

**KUNSILL LOKALI HAL LIJA
HAL LIJA LOCAL COUNCIL**

**LIJA LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS**

For the year ended 31 December 2019



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LIJA LOCAL COUNCIL

Report and financial statements for the year ended 31 December 2019

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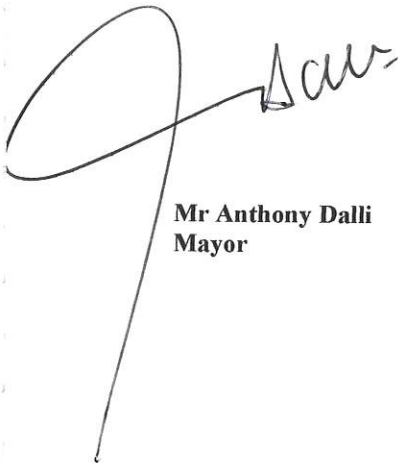
LIJA LOCAL COUNCIL

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

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which included 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 the Council, the income and expenditure of the Local Council for the year, its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, and the Local Council (Financial) Procedures issued in terms of the said Act.

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

This statement was approved by the Local Council on 19th May 2020 and signed on its behalf by:



Mr Anthony Dalli
Mayor



Ms Pamela Borg
Executive Secretary

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Statement of Comprehensive Income for the year ended 31 December 2019

	Note	2019 €	2018 €
Revenue			
Funds received from central government	3	298,222	289,620
Income raised from Local Enforcement System	4	2,995	4,491
General Income	5	37,814	17,565
		<u>339,031</u>	<u>311,676</u>
Expenditure			
Personal emoluments	6	(82,965)	(93,748)
Operations and maintenance	7	(120,172)	(100,096)
Administration and other expenditure	8	(144,673)	(116,537)
		<u>(347,810)</u>	<u>(310,381)</u>
Operating Profit/(Deficit) for year		(8,779)	1,295
Interest Income	9	5	-
Total Comprehensive Income/(Loss) for the year		(8,774)	1,295

The notes on pages 6 to 23 form an integral part of these financial statements.


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Statement of Financial Position as at 31 December 2019

	Note	2019 €	2018 €
Assets			
<i>Non current assets</i>			
Property, plant and equipment	10	<u>92,171</u>	154,368
<i>Current assets</i>			
Inventory	11	3,714	3,729
Trade and other receivables	12	15,263	12,795
Cash and cash equivalents	13	<u>260,363</u>	191,105
		<u>279,340</u>	207,629
Total assets		<u>371,511</u>	<u>361,997</u>
Reserves and liabilities			
<i>Reserves</i>			
Retained earnings		<u>282,682</u>	291,456
<i>Non current liabilities</i>			
Deferred Income	14	9,189	6,632
Long-term payables	15	-	14,062
		<u>9,189</u>	20,694
<i>Current liabilities</i>			
Payables	15	<u>79,640</u>	49,847
Total liabilities		<u>88,829</u>	<u>70,541</u>
Total equity and liabilities		<u>371,511</u>	<u>361,997</u>

The notes on pages 6 to 23 form an integral part of these financial statements.

These Financial Statements were approved by the Local Council on 19th May 2020 and signed on its behalf by:



Mr Anthony Dalli
Mayor



Ms Pamela Borg
Executive Secretary

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Statement of Changes in Equity for the year ended 31 December 2019

	2019 €	2018 €
Retained Funds		
At 1st January	291,456	290,161
Total Comprehensive Profit/(Loss) for the year	(8,774)	1,295
At 31st December	282,682	291,456

The notes on pages 6 to 23 form an integral part of these financial statements.

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Statement of Cash Flows for the year ended 31 December 2019

	Note	2019 €	2018 €
Cash Flow from Operating Activities			
Total Comprehensive Profit/(Loss) for the year		(8,774)	1,295
Adjustments for:			
Depreciation		88,315	80,133
Interest paid		888	-
Deferred income released		-	(9,769)
Interest receivable		(5)	-
		<hr/>	<hr/>
Operating Profit before Working Capital Changes		80,424	71,659
Working Capital Changes:			
Decrease in inventories		15	9
(Increase)/Decrease in receivables		(2,468)	3,814
Increase/(Decrease) in payables		11,816	(4,147)
Grants utilised		(5,955)	-
		<hr/>	<hr/>
Net Cash flows from operating activities		83,832	71,335
Cash flows from Investing Activities			
Purchase of property, plant and equipment		(19,131)	(17,787)
New grants received		22,609	145
Receipt on disposal of asset		-	100
Interest received		5	-
		<hr/>	<hr/>
Cash Flow generated from/(used in) Investing Activities		3,483	(17,542)
Cash flows from Financing Activities			
Lease interest paid		(888)	-
Lease payments		(9,312)	-
		<hr/>	<hr/>
Cash Flow used in Financing Activities		(10,200)	-
Net decrease in Cash and Cash Equivalents		77,115	53,793
Cash and Cash Equivalents at the Beginning of the year		175,323	121,530
		<hr/>	<hr/>
Cash and Cash Equivalents at the End of the year	13	252,438	175,323

The notes on pages 6 to 23 form an integral part of these financial statements.

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Notes to the financial statements for the year ended 31 December 2019

1. GENERAL INFORMATION

Hal Lija Local Council is the local authority of Hal Lija set up in accordance with the Local Councils Act. The office of the Local Council is situated at Triq Robert Mifsud Bonnici, Hal Lija. These financial statements were approved for issue by the Council on 19th May 2020. The Council's financial statements are presented in euro which is the functional currency of the Council.

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 to all 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 Ministry 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) *Changes in accounting policies and disclosures*

A number of new and revised standards are effective for annual years beginning on or after 1st January 2019. Information on these new standards is presented below.

IFRS 16 – Leases (effective for annual years IFRS 16 - Leases (effective for annual reporting periods beginning on or after 1 January 2019). This standard introduces a comprehensive model for the identification of lease arrangement and accounting treatments for both lessors and lessees. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised, with the exception of short-term and low-value leases. IFRS 16 superseded the lease guidance of IAS 17 and the related interpretations. The standard is mandatory for periods commencing on or after 1 January 2019

IFRIC 23 - Uncertainty over Income Tax Treatments (effective for annual reporting periods beginning on or after 1 January 2019).

IFRS 9 (Amendments) — Prepayment Features with Negative Compensation (effective for annual reporting periods beginning on or after 1 January 2019).

IAS 28 (Amendments) — Long-term interests in associates and joint ventures (effective for annual reporting periods beginning on or after 1 January 2019).

Annual Improvements to IFRS Standards 2015-2017 Cycle (effective for annual reporting periods beginning on or after 1 January 2019).

IAS 19 (Amendments) — Plan Amendment, Curtailment or Settlement (effective for annual reporting periods beginning on or after 1 January 2019).

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Notes to the financial statements for the year ended 31 December 2019

Standards, amendments and interpretations to published standards as endorsed by the EU that are not yet effective.

Up to date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but which are not yet effective for the current reporting year and which the Council has not early adopted, but plans to adopt upon their effective date. The Council is still assessing the effect of these changes on the financial statements. The new and amended standards are as follows:

- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual reporting periods beginning on or after 1 January 2020)
- IAS 1 and IAS 8 (Amendments) - Definition of Material (effective for annual reporting periods beginning on or after 1 January 2020)

Standards, interpretations and amendments to published standards that are not yet endorsed by the EU.

- IFRS 17 - Insurance Contracts (effective for annual reporting periods beginning on or after 1 January 2021)
- IFRS 3 (Amendments) - Definition of a Business (effective for annual reporting periods beginning on or after 1 January 2020)
- IFRS 9, IAS 39 and IFRS 7 (Amendments) - Interest Rate Benchmark Reform (effective for annual reporting periods beginning on or after 1 January 2020)

The Council is of the opinion that the adoption of these standards and interpretations did not have a material impact on the financial statements.

c) Revenue recognition

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. 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 statement under Local Enforcement Income represents the administrative fee of 10% that is chargeable to LESA for contraventions paid at the Council.

e) Right of use asset

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Council expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

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Notes to the financial statements for the year ended 31 December 2019

f) *Lease liabilities*

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Council's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.


Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down

g) *Property, plant and equipment*

Property, plant and equipment, are initially recorded at cost and are subsequently stated at cost less depreciation and accumulated impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of items. Subsequent costs are included in the asset's carrying amount, 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 profit and loss account during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives as follows:

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

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Notes to the financial statements for the year ended 31 December 2019

h) Government grants

Government grants are accounted for on a systematic basis in the Statement of Comprehensive income over the periods necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related costs, then the grant is accounted for when it becomes receivable.

Government and EU grants relating to property, plant and equipment are written-off against the expenditure incurred on such property, plant and equipment in the year of purchase in line with the capital approach as per International Accounting Standard 20, Government Grants.

i) 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.

j) Receivables

Amounts receivable are recognized initially at fair value and subsequently measured at amortized 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 recognized in the Statement of Comprehensive Income.

k) 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 present currency.

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

l) Surplus and deficits

Only surpluses that were realized at the date of the Statement of Financial Position are recognized 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.

m) Cash and cash equivalents

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

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Notes to the financial statements for the year ended 31 December 2019

n) *Related parties*

Related parties are those persons or bodies of persons having relationship with the Council as defined in IAS 24. During the year under review, the Local Council's related party that exercised a significant control was the Department of Local Government. The parties that exercise no control were Water Services Corporation, LESA, Enemalta, ARMS and Malta Environmental and Planning Authority.

o) *Trade and other payables*

Trade payables comprise obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (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 local council.

p) *Financial instruments*

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

Financial assets are derecognized 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 derecognized when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost;
- fair value through profit or loss (FVTPL); or
- fair value through other comprehensive income (FVOCI).

In the periods presented the Council does not have any financial assets categorised as FVTPL and FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

Subsequent measurement of financial assets

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Council's cash and cash equivalents and receivables fall into this category of financial instruments.

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Notes to the financial statements for the year ended 31 December 2019

p) *Financial instruments (continued)*

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses - the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Council's first identifying a credit loss event. Instead the Council considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Classification and measurement of financial liabilities


As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Council's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Council's financial liabilities include trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Council designated a financial liability at FVTPL.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related changes and, if applicable, changes in an instrument's fair value that are reported in statement of income and expenditure are included within finance costs or finance income.



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Notes to the financial statements for the year ended 31 December 2019

q) *Critical accounting estimates and judgments*

The preparation of financial statements in conformity with IFRS requires council members to make judgments, 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 judgment 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 assumption are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future period if the revision affects both current and future periods.

In the opinion of the council members, the accounting estimates and judgments 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).

r) *Inventories*

Inventories are shown in the financial statements at the lower of cost and net realizable value. The inventories consist of books with a face value which is the cost price of these items. The stock valuation at the end of the period is equivalent to the actual cost of the inventory items.

3. FUNDS RECEIVED FROM CENTRAL GOVERNMENT


	2019	2018
	€	€
In terms of Section 55 of the Local Councils Act (Cap 363)	293,582	278,851
Other Supplementary Government Income	4,640	10,769
	<u>298,222</u>	<u>289,620</u>

4. INCOME RAISED FROM LOCAL ENFORCEMENT SYSTEM

	2019	2018
	€	€
Regional Committee LESA – Administration Fee	2,995	4,491

5. GENERAL INCOME

	2019	2018
	€	€
Income from Permits	8,536	9,420
Sundry Contributions and Donations	29,238	7,954
Other Income	40	191
	<u>37,814</u>	<u>17,565</u>

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Notes to the financial statements for the year ended 31 December 2019

6. PERSONEL EMOLUMENTS

	2019	2018
	€	€
Mayor' Allowance	9,384	7,464
Councillor's Allowance	9,700	6,214
Executive Secretary's Salary	31,403	29,639
Employees' Salaries	27,727	44,517
Social Security Contributions	4,751	5,914
	<u>82,965</u>	<u>93,748</u>

AVERAGE NUMBER OF PEOPLE EMPLOYED

Employees – Full Timers	3	3
Employees – Part Timers	1	2
Mayor & Councillors	5	5

7. OPERATIONS AND MAINTENANCE

	2019	2018
	€	€
Repairs and upkeep:		
Road and street pavements	2,302	5,857
Signs and road markings	4,675	3,718
Other repairs and upkeep	9,834	3,925
	<u>16,811</u>	<u>13,500</u>
Contractual services:		
Refuse collection	58,908	45,002
Bulky refuse collection	3,730	3,384
Road and street cleaning	18,649	17,407
Cleaning and maintenance of public convenience	6,209	4,694
Cleaning and maintenance of parks and gardens	7,032	7,532
Street lights	7,211	6,359
Other	1,622	2,218
	<u>103,361</u>	<u>86,596</u>
Total Operations and Maintenance	<u>120,172</u>	<u>100,096</u>

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Notes to the financial statements for the year ended 31 December 2019

8. ADMINISTRATION AND OTHER EXPENDITURE

	2019	2018
	€	€
Utilities	3,240	3,125
Rent payable	693	8,856
National and International Memberships and Subscriptions	345	205
Office services	3,993	3,183
Motor Vehicle Insurance/Licence including fuel	761	1,598
Publications and Advertising	423	607
Professional Services	29,742	14,142
Community Services and Events	12,754	2,708
Bank Interest and Charges	369	113
Lease Interest Cost	888	-
Depreciation	88,315	80,133
Insurance	2,097	1,674
Other expenses	1,053	193
	<u>144,673</u>	<u>116,537</u>

9. INTEREST INCOME

	2019	2018
	€	€
Bank interest	5	-
	<u>5</u>	<u>-</u>

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**Notes to the financial statements
for the year ended 31 December 2019**

10. PROPERTY, PLANT AND EQUIPMENT

	Office Furniture /Fitting €	Plant & Machinery €	Office Equipment €	Urban Development €	New Street Signs €	Construction Works €	Motor Vehicles €	Computer Equipment €	Right of Use Asset - Property €	Total €
Cost										
As at 1 January 2019	16,849	3,986	40,726	178,054	41,019	785,366	3,500	-	-	1,069,500
Additions during the year	1,892	-	437	-	1,667	-	-	1,073	21,049	26,118
Disposal	-	-	-	-	-	-	-	-	-	-
As at 31 December 2019	18,741	3,986	41,163	178,054	42,686	785,366	3,500	1,073	21,049	1,095,618
Grants and other reimbursements										
As at 1 January 2019	-	-	4,944	45,501	7,687	175,045	-	-	-	233,177
As at 31 December 2019	-	-	4,944	45,501	7,687	175,045	-	-	-	233,177
Depreciation and Impairment Provision										
As at 1 January 2019	14,121	3,986	35,587	111,459	33,332	483,237	233	-	-	681,955
Charge for the year	1,337	-	175	13,323	1,189	61,000	700	67	10,524	88,315
Disposal	-	-	-	-	-	-	-	-	-	-
As at 31 December 2019	15,458	3,986	35,762	124,782	34,521	544,237	933	67	10,524	770,270
NET BOOK VALUE										
As at 31 December 2019	3,283	-	457	7,771	478	66,084	2,567	1,006	10,525	92,171

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Notes to the financial statements for the year ended 31 December 2019

10. PROPERTY, PLANT AND EQUIPMENT (continued)

	Office Furniture /Fitting €	Plant & Machinery €	Office Equipment €	Urban Development €	New Street Signs €	Construction Works €	Motor Vehicles €	Computer Equipment €	Right of Use Asset - Property €	Total €
Cost										
As at 1 January 2018	16,849	3,986	40,501	178,054	41,019	785,366	8,000	-	-	1,073,775
Additions during the year	-	-	225	-	-	-	3,500	-	-	3,725
Disposal	-	-	-	-	-	-	(8,000)	-	-	(8,000)
As at 31 December 2018	16,849	3,986	40,726	178,054	41,019	785,366	3,500	-	-	1,069,500
Grants and other reimbursements										
As at 1 January 2018	-	-	4,944	45,501	7,687	175,045	-	-	-	233,177
As at 31 December 2018	-	-	4,944	45,501	7,687	175,045	-	-	-	233,177
Depreciation and Impairment Provision										
As at 1 January 2018	12,862	3,944	31,310	98,137	33,332	422,237	7,900	-	-	609,722
Charge for the year	1,259	42	4,277	13,322	-	61,000	233	-	-	80,133
Disposal	-	-	-	-	-	-	(7,900)	-	-	(7,900)
As at 31 December 2018	14,121	3,986	35,587	111,459	33,332	483,237	233	-	-	681,955
NET BOOK VALUE										
As at 31 December 2018	2,728	-	195	21,094	-	127,084	3,267	-	-	154,368

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Notes to the financial statements for the year ended 31 December 2019

11. INVENTORY

	2019	2018
	€	€
Inventory of books	<u>3,714</u>	<u>3,729</u>

12. TRADE AND OTHER RECEIVABLES

	2019	2018
	€	€
Receivables	9,366	4,491
Prepayments	2,804	4,387
Accrued Income	<u>3,093</u>	<u>3,917</u>

15,263 12,795

Analysis of Trade receivables

Within the credit period	3,548	2,360
Exceed credit period but not yet impaired	<u>5,818</u>	<u>2,131</u>

9,366 4,491

Receivables are stated net of provision for doubtful debts of Eur430 (2018: Eur430)
LES related receivables are stated net of provision for doubtful debts of Eur1,463 (2018: Eur1,463)

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and balances with banks. Cash and cash equivalents included in the Statement of Cash Flows comprise the following amounts in the Statement of Financial Position.

	2019	2018
	€	€
Bank Balances:		
Current Accounts	586	(15,782)
Savings Accounts	251,652	191,044
Cash in Hand	<u>200</u>	<u>61</u>
	<u>252,438</u>	<u>175,323</u>
Transfer to payables	<u>7,925</u>	<u>15,782</u>
Cash at bank and in hand	<u>260,363</u>	<u>191,105</u>

LIJA LOCAL COUNCIL

Notes to the financial statements for the year ended 31 December 2019

14. DEFERRED INCOME – CENTRAL REGIONAL FUNDS

	2019	2018
	€	€
Opening Balance	6,632	16,256
Allocation of funds	8,512	145
Release of funds	(5,955)	(9,769)
Closing Balance	9,189	6,632
Less Current portion	-	-
Non-current portion	9,189	6,632
Deferred Income – between 1 and 2 years	-	-
Deferred Income – over 5 years	9,189	6,632
	9,189	6,632

15. TRADE AND OTHER PAYABLES

	2019	2018
	€	€
Overdrawn bank balance	7,925	15,782
Accounts payable	36,484	26,202
Accruals	9,020	7,604
Lease liabilities	11,737	-
Other deferred income	14,474	259
Financial liabilities	79,640	49,847
Non-current		
Long term payable	-	14,062

Lease Liabilities refer to the lease of the premises provided to the Council from where it operates, which lease expires on 31st December 2020.

16. CAPITAL COMMITMENTS

By the time these financial statements were approved, the Council has approved a project for the installation of new lanterns for a value of Eur18,000, part of which have already been implemented. The project will be financed by the Central Region.

LIJA LOCAL COUNCIL

Notes to the financial statements for the year ended 31 December 2019

17. RELATED PARTY TRANSACTIONS

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
Regional Committees (Local Enforcement)	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control
Enemalta Corporation / ARMS	No control

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

	2019	2018
	€	€
Annual financial allocation	<u>293,582</u>	<u>278,851</u>

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

Key management compensation

Transactions with key management personnel are disclosed in note 6. The Council considers its Mayor, Councillors and the Executive Secretary to be Key Management Personnel. Remuneration paid to its Key Management Personnel amounted to Eur42,697 for 2019 (2018: Eur44,961).

18. 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 risk to which the Council is exposed are described below.

LIJA LOCAL COUNCIL

Notes to the financial statements for the year ended 31 December 2019

18. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

18.1 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
		€	€
Classes of financial assets – carrying amounts			
Trade and other receivables	(Note 12)	12,459	8,408
Cash and cash equivalents	(Note 13)	260,363	191,105
		<u>272,822</u>	<u>199,513</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 only with 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.

18.2 Liquidity Risk

The Council's trade and other payables 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 manages 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 the matching of cash inflows and outflows arising from expected maturities of financial instruments.

		2019	2018
		€	€
Current liabilities			
Financial liabilities measured at amortised cost:			
Trade and other payables		36,484	26,202
Bank overdrawn		7,925	15,782
Lease liabilities		11,737	-
Accruals		9,020	7,604
		<u>65,166</u>	<u>49,588</u>
Non-current liabilities			
Financial liabilities measured at amortised cost:			
Long term payable		-	14,062
		<u>-</u>	<u>14,062</u>

LIJA LOCAL COUNCIL

Notes to the financial statements for the year ended 31 December 2019

18. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

18.2 Liquidity Risk (continued)

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

31 December 2019	Current within 1 year €	Non- current 1 to 5 years €	Later than 5 years €
Trade and other payables	36,484	-	-
Bank Overdrawn	7,925	-	-
Lease liabilities	11,737	-	-
Accruals	9,020	-	-
Long term payables	-	-	-

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

31 December 2018	Current within 1 year €	Non- current 1 to 5 years €	Later than 5 years €
Trade and other payables	26,202	-	-
Bank Overdrawn	15,782	-	-
Lease liabilities	-	-	-
Accruals	7,604	-	-
Long term payables	-	14,062	-

18.3 Interest Rate Risk

The Council has no significant interest-bearing assets other than cash and cash equivalent (Note 13), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. The Council monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, the Council 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.

18.4 Foreign Currency Risk

The Council is not exposed to foreign exchange risk since it does not transact in foreign currencies.

LIJA LOCAL COUNCIL

Notes to the financial statements for the year ended 31 December 2019

18. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

18.5 Summary of financial assets and liabilities by category

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

	2019 €	2018 €
Current assets		
Loans and receivables:		
Trade and other receivables	12,459	8,408
Cash and cash equivalents	260,363	191,105
	<u>272,822</u>	<u>199,513</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Trade and other payables	36,484	26,202
Bank overdrawn	7,925	15,782
Lease liabilities	11,737	-
Accruals	9,020	7,604
	<u>65,166</u>	<u>49,588</u>
Non-current liabilities		
Financial liabilities measured at amortised cost:		
Long term payable	-	14,062

18.6 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.

19. Fair Value Estimation

As 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.

LIJA LOCAL COUNCIL

Notes to the financial statements for the year ended 31 December 2019

20. Events After the End of the Reporting Period

No adjusting or significant non-adjusting events have occurred between the end of the reporting period and the date of authorisation by the Council.

21. Contingent Liabilities

As at year-end the Council had contingent liabilities in respect of the following claim against it.

Mallia Joseph noe v Magri Naudi Madga noe et: This claim is for Euro 18,486. Originally this claim was between Ms Annalise Cilia and the insurance company, whereby the insurance company paid Ms Annalise Cilia for damages caused to furniture and home appliances amounting to Eur17,161, plus Eur1,325 as survey fees. Subsequently, the insurance company opened this claim against the Mayor as representative of the Lija Local Council. Mr Joseph Mallia is acting as representative of the insurance company - Lloyds Malta Ltd.

The Council is rejecting this claim and no provision has been made in these financial statements in respect of such claims. Court sittings are still ongoing.



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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 Lija 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 paragraphs 1 and 2 of the Basis for Qualified Opinion section of our report, the financial statements give a true and fair view of the financial position of Lija 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 6 to 12.

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 and 2 of the Basis for Qualified Opinion section of our report, 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 30 September 2002, all income and expenditure from the Local Enforcement System (LES) were centralised through the Birkikara Joint Committee and LES debtors at that date were transferred to the Joint Committee as well. The Birkikara Joint Committee ceased operations on 31 August 2011 and LES was centralised through the Central Regional Committee as from 1 September 2011. The Council reported EUR173 in income from LES in the current period. We were unable to determine the amount of any additional income the Council is entitled to receive from Birkikara Joint Committee since the audited financial statements as at 31 December 2019 of the Joint Committee were not available and the last set available (2015) were qualified on the basis that amounts receivable could not be reconciled to the IT system and financial statements at period end were not available. 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. Whereas the Council indicated that it had 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. The Council's financial assets amounted to EUR272,822 at 31 December 2019.

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.

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.

Financial statements for the year ended 31 December 2019

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

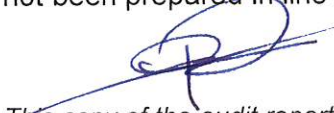
Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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.

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

19 May 2020