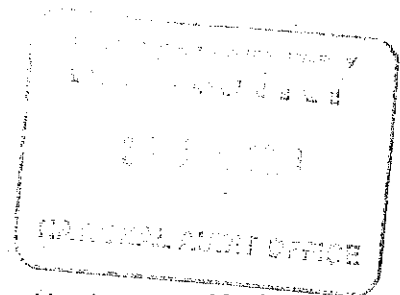




IKLIN LOCAL COUNCIL

**Annual Report and
Financial Statements**

For the year ended 31 December 2019



Prepared by: Laurence Manicaro
Certified Public Accountant
On behalf of Parker Randall Turner
Chartered Certified Accountants & Auditors
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Birzebbugia BBG 2032

ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2019

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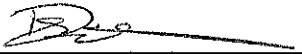
Financial Statements for the year ended 31 December 2019

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 the Local Council's Statement of 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 Councils (Financial) Regulations 1993, and the Local Councils (Financial) Procedures 1996, 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, Local Councils (Financial) Regulations 1993, and the Local Councils (Financial) Procedures 1996. 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.

Approved by the Council and signed on its behalf on 25 May 2020 by:


Dorian Sciberras
Mayor


Etienne Montfort
Executive Secretary

IKLIN LOCAL COUNCIL

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 €	2018 €
ASSETS			
Non-current assets			
Property, plant and equipment	3	227,977	149,316
Right of use assets	4	41,700	-
		<u>269,677</u>	<u>149,316</u>
Current Assets			
Receivables	5	98,553	39,861
Cash and Cash Equivalents	6	354,715	439,969
Total current assets		<u>453,268</u>	<u>479,830</u>
Total Assets		<u>722,945</u>	<u>629,146</u>
RESERVES AND LIABILITIES			
Reserves			
Retained Fund		354,460	360,275
Non-current Liabilities			
Deferred income	7	10,070	40,964
Non-current payables	8	3,334	6,669
		<u>13,404</u>	<u>47,633</u>
Current Liabilities			
Deferred income	7	98,643	175,147
Payables	8	256,438	46,091
		<u>355,081</u>	<u>221,238</u>
Total reserves and liabilities		<u>722,945</u>	<u>629,146</u>

The notes on pages 8 to 27 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on the 25 May 2020 and signed on its behalf by:


Dorian Sciberras
Mayor


Etienne Montfort
Executive Secretary

IKLIN LOCAL COUNCIL**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2019

	Notes	2019 €	2018 €
REVENUE			
Funds received from central government	9	293,270	286,648
Income from Law Enforcement System	10	1,866	2,829
General Income	12	23,284	24,610
		<u>318,420</u>	<u>314,087</u>
EXPENDITURE			
Personal emoluments	13	(85,942)	(78,523)
Operations and maintenance	14	(109,203)	(126,989)
Administration and other expenditure	15	(129,115)	(213,907)
		<u>(324,260)</u>	<u>(419,419)</u>
Operating (loss) for the year		<u>(5,840)</u>	<u>(105,332)</u>
Interest income	11	25	4
Total Comprehensive (Loss) for the year		<u>(5,815)</u>	<u>(105,328)</u>

The notes on pages 8 to 27 are an integral part of the financial statements.

IKLIN LOCAL COUNCIL

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Retained Funds 2019 €	Retained Funds 2018 €
At 1 January	360,275	465,603
Total Comprehensive loss for the year	(5,815)	(105,328)
At 31 December	<u>354,460</u>	<u>360,275</u>

The notes on pages 8 to 27 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 €	2018 €
Cash Flows from Operating Activities			
Total Comprehensive (Loss)/ income for the year		(5,815)	(105,328)
Adjustments for:			
Depreciation on property plant and equipment		41,473	147,372
Depreciation on lease asset		3,950	-
Interest Income		(25)	(4)
Net cash generated before working capital changes		39,583	42,040
Decrease/ (increase) in receivables		11,672	(4,318)
Decrease in payables		(2,989)	(12,710)
Net Cash generated from operating Activities		48,266	25,012
Cash flows from Investing Activities			
Purchase of property, plant and equipment		(219,785)	(4,653)
Interest Income		25	4
Grants received		90,190	190,972
Net Cash (used in)/ generated from Investing Activities		(129,570)	186,323
Cash flows from Financing Activities			
Payment of lease obligations		(3,950)	-
Net movement in Cash and Cash Equivalents		(82,254)	211,335
Cash and Cash Equivalents at the beginning of Year		439,969	228,634
Cash and Cash Equivalents at the end of year	6	354,715	439,969

The notes on pages 8 to 27 are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. General Information

Iklin Local Council is the local authority of Iklin setup in accordance with the Local Councils Act. The office of the Local Council is situated at "Three Vilages", Triq ir-Rumanzieri, Iklin,

The financial statements were authorised for issue by the Council on the 18 May 2020.

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.

(a) Accounting convention

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).

The financial statements are prepared under the historical cost convention as modified to include fair values stated in the accounting policies below. These Financial Statements are prepared in accordance to the requirements of International Financial Reporting Standards as adopted by the 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) Standards, amendments and interpretations to existing standards

New and amended standards adopted by the council

The new and revised standards that became effective for annual periods beginning on or after 1 January 2019 made several amendments to a number of IFRSs. These include

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 – continued

(b) Standards, amendments and interpretations to existing standards - continued

IFRS 16 presents new requirements for the recognition of leases replacing IAS 17 'Leases, and some lease-related Interpretations. The new standard requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value leases. The standard also provides new guidelines on the application of the definition of lease and on sale and lease back accounting. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019.

The adoption of this new Standard has resulted in the Local Council recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application. The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated. For contracts in place at the date of initial application, the Local Council has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

Standards, amendments and interpretations to existing standards that are not yet effective.

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Local Council. The Council anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Local Council financial statements.

(c) Revenue recognition

Revenue is recognised when the amount of revenue and the associated costs can be measured reliably. Interest income is recognised in the statement of comprehensive income as it accrues.

(d) Local Enforcement System

During 2019 the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is chargeable to the various Regional Committees/ LESA for contraventions paid at the Council.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 – continued

(e) Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss to date. As from 1 January 2018 depreciation was changed from the reducing balance method to the straight line method, after the Local Council adopted Directive 1/2017 issued by the Department of Local Government. Depreciation is calculated at rates to write off the cost less residual value of each asset over its expected useful life 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
Computer Equipment	25
Plants	100
Litter Bins	replacement basis
Playground furniture	100
Road and traffic Signs	replacement basis
Street Mirrors	replacement basis
Street Lights	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 financial reporting 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 Local 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 year in which they are incurred.

(f) Leased assets

As described in Note 2 (b), the Local Council has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 – continued

(f) Leased assets (continued)

For any new contracts entered into on or after 1 January 2019, the Local Council considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Local Council assesses whether the contract meets three key evaluations which are

- a) whether the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Local Council.
- b) The Local Council has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- c) The Local Council has the right to direct the use of the identified asset throughout the period of use. The Local Council assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Local Council recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Local Council, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Local Council depreciates the right-of-use assets on a straight-line basis from the lease 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 Local Council also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Local Council measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

(g) Government Grants

Government grants are accounted for on the Capital Approach according to IAS 20 as the Council adopted Directive 1/2017 issued by the Department of Local Council. With the Capital Approach, any grants received are netted off against the cost of the asset to which they relate. Depreciation will be accounted on the resulting cost less grant.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 – continued

(h) 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 cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the statement of comprehensive income.

(i) 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 amounts of the asset in 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.

(j) 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 Euro, which is the Council's functional and presentation currency.

(k) Surplus and deficits

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 deficits 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 – continued

(l) Cash and 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.

(m) Related parties

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

During the year under review, the Local Council's related party that exercises a significant control was the Department for Local Government. The parties that exercise no control were Water Services Corporation and Malta Environment and Planning Authority whereas there was joint control with the Gozo Joint Committee.

(n) Payables

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

Amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the council.

(o) 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 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 year ended 31 December 2019 – continued

(o) Financial Instruments – continued

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 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'.

(p) Capital management policies and procedures

The council's capital consists of its net assets, including working capital, presented by its retained funds. The Council's management objective 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 this, the Council carries out a quarterly review of the working capital ratio (Financial Situation Indicator). This ratio was positive at the reporting date. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 – continued

(q) Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS adopted by the EU requires council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In the opinion of the council members, 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 (revised).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 – continued

3. PROPERTY, PLANT AND EQUIPMENT

	Construction €	Office Furniture & Fittings €	New Street Signs & Lights €	Urban Improvements €	Office Equipment €	Plant and Machinery €	Special Programmes €	Motor Vehicle €	Projects Under Construction €	Total €
Cost										
At 1 Jan 2019	521,287	25,542	37,078	103,932	16,787	1,085	822,081	13,411	18,287	1,559,490
Additions	27,835	1,633	-	127,095	655	-	230,868	-	-	388,086
At 31 Dec 2019	549,122	27,175	37,078	231,027	17,442	1,085	1,052,949	13,411	18,287	1,947,576
Grants and other reimbursements										
At 1 Jan 2019	15,561	3,400	-	28,238	4,759	-	719,445	-	11,800	783,203
Additions	-	-	-	63,590	-	-	204,362	-	-	267,952
At 31 Dec 2019	15,561	3,400	-	91,828	4,759	-	923,807	-	11,800	1,051,155
Depreciation										
At 1 Jan 2019	454,763	20,203	37,078	64,646	10,147	1,003	32,240	6,891	-	626,971
Charge for the year	13,270	299	-	5,740	784	37	18,681	2,662	-	41,473
At 31 Dec 2019	468,033	20,502	37,078	70,386	10,931	1,040	50,921	9,553	-	668,444
Net Book Value At 31 Dec 2019	65,528	3,273	-	68,813	1,752	45	78,221	3,858	6,487	227,977

IKLIN LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 – continued

3. PROPERTY, PLANT AND EQUIPMENT – Continued

	Construction	Office Furniture & Fittings	New Street Signs & Lights	Urban Improvements	Office Equipment	Plant and Machinery	Special Programmes	Motor Vehicle	Projects Under Construction	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
At 1 Jan 2018	521,287	22,142	37,078	103,932	16,787	1,085	774,505	13,411	64,146	1,554,373
Additions	-	3,400	-	-	-	-	1,717	-	-	5,117
Reclassifications	-	-	-	-	-	-	45,859	-	(45,859)	-
At 31 Dec 2018	521,287	25,542	37,078	103,932	16,787	1,085	822,081	13,411	18,287	1,559,490
Grants and other reimbursements										
At 1 Jan 2018	15,561	-	-	14,273	4,759	-	679,251	-	11,800	725,644
Additions	-	3,400	-	13,965	-	-	40,194	-	-	57,559
At 31 Dec 2018	15,561	3,400	-	28,238	4,759	-	719,445	-	11,800	783,203
Depreciation										
At 1 Jan 2018	337,173	15,866	37,078	49,788	9,352	762	25,513	4,067	-	479,599
Charge for the year	117,590	4,337	-	14,858	795	241	6,727	2,824	-	147,372
At 31 Dec 2018	454,763	20,203	37,078	64,646	10,147	1,003	32,240	6,891	-	626,971
Net Book Value										
At 31 Dec 2018	50,963	1,939	-	11,048	1,881	82	70,396	6,520	6,487	149,316

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 – continued

4. Lease assets	2019	2018
	€	€
Cost	45,650	-
Depreciation	(3,950)	-
Net Book value	<u>41,700</u>	<u>-</u>

5. Receivables	2019	2018
	€	€
Amounts invoices but not yet settled	6,771	2,513
Prepayments	4,619	5,333
Accrued income	87,163	32,015
	<u>98,553</u>	<u>39,861</u>

Amounts invoiced but not yet settled are analysed as follows:	2019	2018
	€	€
Within the current period	4,550	2,513
Exceeded credit period but not yet impaired	2,221	-
	<u>6,771</u>	<u>2,513</u>

Prepayment include prepayments of Local council property rental, insurance premium and deposits paid to suppliers.

6. Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the statement of cash flow comprise the following amounts in the Local Council statement of financial position:

	2019	2018
	€	€
Bank Balances:		
Ordinary funds	209,987	241,666
Balances at Central Bank	144,652	198,181
Cash in hand	76	122
Cash at bank and in hand	<u>354,715</u>	<u>439,969</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 – continued

	2019	2018
	€	€
7. Deferred Income		
Balance at 1 January	216,111	96,971
Advance payments received	160,554	176,699
	<u>376,665</u>	<u>273,670</u>
Released to Property plant and equipment	(267,952)	(57,559)
Balance at 31 December	108,713	216,111
Less current portion	(98,643)	(175,147)
	<u>10,070</u>	<u>40,964</u>
Between 1 and 2 years	<u>10,070</u>	<u>40,964</u>
	2019	2018
	€	€
8. Payables		
Trade creditors	185,858	40,151
Financial obligations under finance lease	41,700	-
Accruals	32,214	12,609
	<u>259,772</u>	<u>52,760</u>
Less non-current payables	(3,334)	(6,669)
	<u>256,438</u>	<u>46,091</u>
	2019	2018
	€	€
Non-current payables		
Between 1 and 2 years	3,334	3,334
Between 2 and 5 years	-	3,335
	-	-
Closing balance	<u>3,334</u>	<u>6,669</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 – continued

9. Funds received from Central Government	2019	2018
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	277,121	262,725
Supplementary Government Income	-	20,326
Other Government Income	16,149	3,597
	<u>293,270</u>	<u>286,648</u>
10. Income raised from Local Enforcement System	2019	2018
	€	€
Income from Regional administration fee	1,822	2,188
Income from Joint Committee	44	641
	<u>1,866</u>	<u>2,829</u>
	2019	2018
	€	€
11. Interest income		
Bank Interest Receivable	25	4
	<u>25</u>	<u>4</u>
12. General Income	2019	2018
	€	€
Income from permits	13,404	12,840
Other income	9,880	11,770
	<u>23,284</u>	<u>24,610</u>
13. Personal Emoluments	2019	2018
	€	€
Personal emoluments include, inter alia:		
Mayor's Allowance	9,353	7,464
Councillors' Allowance	9,699	6,400
Executive Secretary salary and allowances	31,004	30,209
Employees' Salaries	30,872	29,456
Social Security Contributions	5,014	4,994
Total	<u>85,942</u>	<u>78,523</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 – continued

14. Operations and Maintenance

	2019	2018
	€	€
Operations and maintenance includes inertia:		
Repairs and Upkeep:		
Road and street maintenance	15,124	12,490
Other repairs and upkeep	5,342	20,488
	<u>20,466</u>	<u>32,978</u>
Contractual Services:		
Refuse Collection	26,590	23,085
Bulky Refuse Collection	6,962	7,523
Waste disposal	20,233	32,456
Road and street cleaning	17,868	15,654
Cleaning and maintenance of parks and gardens	1,377	1,195
Cleaning and maintenance council premises	1,735	1,944
Other contractual services	8,072	5,577
Street Lighting	2,730	4,549
LES related expenditure	3,170	2,028
	<u>88,737</u>	<u>94,011</u>
Total Operations and Maintenance Expenses	<u>109,203</u>	<u>126,989</u>
	2019	2018
	€	€
15. Administrative and other Expenses		
Water and electricity	2,311	2,321
Telecommunications	2,623	3,849
Meetings and conventions	2,994	1,076
Rent	11,984	15,661
Printing and stationery	9,478	4,055
Advertising	2,608	906
Sundry minor expenses	815	-
Professional services	27,956	18,413
Transport expenses	4,966	3,377
Community and hospitality	17,957	16,877
Depreciation on property plant and equipment	41,473	147,372
Depreciation on lease assets	3,950	-
	<u>129,115</u>	<u>213,907</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 – continued

16. Contingent liabilities

As at 31 December 2019, the Local Council has a Cash pledge of € 2,000 on a performance bond.

17. Capital Commitments

At the end of the financial year there was one capital projects approved but not yet contracted for. This related to the construction of council premises.

Details of capital commitments are as follows	2019 €	2018 €
Approved but not contracted for	194,500	441,825
Contracted for but not provided for:		
Replacement of concrete flab of council hall	6,000	28,000
Measure 4.3 – Triq Hwawwar	-	232,325
Measure 4.4 – Rubble Walls	176,500	176,500
Urban improvements	7,000	5,000
Office equipment	5,000	-
	194,500	441,825

These commitments will be financed from grants receivable by the Local Council.

IKLIN LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 – continued

18. Related Parties Disclosures

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

Name of entity	Nature of relationship
Department of Local Councils	Significant control
Birkirkara Joint Committee for Local Enforcement	Joint control
Central Regional Committee for Local Enforcement	Joint control
Malta Environment and Planning Authority	
Arms Limited, Water Service Corporation, Enemalta Corporation, Inland Revenue Department, Direcor General Works Division, WasteServ Malta Ltd, Cleansing Services Department, Gozo Regional Committee, North Regional Committee, South Eastern Regional Committee, Police General Head Quarters, Bank of Valletta Plc and the Department of Lands	No control

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

	2019	2018
	€	€
Significant control Revenue:		
Annual financial allocation	277,121	262,725

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.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Local Council, directly or indirectly. The main key management personnel are the Major, Councillors and the Executive Secretary.

The significant transactions carried out with key management personnel are:

	2019	2018
Personal emoluments include, inter alia:		
Mayor's Allowance	9,353	7,464
Councillors' Allowance	9,699	6,400
Executive Secretary salary and allowances	33,424	32,625

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 – continued

19. Risk management objectives and policies

The Council's activities expose it to credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Council is not exposed to any market risk. The Council's risk management is coordinated by the council members and focuses on actively securing the council's short to medium term cash flow by minimising exposure to financial risks.

The most significant financial risks to which the council is exposed are described below.

19.1 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, as summarised below:

	2019	2018
	€	€
Class of financial assets – carrying amounts		
Trade and other receivables	93,934	34,528
Cash and Cash Equivalents	354,715	439,969
	448,649	474,497

The council continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The council's policy is to deal with only creditworthy counterparties.

The council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the council's financial assets is secured by collateral or other credit enhancements

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

19.2 Liquidity risk

The council's exposure to liquidity risk arises from its obligations to meet its financial liabilities which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funds to meet the council's obligations when they become due.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 – continued

19. Risk management objectives and policies (continued)

The council manage its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. The council's liquidity is deemed to be sufficient in view of an excess of financial assets.

At 31 December 2019, the Council's financial liabilities have contractual maturities which are summarised as follows:

	Current	Non – Current	
	Within 1 year	1 to 5 years	More than 5 years
	€	€	€
Payables	224,224	3,334	-
Accruals	32,214	-	-

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

	Current	Non – Current	
	Within 1 year	1 to 5 years	More than 5 years
	€	€	€
Payables	33,482	6,669	-
Accruals	12,609	-	-

19.3 Interest rate risk

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 6), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 – continued

19. Risk management objectives and policies - continued

19.4 Summary of the financial assets and liabilities by category

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

Current Assets	2019	2018
	€	€
Loans and receivables:		
Trade and other receivables	93,934	34,528
Cash and Cash Equivalents	354,715	439,969
	448,649	474,497
	<hr/>	<hr/>
Current Liabilities	2019	2018
	€	€
Financial liabilities measured at amortised costs:		
Payables	227,558	40,151
Accruals	32,214	12,609
	259,772	52,760
	<hr/>	<hr/>

19.5 Capital risk management

The Council's objectives when managing capital are to safeguard the Council's ability to continue as a going concern so that it can continue to provide a service to the residents of the Local Council by maintaining an optimal capital structure to reduce cost of capital.

The Council's equity, as disclosed in the statement of financial position, constitutes its capital. The Council's capital structure is monitored by the Executive Secretary and the Council with appropriate reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Council's activities, the capital level as at the end of the reporting period is deemed adequate by the Council.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 – continued

20. Fair value estimation

At 31 December 2019 and 31 December 2018, the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

21. Events after the statement of financial position date

There have been no events whether favourable or unfavourable which occurred between the end of the reporting period and the date the financial statements have been authorised for issue.

Financial statements for the year ended 31 December 2019

Report of the Local Government auditor to the Auditor General

Report on the Audit of the Financial Statements

Qualified opinion

We have audited the accompanying financial statements of Iklin Local Council which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, except for the effects of the matters 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 Iklin Local Council as of 31 December 2019 and of the results of its operations, changes in net assets/equity and its cash flows for the period then ended in accordance with the accounting policies set out on pages 8 to 15.

These financial statements comply in all material respect with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 but because of the matters set out in paragraphs 1, 2, 3, 4 & 5 below these financial statements have not been prepared in accordance with International Financial Reporting Standards as adopted by the E.U.

Basis for Qualified 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 that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

1. As from 1 January 2000, all income and expenditure from the Local Enforcement System (LES) were centralised through the Birkirkara Joint Committee and LES debtors at that date were transferred to the Joint Committee as well. The Birkirkara Joint Committee ceased operations on 31 August 2011 and LES was centralised through the Central Regional Committee as from 1 September 2011. In view that no proper audited financial statements have been prepared by the Joint Committee, we could not obtain reasonable assurance on the completeness of the share of income, for the year under review. We were unable to determine the amount of any additional income the Council is entitled to receive from Birkirkara Joint Committee. All LES receivables of the Joint Committee have been provided for.

Financial statements for the year ended 31 December 2019

Report of the Local Government auditor to the Auditor General (continued)

Basis for Opinion (continued)

2. The Council's interest free non-current payable arising on the PPP project is accounted for at historical cost rather than amortised cost as required by IAS 39, *Financial Instruments*.
3. The information disclosed in note 2 in relation to new standards adopted by the council and other standards in issue but not yet effective does not capture all the changes since 31 December 2018 and as such, does not meet the requirements on IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.
4. Whereas the Council indicated that it has adopted IFRS 9, we were not provided with an assessment of the impact of adoption of the Expected Credit Loss model to impair the Financial Assets of the Council. At 31 December 2019, the Council's financial assets amounted to EUR448,649. The credit risk assessment as represented in the financial statements was also not updated to reflect the new impairment model.
5. On 1 January 2019, the Council adopted IFRS 16, Leases, however, the methodology applied in adopting the standard does reflect the time value of money since the value of the Right of Use Asset and the Lease Liability do not reflect the present value derived from discounting future payments. Policies were amended to reflect the requirement of IFRS 16 however, disclosures requirements were not met.

Other Information

The Councillors and the Executive Secretary are responsible for the other information. The other information comprises the Statement of Local Council Members' and Executive Secretary's Responsibility. Our opinion on the financial statements does not cover this information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of the Local Council Members' and Executive Secretary

The Councillors and the Executive Secretary are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS as adopted by the E.U. and for such internal control as the Councillors and Executive Secretary 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 Councillors and the Executive Secretary are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Councillors and the Executive Secretary has no realistic alternative but to do so.

Financial statements for the year ended 31 December 2019

Report of the Local Government auditor to the Auditor General (continued)

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 ISAs, we exercise professional judgment 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 the Councillors and the Executive Secretary.
- Conclude on the appropriateness of the Councillors and the Executive Secretary 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.

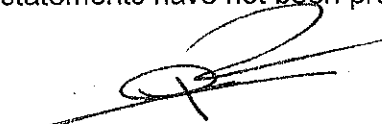
We communicate with the Councillors and the Executive Secretary regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Financial statements for the year ended 31 December 2019

Report of the Local Government auditor to the Auditor General (continued)

Report on Other Legal and Regulatory Requirements

The Local Council (Financial) Procedures, 1996, require that the financial statements should be prepared in accordance with the International Financial Reporting Standards as adopted by the E.U, and the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996. In view of the matters set out under the Basis for Qualified Opinion section of this report, these financial statements have not been prepared in line with these requirements.



*This copy of the audit report has been signed by
Ernestino Riolo (Partner) for and on behalf of*

Mazars Malta
Certified Public Accountants
Attard,
Malta

25 May 2020