral part of these financial statements



**Statement of Financial Position**

	Notes	2020 €	2019 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible asset	11	154	408
Tangible assets			
Property, plant and equipment	12	655,201	689,190
		<u>655,355</u>	<u>689,598</u>
<b>Current assets</b>			
Receivables	13	176,122	103,140
Cash and cash equivalents	14	1,910,467	2,371,789
		<u>2,086,589</u>	<u>2,474,929</u>
<b>Total Assets</b>		<u>2,741,944</u>	<u>3,164,527</u>
<b>Reserves</b>			
Retained Fund		1,740,316	2,083,507
<b>Current Liabilities</b>			
Payables	15	1,001,628	1,081,020
		<u>1,001,628</u>	<u>1,081,020</u>
<b>Total Liabilities</b>		<u>1,001,628</u>	<u>1,081,020</u>
<b>Total Reserves and Liabilities</b>		<u>2,741,944</u>	<u>3,164,527</u>

These financial statements were approved by the Local Council on the 2 September 2021 and are signed on its behalf by:



Sandro Craus  
Mayor



Anthony Bonello  
Executive Secretary

The notes on pages 6 to 28 form an integral part of these financial statements

**Statement of Changes in Equity**

	Retained Earnings €	Total €
Balance at 1 January 2019	2,208,485	2,208,485
Total comprehensive expenditure for the year	(124,978)	(124,978)
<b>Balance at 31 December 2019</b>	<b>2,083,507</b>	<b>2,083,507</b>
Balance at 1 January 2020	2,083,507	2,083,507
Total comprehensive expenditure for the year	(343,191)	(343,191)
<b>Balance at 31 December 2020</b>	<b>1,740,316</b>	<b>1,740,316</b>

The notes on pages 6 to 28 form an integral part of these financial statements

**Statement of Cash Flows**

	Notes	2020 €	2019 €
<b>Cash flows from operating activities</b>			
<b>(Loss) for the year</b>		<b>(343,191)</b>	<b>(124,978)</b>
Adjustments for:			
Depreciation	12a	491,803	196,305
Amortisation charge	11	254	346
Provision for bad debts		0	(943)
Investment income receivable		(2,594)	(3,992)
Interest payable		0	0
Loss on disposal		34	0
		<hr/>	<hr/>
<b>Surplus for the period before working capital movements</b>		<b>146,306</b>	<b>66,738</b>
(Increase) in receivables		(72,982)	(66,195)
(Decrease) in payables		(79,392)	(58,474)
		<hr/>	<hr/>
<b>Net cash (used in) operating activities</b>		<b>(6,068)</b>	<b>(57,931)</b>
		<hr/>	<hr/>
<b>Cash flows used in investing activities</b>			
Investment income receivable		2,594	3,992
Payment to acquire property, plant and equipment	12a	(457,848)	(147,509)
Payment to acquire intangible asset	11	0	0
		<hr/>	<hr/>
<b>Net cash (used in) investing activities</b>		<b>(455,254)</b>	<b>(143,517)</b>
		<hr/>	<hr/>
<b>Cash flows used in financing activities</b>			
Grants		0	(1,547)
		<hr/>	<hr/>
<b>Net cash (used in) financing activities</b>		<b>0</b>	<b>(1,547)</b>
		<hr/>	<hr/>
<b>Movement in cash and cash equivalents</b>		<b>(461,322)</b>	<b>(202,995)</b>
		<hr/>	<hr/>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>2,371,789</b>	<b>2,574,784</b>
		<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the year</b>	14	<b>1,910,467</b>	<b>2,371,789</b>



**Notes to the Financial Statements  
For the year ended 31 December 2020****1. Statutory Information**

Ir-Rabat Local Council is the local authority of Ir-Rabat setup in accordance with the Local Councils Act. The Office of the Local Council is situated at 8, Triq l-Isptar, Ir-Rabat, 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)**

The Local Council has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2020:

- Amendments to IFRS 16 Leases Covid 19 – Related Rent Concessions (effective for financial years beginning on or after 1 January 2020)
- Amendments to IAS 1 and IAS 8 – Definition of Material (effective for financial years beginning on or after 1 January 2020)
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform (effective for financial years beginning on or after 1 January 2020)
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for financial years beginning on or after 1 January 2020)
- Amendments to IFRS 3 Business Combinations (effective for financial years beginning on or after 1 January 2020)

The adoption of new and amended standards did not have a material impact on the Local Council's financial statements. The Council did not apply IFRS 16 as amounts are not material.

**d. New and revised IFRSs in issue but not yet effective****Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Local Council**

At the date of the authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective and have not been adopted early by the Local Council

- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (effective for financial years beginning on or after 1 January 2021)
- Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective for financial years beginning on or after 1 January 2021)

The Council anticipates that all the relevant pronouncements will be adopted in the Local Council's accounting policies for the first period beginning after the effective date of the pronouncement.

Certain new standards and interpretations have been issued but are not expected to have a material impact on the Local Council's financial statements.

**2. Accounting policies – continued****Standards, amendments and interpretations to published standards that are not yet endorsed by the EU**

- IFRS 17 – Insurance contracts (effective for financial years beginning on or after 1 January 2023)
- Amendment to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, Annual Improvements 2018 – 2020 (effective for financial years beginning on or after 1 January 2022)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current and Non-Current – Deferral of Effective Date (effective for financial years beginning on or after 1 January 2022)

**2.1 Significant accounting policies**

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

**e. Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Ir-Rabat 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.

**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.



**2. Accounting policies - continued****g. Local Enforcement System**

The Rabat Local Council forms part of the Regjun Tramuntana. On 1<sup>st</sup> September 2011, all LES funds were diverted to five regions. With effect from 1<sup>st</sup> September 2011, the only income attributable to the Council is commission income based on the value of contraventions paid at Rabat Local Council. In line with Memo issued from the Department for Local Government dated 30<sup>th</sup> September 2015, the LES operations started gradually being phased out from the Regional Committee towards the Local Enforcement System Agency (LESA) with effect from 1<sup>st</sup> October 2015, until December 2015.

Prior to 1<sup>st</sup> September 2011, the Rabat Local Council formed part of the North Joint Committee. The amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the Joint Committee after deducting the related expenses, which is accounted for on a cash basis, and 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%-42.87% 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%-1.25%
• Office furniture and fittings	7.5%-26.67%
• Construction works	10%-92.31%
• Urban Improvements (Street Furniture)	10%-85.72%
• Special Projects	10%-92.31%
• Office Equipment	20%-79.99%
• Motor Vehicles	20%
• Plant and Machinery	20%-38.72%
• Plants	100%
• Computer Equipment	25%-42.86%
• 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.

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.



**2. Accounting policies - continued****k. Impairment of assets***Impairment of Financial Assets*

The Local Council assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Council applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

*Impairment of Non-Financial Assets*

Assets are tested 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 of disposal and value in use. Non-financial assets are reviewed for possible reversal of the impairment at the end of each reporting period.

**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.

**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. Trade and Other Payables**

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

**2. Accounting policies - continued****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. Leases**

Assets held under a lease agreement are recognised as assets of the Council (representing the right to use the leased item for the lease term) at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a lease liability (representing the obligation to pay rentals). Lessees initially recognize a right-of-use asset and lease liability based on the discounted payments required under the lease, taking into account the lease term as determined under the new standard. Lease liabilities are measured with reference to an estimate of the lease term, which includes optional lease periods when an entity is reasonably certain to exercise an option to extend (or not to terminate) a lease. Lessees reassess the lease term only upon the occurrence of a significant event or a significant change in circumstances that are within the control of the lessee. Exemptions exist for short term and low value leases.

**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.

**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.



**2. Accounting policies - continued****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'.

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.

**2. Accounting policies - continued****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.

**w. Related parties**

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24.

**x. 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. Government grants that are related specifically to non-capital expenditures are recognised immediately in the Statement of Comprehensive Income.

**y. Critical Accounting Estimates and Judgements**

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. Except for the issues highlighted in note 2.2 below, the Council is of the opinion that the accounting estimates and judgements made in the preparation of the Financial Statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS1 (revised) – 'Presentation of Financial Statements'.

**2.2. Judgements in applying accounting policies and key sources of estimating uncertainty**

In preparing these Financial Statements, the Local Council has made judgements and estimates that affect the application of accounting policies and that can significantly affect the amounts recognised.

Judgements and estimates in relation to lessee accounting under IAS 17 became obsolete with the initial application of IFRS 16 'Leases' as of 1 January 2019. Any new judgements and estimates with regards to IFRS 16 Leases that warrant additional disclosures in terms of IAS 1 as outlined in Note 24.



**3. Funds Received from Central Government**

	2020 €	2019 €
In terms of Section 55 of the Local Councils Act (Cap 363)	1,197,444	1,145,620
Other Government Income	121,628	82,524
Other supplementary income	57,338	10,905
	<u>1,376,410</u>	<u>1,239,049</u>

**4. Investment income**

	2020 €	2019 €
Bank interest receivable	<u>2,594</u>	<u>3,992</u>

**5. Local Enforcement System**

	2020 €	2019 €
Administrative charges to Regional Committees	0	0
Contraventions	3,133	4,667
	<u>3,133</u>	<u>4,667</u>

**6. General Income**

	2020 €	2019 €
Income from permits	38,221	33,668
Contributions and donations	1,350	2,500
	<u>39,571</u>	<u>36,168</u>

**7. Income from bye law**

	2020 €	2019 €
Income from bye law	<u>1,801</u>	<u>4,037</u>

**8. Personal Emoluments**

	2020	2019
	€	€
Mayor's allowance	15,027	13,965
Executive Secretary and allowances	36,311	36,231
Employees' salaries	95,477	75,299
Social Security Contributions	10,852	9,019
Councillors' remuneration	22,530	15,538
	<u>180,197</u>	<u>150,052</u>

**Average number of people employed**

Employees	<u>7</u>	<u>6</u>
-----------	----------	----------

**9. Operations and Maintenance**

	2020	2019
	€	€
<b>Repairs and Upkeep:</b>		
Road and street pavements (Patching works)	215,915	353,170
Repair plant and equipment	69,147	62,616
Sundry repairs	5,140	17,715
	<u>290,202</u>	<u>433,501</u>

	2020	2019
	€	€
<b>Contractual Services:</b>		
Refuse collection (including bins on wheels)	169,692	197,484
Waste disposal	104,043	100,475
Bulky refuse collection (including open skips)	10,988	11,404
Road and street cleaning (mechanical and manual)	120,033	62,780
Other contractual services	41,738	39,407
Cleaning and Maintenance of Non-Urban Roads	27,856	30,671
Cleaning and Maintenance of Public Conveniences	16,275	19,606
Cleaning and Maintenance of Parks and Gardens	32,035	19,982
	<u>522,660</u>	<u>481,809</u>
	<u>812,862</u>	<u>915,310</u>

**10. Administrative and other expenditure**

	2020	2019
	€	€
Utilities	8,190	2,114
Other repairs and upkeeps	9,924	4,235
Rent	39,509	3,696
National & International membership	86	1,460
Office services	9,017	12,210
Transport	16,453	10,056
Travel	0	468
Staff training	560	450
Information services	7,404	6,461
Other contractual services	15,467	9,670
Professional services	117,108	37,936
Community and hospitality	51,386	53,197
Social events	1,066	5,888
Uniforms	3,372	3,165
LES related expenses	82	54
Bank interest and charges	1,926	621
Depreciation	491,803	196,305
Amortisation charge	254	346
Loss on disposal	34	0
Provision for bad debts	0	(943)
Bad debt written off	0	90
Penalties	0	50
	<u>773,641</u>	<u>347,529</u>

**11. Intangible asset**

	Computer Software €
<b>At 1 January 2019</b>	
Cost	2,638
Accumulated amortisation	(1,884)
Net book amount	<u>754</u>
<b>Movements for the year ended 31 December 2019</b>	
Opening net book amount	754
Additions	0
Amortisation charge	(346)
Closing net book amount	<u>408</u>
<b>At 31 December 2019</b>	
Cost	2,638
Accumulated amortisation	(2,230)
Net book amount	<u>408</u>
<b>Movements for the year ended 31 December 2020</b>	
Opening net book amount	408
Additions	0
Amortisation charge	(254)
Closing net book amount	<u>154</u>
<b>At 31 December 2020</b>	
Cost	2,638
Accumulated amortisation	(2,484)
Net book amount	<u>154</u>

Amortisation of €254 (2019: €346) is included in administrative expenses.



## 12a. Property, plant and equipment

Asset	Property €	Office furniture and fittings		Office Equipment €	Plant and Machinery €	Urban improvements €	New street signs/ lights		Computer Equipment €	Special Programmes €	Motor Vehicles €	Asset not yet capitalized €	Total €
		€	€				€	€					
<b>Cost</b>													
As at 1 January 2020	281,326	45,776	46,249	7,876	3,454,964	65,985	43,891	1,274,836	11,644	11,121	5,243,668		
Additions	-	2,545	11,624	1,746	382,027	-	10,641	-	-	49,265	457,948		
Disposals	-	(98)	(687)	-	-	-	(1,181)	-	-	-	(1,966)		
As at 31 December 2020	281,326	48,223	57,186	9,622	3,836,991	65,985	53,351	1,274,836	11,644	60,386	5,699,550		
<b>Grants and other disbursements</b>													
As at 1 January 2020	-	-	-	-	948,339	-	-	255,433	-	-	1,203,772		
Additions	-	-	-	-	-	-	-	-	-	-	-		
As at 31 December 2020	-	-	-	-	948,339	-	-	255,433	-	-	1,203,772		
<b>Accumulated Depreciation</b>													
As at 1 January 2020	45,138	39,703	41,479	6,966	2,107,877	65,985	35,788	996,126	11,644	-	3,350,706		
Charge for the year	3,176	1,166	1,889	420	463,779	-	3,689	17,684	-	-	491,803		
Released on disposal	-	(64)	(687)	-	-	-	(1,181)	-	-	-	(1,932)		
As at 31 December 2020	48,314	40,805	42,681	7,386	2,571,656	65,985	38,296	1,013,810	11,644	-	3,840,577		
<b>Net Book Value</b>													
As at 31 December 2020	233,012	7,418	14,505	2,236	316,996	-	15,055	5,593	-	60,386	655,201		

**12b. Property, plant and equipment**

Asset	Property	Office furniture and fittings	Office Equipment	Plant and Machinery	Urban improvements	New street signs/ lights	Computer Equipment	Special Programmes	Motor Vehicles	Asset not yet capitalized	Total
€	€	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>											
As at 1 January 2019	281,326	45,776	45,216	7,341	3,324,439	65,985	35,466	1,274,836	11,644	4,130	5,096,159
Additions	-	-	1,033	535	130,525	-	8,425	-	-	6,991	147,509
Disposals	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2019	281,326	45,776	46,249	7,876	3,454,964	65,985	43,891	1,274,836	11,644	11,121	5,243,668
<b>Grants and other disbursements</b>											
As at 1 January 2019	-	-	-	-	948,339	-	-	256,980	-	-	1,205,319
Additions	-	-	-	-	-	-	-	(1,547)	-	-	(1,547)
As at 31 December 2019	-	-	-	-	948,339	-	-	255,433	-	-	1,203,772
<b>Accumulated Depreciation</b>											
As at 1 January 2019	42,040	38,597	40,189	6,755	1,952,410	65,985	34,725	962,056	11,644	-	3,154,401
Charge for the year	3,098	1,106	1,290	211	155,467	-	1,063	34,070	-	-	196,305
Released on disposal	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2019	45,138	39,703	41,479	6,966	2,107,877	65,985	35,788	996,126	11,644	-	3,350,706
<b>Net Book Value</b>											
As at 31 December 2019	236,188	6,073	4,770	910	398,748	-	8,103	23,277	-	11,121	689,190

**13. Receivables**

	2020 €	2019 €
Receivables	122,292	99,320
Other receivables	277	-
Accrued income	45,539	-
<b>Financial assets</b>	<b>168,108</b>	<b>99,320</b>
Prepayments	6,441	1,389
Other receivables	1,573	2,431
	<b>176,122</b>	<b>103,140</b>

The total financial assets for the year amounted to €168,108 (2019: €99,320).

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.

	2020 €	2019 €
<b>Age of receivables that are past due but not impaired</b>		
60-90 days	24,454	14,244
91-120 days	7,045	13,253
More than 120 days	90,793	71,823
Total	<b>122,292</b>	<b>99,320</b>



**13. Receivables - continued**

	2020 €	2019 €
<b>Movement in the allowance for doubtful debts</b>		
Balance at beginning of the year	220,581	221,524
Bad debts written off	0	(90)
Amounts collected during the year	0	(853)
Balance at end of the year	<u>220,581</u>	<u>220,581</u>

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 €220,581 (2019: €220,581).

**14. 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:

	2020 €	2019 €
Term deposit 1 year	1,003,731	1,004,113
Bank balances:		
Measure 4.3	325,037	803,038
Ordinary funds	581,616	564,147
Cash in hand	83	491
	<u>1,910,467</u>	<u>2,371,789</u>

**15. Payables**

	2020	2019
	€	€
Payables	278,646	193,869
Other payables-Measure 4.3-Improving the Infrastructure of Rural Roads	325,037	803,038
Other payables	3,331	894
Accruals	128,735	66,195
<b>Financial liabilities</b>	<b>735,749</b>	<b>1,063,996</b>
Deferred Income	257,500	8,404
Contractors' deposits	8,379	8,620
	<u>1,001,628</u>	<u>1,081,020</u>

The total financial liabilities for the year amounted to €735,749 (2019: €1,063,996)

**16. Contingent liabilities**

At 31 December 2020, guarantees amounting to €1,000 (2019: €1,000) were given by the Local Council to MEPA with regard to capital projects.

At 31 December 2020, the Local Council has an appeal against MEPA for which a fine of €3,059 (2019: €3,059) may be imposed.

**17. 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:

<b>Name of Entity</b>	<b>Nature of relationship</b>
Department of Local Councils	Significant Control
Gozo Regional Committee	No Control
Central Regional Committee	No Control
North Regional Committee	Joint Control
South Regional Committee	No Control
South Eastern Regional Committee	No 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:

	<b>2020</b>	<b>2019</b>
	<b>€</b>	<b>€</b>
<b>(a) Funds received from Local Government</b>	<b>1,197,444</b>	<b>1,145,620</b>

**Key management compensation**

The Mayor, Councillors and Executive Secretary of the Council make up the Key Management Personnel. 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.



**18. 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:

	2020 €	2019 €
Classes of financial assets – carrying amounts		
Trade and other receivables	168,108	99,320
Cash and cash equivalents	1,910,467	2,371,789
	<u>2,078,575</u>	<u>2,471,109</u>

***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 €1,910,467. 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 €1,740,316 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

At 31 December 2020 the council's financial liabilities have contractual maturities which are summarised below:

**18. Financial risk management – continued****At 31 December 2020**

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	278,646	-	-
Other creditors	328,368	-	-
Accruals	128,735	-	-

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

**At 31 December 2019**

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	193,869	-	-
Other creditors	803,038	-	-
Accruals	66,195	-	-

**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.

**19. 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:

	2020 €	2019 €
<b>Current assets</b>		
Loans and receivables:		
Trade and other receivables	168,108	99,320
Cash and cash equivalents	1,910,467	2,371,789
	<u>2,078,575</u>	<u>2,471,109</u>
<b>Current liabilities</b>		
Financial liabilities measured at amortised costs:		
Payables	278,646	193,869
Other payables	328,368	803,038
Accruals	128,735	66,195
	<u>735,749</u>	<u>1,063,102</u>

**20. Operating Lease**

Operating leases relate to leases of garage from private individuals and a photocopier lease. During 2020 the council leased new office premises being used whilst the Rabat Local Council premises are being refurbished. This lease is on a short-term basis, and renewable every 6 months. Lease terms range between one and five years.

	2020 €	2019 €
<b>Payments recognized as an expense</b>		
Minimum lease payments	<u>39,509</u>	<u>3,696</u>
<b>Non-cancellable operating lease commitments</b>		
Not later than one year	1,570	1,570
Later than one year and not later than five years	1,122	2,692
More than five years	0	0
	<u>2,692</u>	<u>4,262</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:

	2020 €	2019 €
Contracted but not provided for	-	-
Authorised but not contracted	<u>1,490,583</u>	<u>1,490,583</u>

# Report of the Local Government Auditor

To the Auditor General

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of Rabat Local Council set out on pages 2 to 28 which comprise the statement of financial position as at 31 December 2020, 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, the accompanying financial statements give a true and fair view of the financial position of the Council as at 31 December 2020, 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 opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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 opinion.

### Responsibilities of those charged with governance for the financial statements

As described on page 1 the Executive Secretary and the members of the Local Council are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Legislation, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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



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

#### Auditor's responsibilities for the audit of the financial statements

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

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

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



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

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



Mark Bugeja (Partner) for and on behalf of

**GRANT THORNTON**  
Certified Public Accountants

Fort Business Centre  
Triq L-Intornjatur Zone 1  
Central Business District  
Birkirkara CBD1050  
Malta

2 September 2021