



Ir-Rabat Local Council

Annual Report and Financial Statements
31 December 2019

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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 5 February 2020 and signed on its behalf by:

Sandro Craus
Mayor

Anthony Bonello
Executive Secretary

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2019 €	2018 €
Income			
Funds received from central government	3	1,239,943	1,124,411
Income raised under Local Enforcement System	5	4,667	8,032
General Income	6	36,168	32,442
Income from Bye Law	7	4,037	4,867
		1,284,815	1,169,752
Expenditure			
Personal emoluments	8	150,052	135,754
Operations and Maintenance	9	921,828	632,684
Administrative and other Expenditure	10	352,529	807,291
		1,424,409	1,575,729
Operating (loss) for the year		(139,594)	(405,977)
Investment Income	4	3,992	4,070
(Loss) for the year		(135,602)	(401,907)
Total comprehensive (expenditure) for the year		(135,602)	(401,907)

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

Statement of Financial Position

	Notes	2019 €	2018 €
ASSETS			
Non-current assets			
Intangible asset	11	408	754
Tangible assets			
Property, plant and equipment	12	687,105	736,439
		687,513	737,193
Current assets			
Receivables	13	101,709	36,002
Cash and cash equivalents	14	2,373,929	2,574,784
		2,475,638	2,610,786
Total Assets		3,163,151	3,347,979
Reserves			
Retained Fund		2,072,883	2,208,485
Current Liabilities			
Payables	15	1,090,268	1,139,494
		1,090,268	1,139,494
Total Liabilities		1,090,268	1,139,494
Total Reserves and Liabilities		3,163,151	3,347,979

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Sandro Craus
Mayor

Anthony Bonello
Executive Secretary

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

Statement of Changes in Equity

	Retained Earnings €	Total €
Balance at 1 January 2018	2,610,392	2,610,392
Total comprehensive expenditure for the year	(401,907)	(401,907)
Balance at 31 December 2018	2,208,485	2,208,485
Balance at 1 January 2019	2,208,485	2,208,485
Total comprehensive expenditure for the year	(135,602)	(135,602)
Balance at 31 December 2019	2,072,883	2,072,883

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

Statement of Cash Flows

	Notes	2019 €	2018 €
Cash flows from operating activities			
(Loss)/Profit for the year		(135,602)	(401,907)
Adjustments for:			
Depreciation	12a	196,305	701,828
Amortisation charge	11	346	504
Provision for bad debts		(943)	(688)
Investment income receivable		(3,992)	(4,070)
Interest payable		0	0
Loss on disposal		0	55
Surplus for the period before working capital movements		56,114	295,722
(Increase) in receivables		(64,764)	(10,182)
(Decrease)/Increase in payables		(49,226)	1,033,486
Net cash (used in)/generated from operating activities		(57,876)	1,319,026
Cash flows used in investing activities			
Investment income receivable		3,992	4,070
Payment to acquire property, plant and equipment	12a	(146,971)	(158,468)
Payment to acquire intangible asset	11	0	0
Net cash used in investing activities		(142,979)	(154,398)
Movement in cash and cash equivalents		(200,855)	1,164,628
Cash and cash equivalents at the beginning of the year		2,574,784	1,410,156
Cash and cash equivalents at the end of the year	14	2,373,929	2,574,784

Notes to the Financial Statements

For the year ended 31 December 2019

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 I-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)**

In the current year, the Council has applied IFRS 16 Leases and the related consequential amendments to other International Financial Reporting Standards that are effective for periods that begin on or after 1 January 2019. IFRS 16, introduced a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized, with the exception of short-term and low value leases.

The application of IFRS 16 has not had an impact on the financial position and financial performance of the Council.

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

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

e. Revenue recognition

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

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

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

g. Local Enforcement System

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

h. Government Grants

Government Grants relating to operating expenditure are recognised in the Statement of Comprehensive Income in the same period that the related expenditure is incurred.

Government Grants relating to the purchase of property, plant and equipment are accounted for using the capital approach, and are thus deducted from the carrying amount of the relative non-current asset.

i. Intangible assets

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

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

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

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

• Land	0%
• Trees	0%
• Buildings	1%
• Office furniture and fittings	7.5%
• Construction works	10%
• Urban Improvements (Street Furniture)	10%
• Special Projects	10%
• Office Equipment	20%
• Motor Vehicles	20%
• Plant and Machinery	20%
• Plants	100%
• Computer Equipment	25%
• 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**

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

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

l. Amounts receivable

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

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

m. Cash and cash equivalents

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

n. Profits and losses

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

o. Payables

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

p. Provisions

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

2. Accounting policies - continued**q. Operating leases**

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

r. Borrowings

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

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

s. Capital Management

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

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

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

t. Financial instruments

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

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

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

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

2. Accounting policies - continued**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.

v. Financial liabilities

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

All interest-related charges are included within finance costs.

3. Funds Received from Central Government

	2019 €	2018 €
In terms of Section 55 of the Local Councils Act (Cap 363)	1,145,620	1,086,107
Other Government Income	82,524	16,023
Other supplementary income	11,799	22,281
	<u>1,239,943</u>	<u>1,124,411</u>

4. Investment income

	2019 €	2018 €
Bank interest receivable	<u>3,992</u>	<u>4,070</u>

5. Local Enforcement System

	2019 €	2018 €
Administrative charges to Regional Committees	4,667	6,660
Contraventions	0	1,372
	<u>4,667</u>	<u>8,032</u>

6. General Income

	2019 €	2018 €
Income from permits	33,668	32,433
Contributions and donations	2,500	9
	<u>36,168</u>	<u>32,442</u>

7. Income from bye law

	2019 €	2018 €
Income from bye law	<u>4,037</u>	<u>4,867</u>

8. Personal Emoluments

	2019 €	2018 €
Mayor's allowance	13,965	11,969
Executive Secretary and allowances	36,231	36,410
Employees' salaries	75,299	64,896
Social Security Contributions	9,019	13,415
Councillors' remuneration	15,538	9,064
	<u>150,052</u>	<u>135,754</u>

Average number of people employed

Employees	<u>6</u>	<u>5</u>
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9. Operations and Maintenance

	2019 €	2018 €
Repairs and Upkeep:		
Road and street pavements (Patching works)	353,170	84,119
Repair plant and equipment	62,111	49,311
Sundry repairs	17,715	145,733
	<u>432,996</u>	<u>279,163</u>

	2019 €	2018 €
Contractual Services:		
Refuse collection (including bins on wheels)	198,219	103,399
Waste disposal	105,239	69,414
Bulky refuse collection (including open skips)	11,404	7,535
Road and street cleaning (mechanical and manual)	62,780	57,986
Other contractual services	40,931	62,018
Cleaning and Maintenance of Non-Urban Roads	30,671	22,660
Cleaning and Maintenance of Public Conveniences	19,606	13,800
Cleaning and Maintenance of Parks and Gardens	19,982	16,709
	<u>488,832</u>	<u>353,521</u>
	<u>921,828</u>	<u>632,684</u>

10. Administrative and other expenditure

	2019	2018
	€	€
Utilities	2,114	6,914
Other repairs and upkeeps	4,235	2,029
Rent	3,696	2,817
National & International membership	1,460	617
Office services	12,210	5,719
Transport	10,056	7,915
Travel	468	0
Staff training	450	0
Information services	6,461	2,183
Other contractual services	14,670	8,523
Professional services	37,936	46,930
Community and hospitality	53,197	18,393
Social events	5,888	2,534
Uniforms	3,165	0
LES related expenses	54	0
Bank interest and charges	621	377
Depreciation	196,305	701,828
Amortisation charge	346	504
Loss on disposal	0	55
Provision for bad debts	(943)	(688)
Bad debt written off	90	641
Penalties	50	0
	352,529	807,291

11. Intangible asset

	Computer Software €
At 1 January 2018	
Cost	2,638
Accumulated amortisation	(1,380)
Net book amount	<u>1,258</u>
Movements for the year ended 31 December 2018	
Opening net book amount	1,258
Additions	0
Amortisation charge	(504)
Closing net book amount	<u>754</u>
At 31 December 2018	
Cost	2,638
Accumulated amortisation	(1,884)
Net book amount	<u>754</u>
Movements for the year ended 31 December 2019	
Opening net book amount	754
Additions	0
Amortisation charge	(346)
Closing net book amount	<u>408</u>
At 31 December 2019	
Cost	2,638
Accumulated amortisation	(2,230)
Net book amount	<u>408</u>

Amortisation of €346 (2018: €504) 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
Cost											
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	128,440	-	8,425	-	-	8,538	146,971
Disposals	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2019	281,326	45,776	46,249	7,876	3,452,879	65,985	43,891	1,274,836	11,644	12,668	5,243,130
Grants and other disbursements											
As at 1 January 2019	-	-	-	-	948,339	-	-	256,980	-	-	1,205,319
Additions	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2019	-	-	-	-	948,339	-	-	256,980	-	-	1,205,319
Accumulated Depreciation											
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
Net Book Value											
As at 31 December 2019	236,188	6,073	4,770	910	396,663	-	8,103	21,730	-	12,668	687,105

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	Assets not yet capitalized	Total
	€	€	€	€	€	€	€	€	€	€	€
Cost											
As at 1 January 2018	277,416	44,500	40,657	6,911	3,208,414	65,985	35,176	1,247,785	11,644	-	4,938,488
Additions	3,910	1,338	4,929	430	116,025	-	655	27,051	-	4,130	158,468
Disposals	-	(62)	(370)	-	-	-	(365)	-	-	-	(797)
As at 31 December 2018	<u>281,326</u>	<u>45,776</u>	<u>45,216</u>	<u>7,341</u>	<u>3,324,439</u>	<u>65,985</u>	<u>35,466</u>	<u>1,274,836</u>	<u>11,644</u>	<u>4,130</u>	<u>5,096,159</u>
Grants and other disbursements											
As at 1 January 2018	-	-	-	-	948,339	-	-	256,980	-	-	1,205,319
Additions	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>948,339</u>	<u>-</u>	<u>-</u>	<u>256,980</u>	<u>-</u>	<u>-</u>	<u>1,205,319</u>
Accumulated Depreciation											
As at 1 January 2018	39,198	29,316	38,569	4,714	1,542,080	65,985	33,755	689,461	10,237	-	2,453,315
Charge for the year	2,842	9,288	1,990	2,041	410,330	-	1,335	272,595	1,407	-	701,828
Released on disposal	-	(7)	(370)	-	-	-	(365)	-	-	-	(742)
As at 31 December 2018	<u>42,040</u>	<u>38,597</u>	<u>40,189</u>	<u>6,755</u>	<u>1,952,410</u>	<u>65,985</u>	<u>34,725</u>	<u>962,056</u>	<u>11,644</u>	<u>-</u>	<u>3,154,401</u>
Net Book Value											
As at 31 December 2018	<u><u>239,286</u></u>	<u><u>7,179</u></u>	<u><u>5,027</u></u>	<u><u>586</u></u>	<u><u>423,690</u></u>	<u><u>0</u></u>	<u><u>741</u></u>	<u><u>55,800</u></u>	<u><u>0</u></u>	<u><u>4,130</u></u>	<u><u>736,439</u></u>

13. Receivables

	2019	2018
	€	€
Receivables	99,320	20,288
Accrued income	0	11,376
	99,320	31,664
Financial assets		
Prepayments	1,389	3,338
Other receivables	1,000	1,000
	101,709	36,002

The total financial assets for the year amounted to €101,709 (2018: €36,002).

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

	2019	2018
	€	€
Age of receivables that are past due but not impaired		
60-90 days	14,244	15,457
91-120 days	13,253	0
More than 120 days	71,823	4,831
Total	99,320	20,288

13. Receivables - continued

	2019	2018
	€	€
Movement in the allowance for doubtful debts		
Balance at beginning of the year	221,524	222,211
Bad debts written off	(90)	(641)
Amounts collected during the year	(853)	(46)
Balance at end of the year	220,581	221,524

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 (2018: €221,524).

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:

	2019	2018
	€	€
Term deposit 1 year	1,004,113	1,003,961
Bank balances:		
Measure 4.3	803,038	806,537
Ordinary funds	566,287	763,065
Cash in hand	491	1,221
	2,373,929	2,574,784

15. Payables

	2019 €	2018 €
Payables	196,752	134,676
Other payables-Measure 4.3-Improving the Infrastructure of Rural Roads	803,038	806,537
Accruals	73,454	189,902
Deferred Income	8,404	0
Contractors' deposits	8,620	8,379
	<u>1,090,268</u>	<u>1,139,494</u>

The total financial liabilities for the year amounted to €1,090,268 (2018: €1,139,494)

16. Contingent liabilities

At 31 December 2019, guarantees amounting to €1,000 (2018: €1,000) were given by the Local Council to MEPA with regard to capital projects.

At 31 December 2019, the Local Council has an appeal against MEPA for which a fine of €3,059 (2018: €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:

Name of Entity	Nature of relationship
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:

	2019	2018
	€	€
(a) Funds received from Local Government	1,145,620	1,086,107

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

Transactions with key management personnel are disclosed in note 8.

Ultimate controlling party

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

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:

	2019 €	2018 €
Classes of financial assets – carrying amounts		
Trade and other receivables	99,320	31,664
Cash and cash equivalents	2,373,929	2,574,784
	2,473,249	2,606,448

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

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short-term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact, at year end, the Council has as cash in bank and in hand the amount of €2,373,929. 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 €1,385,370 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

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

At 31 December 2019

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	196,752	-	-
Other creditors	803,038	-	-
Accruals	73,454	-	-

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

At 31 December 2018

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	134,676	-	-
Other creditors	806,537	-	-
Accruals	189,902	-	-

18. Financial risk management – continued**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:

	2019 €	2018 €
Current assets		
Loans and receivables:		
Trade and other receivables	99,320	20,288
Cash and cash equivalents	2,373,929	2,574,784
	<u>2,473,249</u>	<u>2,595,072</u>
Current liabilities		
Financial liabilities measured at amortised costs:		
Payables	196,752	134,676
Other payables	803,038	806,537
Accruals	73,454	189,902
	<u>1,073,244</u>	<u>1,131,115</u>

20. Operating Lease

Operating leases relate to leases of garage from private individuals and a photocopier lease. Lease terms range between one and five years.

	2019 €	2018 €
Payments recognized as an expense		
Minimum lease payments	<u>3,696</u>	<u>2,817</u>
Non-cancellable operating lease commitments		
Not later than one year	1,570	1,829
Later than one year and not later than five years	2,692	4,261
More than five years	0	0
	<u>4,262</u>	<u>6,090</u>

21. Fair values estimation

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

22. Capital commitments**Capital expenditure**

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

	2019 €	2018 €
Contracted but not provided for	-	-
Authorised but not contracted	<u>1,490,583</u>	<u>1,490,583</u>