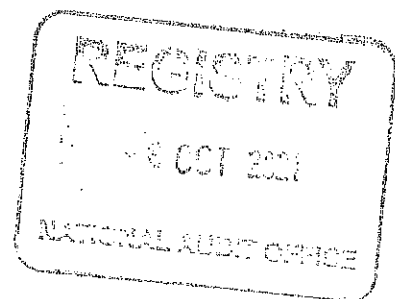




IKLIN LOCAL COUNCIL

**Annual Report and
Financial Statements**

For the year ended 31 December 2020



Prepared by: Laurence Manicaró
Certified Public Accountant
On behalf of Parker Randall Turner
Chartered Certified Accountants & Auditors
13, Curate Fenech Street
Birzebbugia BBG 2032

ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2020

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Financial Statements for the year ended 31 December 2020

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

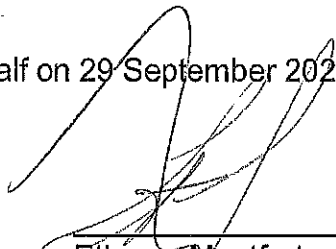
The Local Government (Financial) Regulations 1993, require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's Statement of Comprehensive Income for the year and of the Council's retained funds at the end of year. By virtue of the same regulations 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 Government (Financial) Regulations 1993, and the Local Government (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 Government Act, Local Government (Financial) Regulations 1993, and the Local Government (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 29 September 2021 by:



Dorian Sciberras
Mayor



Etienne Montfort
Executive Secretary

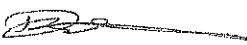
STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 €	2019 €
ASSETS			
Non-current assets			
Property, plant and equipment	3	221,984	227,977
Right of use assets	4	37,750	41,700
		<u>259,734</u>	<u>269,677</u>
Current Assets			
Receivables	5	117,632	98,553
Cash and Cash Equivalents	6	269,233	354,715
		<u>386,865</u>	<u>453,268</u>
Total current assets		386,865	453,268
Total Assets		646,599	722,945
RESERVES AND LIABILITIES			
Reserves			
Retained Fund		359,647	354,460
Non-current Liabilities			
Deferred income	7	10,070	10,070
Non-current payables	8	33,750	41,084
		<u>43,820</u>	<u>51,154</u>
Current Liabilities			
Deferred income	7	98,643	98,643
Payables	8	144,489	218,688
		<u>243,132</u>	<u>317,331</u>
Total reserves and liabilities		646,599	722,945

The notes on pages 8 to 28 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on the 29 September 2021 and signed on its behalf by:


 Dorian Sciberras
 Mayor


 Etienne Montfort
 Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Notes	2020 €	2019 €
REVENUE			
Funds received from central government	9	369,414	293,270
Income from Law Enforcement System	10	1,688	1,866
General Income	12	20,569	23,284
		<u>391,671</u>	<u>318,420</u>
EXPENDITURE			
Personal emoluments	13	(94,543)	(85,942)
Operations and maintenance	14	(175,166)	(109,203)
Administration and other expenditure	15	(116,854)	(129,115)
		<u>386,563</u>	<u>(324,260)</u>
Operating profit/ (loss) for the year		<u>5,110</u>	<u>(5,840)</u>
Interest income	11	79	25
Total Comprehensive Profit/ (Loss) for the year		<u>5,187</u>	<u>(5,815)</u>

The notes on pages 8 to 28 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Retained Funds 2020 €	Retained Funds 2019 €
At 1 January	354,460	360,275
Total Comprehensive loss for the year	5,187	(5,815)
At 31 December	<u>359,647</u>	<u>354,460</u>

The notes on pages 8 to 28 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	Note	2020 €	2019 €
Cash Flows from Operating Activities			
Total Comprehensive income/ (loss) for the year		5,187	(5,815)
Adjustments for:			
Depreciation on property plant and equipment		39,611	41,473
Depreciation on lease asset		3,950	3,950
Interest Income		(79)	(25)
Net cash generated before working capital changes		48,669	39,583
(Increase)/ decrease in receivables		(19,079)	11,672
Decrease in payables		(77,583)	(2,989)
Net Cash (used in)/ generated from operating Activities		(47,993)	48,266
Cash flows from Investing Activities			
Purchase of property, plant and equipment		(33,618)	(219,785)
Interest Income		79	25
Grants received		-	90,190
Net Cash (used in)/ generated from Investing Activities		(33,539)	(129,570)
Cash flows from Financing Activities			
Payment of lease obligations		(3,950)	(3,950)
Net movement in Cash and Cash Equivalents		(85,482)	(85,254)
Cash and Cash Equivalents at the beginning of Year		354,715	439,969
Cash and Cash Equivalents at the end of year	6	269,233	354,715

The notes on pages 8 to 28 are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. General Information

Iklin Local Council is the local authority of Iklin setup in accordance with the Local Government 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 29 September 2021.

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

The new and revised standards that became effective for annual periods beginning on or after 1 January 2020 made several minor amendments to a number of IFRSs. None of the changes to IFRSs and interpretations has had, or is expected to have, a material impact on the council's financial statements.

New and amended standards adopted by the Council

Information on new standards, amendments and interpretations that are relevant to the Council's financial statements is provided below. Certain other new standards and interpretations not listed below have been issued but are not relevant and therefore are not expected to have any impact on the Council's financial statements.

The Council started to adopt the new accounting pronouncements which have become effective this year, and are as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

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

Effective date of IBOR reform Phase 1 amendments

On 26 September 2019, the IASB issued 'Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)' as a first reaction to the potential effects the IBOR reform could have on financial reporting. The amendments are effective for annual reporting periods beginning on or after 1 January 2020.

Effective date of new materiality definition

On 31 October 2018, the IASB issued 'Definition of Material (Amendments to IAS 1 and IAS 8)' to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective annual reporting periods beginning on or after 1 January 2020.

Effective date of updated references to the Conceptual Framework

Together with the revised 'Conceptual Framework' published in March 2018, the IASB also issued 'Amendments to References to the Conceptual Framework in IFRS Standards'. The amendments are effective for annual periods beginning on or after 1 January 2020.

Effective date of IFRS 3 amendments

On 22 October 2018, the IASB issued 'Definition of a Business (Amendments to IFRS 3)' aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

(d) Local Enforcement System

During 2020 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

(f) Leased assets

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 2020 – 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 2020 – 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 Birkirkara 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 2020 – 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 2020 – 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 2020 – 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 2020	549,122	27,175	37,078	231,027	17,442	1,085	1,052,949	13,411	18,287	1,947,576
Additions	-	930	-	5,931	5,940	-	-	-	20,817	33,618
Disposal	-	(930)	-	-	-	-	-	-	-	(930)
At 31 Dec 2020	549,122	27,175	37,078	236,958	23,282	1,085	1,052,949	13,411	39,104	1,980,264
Grants and other reimbursements										
At 1 Jan 2020	15,561	3,400	-	91,828	4,759	-	923,807	-	11,800	1,051,155
Additions	-	-	-	-	-	-	-	-	-	-
At 31 Dec 2020	15,561	3,400	-	91,828	4,759	-	923,807	-	11,800	1,051,155
Depreciation										
At 1 Jan 2020	468,033	20,502	37,078	70,386	10,931	1,040	50,921	9,553	-	668,444
Charge for the year	9,885	442	-	10,168	769	6	15,659	2,682	-	39,611
Released on disposal	-	(930)	-	-	-	-	-	-	-	(930)
At 31 Dec 2020	477,918	20,014	37,078	80,554	11,700	1,046	66,580	12,235	-	707,125
Net Book Value										
At 31 Dec 2020	55,643	3,761	-	64,576	6,923	39	62,562	1,176	27,304	221,984

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

3. PROPERTY, PLANT AND EQUIPMENT – Continued

Cost	Construction €	Office Furniture & Fittings €	New Street Signs & Lights €	Urban Improvements €	Office Equipment €	Plant and Machinery €	Special Programmes €	Motor Vehicle €	Projects Under Construction €	Total €
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

3. PROPERTY, PLANT AND EQUIPMENT – Continued

Cost	Construction €	Office Furniture & Fittings €	New Street Signs & Lights €	Urban Improvements €	Office Equipment €	Plant and Machinery €	Special Programmes €	Motor Vehicle €	Projects Under Construction €	Total €
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	15,561	-	-	14,273	4,759	-	679,251	-	11,800	725,644
At 1 Jan 2018	-	3,400	-	13,965	-	-	40,194	-	-	57,559
Additions	15,561	3,400	-	28,238	4,759	-	719,445	-	11,800	783,203
Depreciation	337,173	15,866	37,078	49,788	9,352	762	25,513	4,067	-	479,599
At 1 Jan 2018	117,590	4,337	-	14,858	795	241	6,727	2,824	-	147,372
Charge for the year	454,763	20,203	37,078	64,646	10,147	1,003	32,240	6,891	-	626,971
At 31 Dec 2018	50,963	1,939	-	11,048	1,881	82	70,396	6,520	6,487	149,316
Net Book Value										
At 31 Dec 2018										

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

	2020	2019
	€	€
4. Lease assets		
<u>Cost</u>	45,650	45,650
<u>Depreciation</u>		
At 1 January	3,950	-
Depreciation	3,950	3,950
	<u>7,900</u>	<u>3,950</u>
Net Book value	<u>37,750</u>	<u>41,700</u>

	2020	2019
	€	€
5. Receivables		
<i>Financial assets</i>		
Amounts invoices but not yet settled	21,774	6,771
Accrued income	64,434	87,163
	<u>86,208</u>	<u>93,934</u>
<i>Non-financial assets</i>		
Advance payments	30,198	-
Prepayments	1,226	4,619
	<u>117,632</u>	<u>98,553</u>

Amounts invoiced but not yet settled are analysed as follows:	2020	2019
	€	€
Within the current period	5,555	4,550
Exceeded credit period but not yet impaired	16,219	2,221
	<u>21,774</u>	<u>6,771</u>

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:

	2020	2019
	€	€
Bank Balances:		
Ordinary funds	165,404	209,987
Balances at Central Bank	103,766	144,652
Cash in hand	63	76
Cash at bank and in hand	<u>269,233</u>	<u>354,715</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

	2020	2019
	€	€
7. Deferred Income		
Balance at 1 January	108,713	216,111
Advance payments received	-	160,554
	<u>108,713</u>	<u>376,665</u>
Released to Property plant and equipment	-	(267,952)
Balance at 31 December	108,713	108,713
Less current portion	(98,643)	(98,643)
	<u>10,070</u>	<u>10,070</u>
Between 1 and 2 years	<u>10,070</u>	10,070
	<u>10,070</u>	<u>10,070</u>
	2020	2019
	€	€
8. Payables		
Trade creditors	78,588	185,858
Financial obligations under finance lease	37,750	41,700
Accruals	61,901	32,214
	<u>178,239</u>	<u>259,772</u>
Less non-current payables	(33,750)	(41,084)
	<u>144,489</u>	<u>218,688</u>
	2020	2019
	€	€
Non-current payables		
Between 1 and 2 years	3,950	7,284
Between 2 and 5 years	11,850	11,850
Over five years	18,000	21,950
	<u>33,800</u>	<u>41,084</u>
Closing balance	33,800	41,084

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

9. Funds received from Central Government	2020	2019
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	288,616	277,121
Supplementary government income	9,654	-
Other Government Income	71,144	16,149
	<u>369,414</u>	<u>293,270</u>
10. Income raised from Local Enforcement System	2020	2019
	€	€
Income from Regional administration fee	1,443	1,822
Income from Joint Committee	245	44
	<u>1,688</u>	<u>1,866</u>
	2020	2019
	€	€
11. Interest income		
Bank Interest Receivable	79	25
	<u>79</u>	<u>25</u>
12. General Income	2020	2019
	€	€
Income from permits	15,450	13,404
Other income	5,119	9,880
	<u>20,569</u>	<u>23,284</u>
13. Personal Emoluments	2020	2019
	€	€
Personal emoluments include, inter alia:		
Mayor's Allowance	10,404	9,353
Councillors' Allowance	13,000	9,699
Executive Secretary salary and allowances	31,819	30,209
Employees' Salaries	33,744	31,667
Social Security Contributions	5,576	5,014
Total	<u>94,543</u>	<u>85,942</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

14. Operations and Maintenance

	2020	2019
	€	€
Operations and maintenance includes inertia:		
Repairs and Upkeep:		
Road and street maintenance	62,268	15,124
Other repairs and upkeep	5,907	5,342
	<u>68,175</u>	<u>20,466</u>
Contractual Services:		
Refuse Collection	40,561	26,590
Bulky Refuse Collection	7,848	6,962
Waste disposal	19,707	20,233
Road and street cleaning	31,235	17,868
Cleaning and maintenance of parks and gardens	1,195	1,377
Cleaning and maintenance council premises	1,332	1,735
Other contractual services	2,770	8,072
Street Lighting	2,072	2,730
LES related expenditure	271	3,170
	<u>106,991</u>	<u>88,737</u>
Total Operations and Maintenance Expenses	<u>175,166</u>	<u>109,203</u>

	2020	2019
	€	€
15. Administrative and other Expenses		
Water and electricity	2,355	2,311
Telecommunications	2,788	2,623
Uniforms	1,014	-
Meetings and conventions	86	2,994
Rent	12,882	11,984
Printing and stationery	8,193	9,478
Advertising	1,267	2,608
Sundry minor expenses	124	815
Professional services	29,932	27,956
Transport expenses	4,313	4,966
Community and hospitality	10,339	17,957
Depreciation on property plant and equipment	39,611	41,473
Depreciation on lease assets	3,950	3,950
	<u>116,854</u>	<u>129,115</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

16. Contingent liabilities

As at 31 December 2020, 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	2020 €	2019 €
Approved but not contracted for	143,485	194,500
Contracted for but not provided for:		
Replacement of concrete slab of council hall	6,000	6,000
Measure 4.4 – Rubble Walls	125,485	176,500
Urban improvements	7,000	7,000
Office equipment	5,000	5,000
	<u>143,485</u>	<u>194,500</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – 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:

	2020	2019
	€	€
Significant control		
Revenue:		
Annual financial allocation	288,616	277,121

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:

	2020	2019
Personal emoluments include, inter alia:		
Mayor's Allowance	10,404	9,353
Councillors' Allowance	13,000	9,699
Executive Secretary salary and allowances	31,819	30,209

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – 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 the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance 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:

	2020	2019
	€	€
Class of financial assets – carrying amounts		
Trade and other receivables	86,208	93,934
Cash and Cash Equivalents	269,233	354,715
	<u>355,441</u>	<u>448,649</u>

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. The credit risk exposure on financial assets is low since all non-impaired trade receivables are all related to 'The Government of Malta'. See note 5 for further information on impairment or financial assets 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. The Council's cash is placed with a quality financial institution with a credit rating of BBB+.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

19. Risk management objectives and policies (continued)

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.

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 2020, 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	78,588	-	-
Accruals	61,901	-	-
Lease payments	3,950	15,800	18,000

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	224,224	3,334	-
Accruals	32,214	-	-
Lease payments	3,950	15,800	21,950

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

19. Risk management objectives and policies - continued

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.

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	2020	2019
	€	€
Loans and receivables:		
Trade and other receivables	86,208	93,934
Cash and Cash Equivalents	269,233	354,715
	<u>355,441</u>	<u>448,649</u>
Current Liabilities	2020	2019
	€	€
Financial liabilities measured at amortised costs:		
Payables	78,588	227,558
Accruals	61,901	32,214
Lease payments	3,950	-
	<u>144,489</u>	<u>259,772</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 – continued

19. Risk management objectives and policies - continued

19.5 Capital risk management – continued

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.

20. Fair value estimation

At 31 December 2020 and 31 December 2019, 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.

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 Iklın Local Council set out on pages 4 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 3 the Executive Secretary and the members of the Local Council are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Legislation, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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



Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

Fort Business Centre
Triq L-Intornjatur, Zone 1
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Malta

29 September 2021

