



MOSTA LOCAL COUNCIL

**Annual Report
and
Financial Statements**

for the year ended 31 December 2020

REGISTRY
23 JUL 2021
PROFESSORIAL AUDIT OFFICE

Prepared by

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MOSTA LOCAL COUNCIL

ANNUAL REPORT AND FINANCIAL STATEMENTS

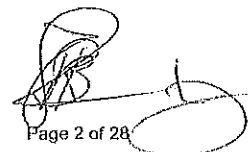
31 DECEMBER 2020

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MOSTA LOCAL COUNCIL


Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2020

The Local Councils (Financial) Regulations' require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's 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 Council (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, the 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 the 13th July 2021 and signed on its behalf by


Romilda B. Zarb
Mayor


Lorraine Templeman
Executive Secretary

MOSTA LOCAL COUNCIL

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

		2020	2019
		€	€
	<i>Notes</i>		
Income			
Funds received from Central Government	4	1,592,475	1,429,363
Income raised under Local Council Bye-Laws	5	11,078	38,555
Income raised under Local Enforcement System	6	6,901	13,053
General Income	7	62,199	86,047
		<u>1,672,653</u>	<u>1,567,018</u>
Expenditure			
Personal emoluments	9	(274,983)	(241,282)
Operations and maintenance	10	(904,446)	(852,165)
Administrative and other expenditure	11	(412,316)	(437,948)
		<u>(1,591,745)</u>	<u>(1,531,395)</u>
Operating Profit for the year		80,908	35,623
Finance Income	12	97	403
		<u>81,005</u>	<u>36,026</u>
Profit for the year		81,005	36,026

The notes on pages 8 to 25 form an integral part of these financial statements


MOSTA LOCAL COUNCIL

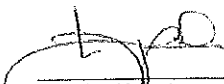
STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

		2020 €	2019 €
	<i>Notes</i>		
ASSETS			
Non-Current Assets			
Intangible assets	14	3,470	1,777
Property, plant and equipment	15	<u>738,092</u>	<u>588,009</u>
		<u>741,562</u>	<u>589,786</u>
Current Assets			
Inventories	13	3,351	3,693
Receivables	16	150,060	89,778
Cash and Cash Equivalents	17	<u>1,149,813</u>	<u>1,202,467</u>
		<u>1,303,224</u>	<u>1,295,938</u>
Total Assets		<u><u>2,044,786</u></u>	<u><u>1,885,724</u></u>
EQUITY AND LIABILITIES			
Reserves			
Retained Fund		<u>1,393,671</u>	<u>1,312,666</u>
		<u>1,393,671</u>	<u>1,312,666</u>
Current Liabilities			
Payables	18	640,879	557,337
Deferred income	19	<u>10,236</u>	<u>15,721</u>
		<u>651,115</u>	<u>573,058</u>
Total Equity and Liabilities		<u><u>2,044,786</u></u>	<u><u>1,885,724</u></u>

These financial statements were approved by the Local Council on the 13th July 2021 and signed on its behalf by:


 Romilda B. Zarb
 Mayor


 Lorraine Templeman
 Executive Secretary

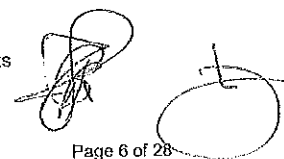
The notes on pages 8 to 25 form an integral part of these financial statements

MOSTA LOCAL COUNCIL

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

	Retained Funds €
At 1 January 2019	1,276,640
Profit for the year 2019	36,026
At 31 December 2019	<u>1,312,666</u>
At 1 January 2020	1,312,666
Profit for the year 2020	81,005
At 31 December 2020	<u>1,393,671</u>

The notes on pages 8 to 25 form an integral part of these financial statements



MOSTA LOCAL COUNCIL

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 €	2019 €
	Note	
Cash flows from Operating Activities		
Profit / (Loss) for the year	81,005	36,026
Reconciliation to cash generated from operations:		
Depreciation	180,652	228,603
Amortisation	832	612
Increase / (decrease) in provision for Doubtful Debtors	-	32
Interest receivable	(97)	(403)
Operating Profit before Working Capital Changes	<u>262,392</u>	<u>264,870</u>
Decrease/(increase) in inventories	342	(3,693)
(Increase) in receivables	(71,428)	(24,031)
Decrease in other receivables	11,146	45,656
Increase in payables and other payables	<u>73,890</u>	<u>91,852</u>
Cash generated from operating activities	<u><u>276,342</u></u>	<u><u>374,654</u></u>
Cash flows from Investing Activities		
Interest received	97	403
Purchase of property, plant & equipment	(330,735)	(36,789)
Purchase of intangible assets	(2,525)	-
Receipt of grants	<u>4,167</u>	<u>53,654</u>
Cash generated from / (used in) investing activities	<u><u>(328,996)</u></u>	<u><u>17,268</u></u>
Cash flows from Financing activities		
Decrease in long term liabilities	-	(27,607)
Cash used in financing activities	<u>-</u>	<u>(27,607)</u>
Net Increase in Cash and Cash Equivalents	(52,654)	364,315
Cash and Cash Equivalents at the Beginning of the year	<u>1,202,467</u>	<u>838,152</u>
Cash and Cash Equivalents at the End of the year	<u><u>1,149,813</u></u>	<u><u>1,202,467</u></u>

The notes on pages 8 to 25 form an integral part of these financial statements

MOSTA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

1. General Information

The Mosta Local Council is the local Authority of Malta set up in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at Civic Centre, Constitution Street, Mosta, MST9059.

These financial statements were approved for issue by the Council Members on the 13th July 2021. The Local Council's presentation as well as functional currency is denominated in €.

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.

Accounting convention

These financial statements are prepared under the historical cost convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards as adopted by the EU.

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).

New and amended standards adopted by the Local Council:

In the current year, the Local Council has applied a number of new standards and amendments to IFRS issued by the International Accounting Standards Boards (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2020.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements.

New Standards and amendments not yet effective:

At the end of the reporting period, certain new standards, interpretations or amendments thereto, were in issue and endorsed by the EU, but not yet effective for the current financial period. There have been no instances of early adoption of standards, interpretations or amendments ahead of their effective date.

The Councilors and Executive Secretary anticipate that the adoption of the International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses to date. Depreciation is calculated on a monthly basis using the straight line method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

Accounting Policies and Reporting Procedures (cont.)

Property, plant and equipment (cont.)

	%
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
Traffic Signs	Replacement basis
Road 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 statement of financial position date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount. Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

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 costs to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Comprehensive Income.

Leases

The Council has applied IFRS 16 using the retrospective approach. At inception of a contract, the Council assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Council assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

2. Accounting Policies and Reporting Procedures

Leases (cont.)

- The Council has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Council has the right to direct the use of the asset. The Council has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Council has the right to direct the use of the asset if either:
 - The Council has the right to operate the asset; or
 - The Council designed the asset in a way that predetermines how and for what purpose it will be used.

The Council has applied this approach to contracts entered into or changed on or after 1 January 2019. At inception or on reassessment of a contract that contains a lease component, the Council allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Council has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Council recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the 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 estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Council's incremental borrowing rate. Generally, the Council uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Council is reasonably certain to exercise, lease payments in an optional renewal period if the Council is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Council is reasonably certain not to terminate early

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Council's estimate of the amount expected to be payable under a residual value guarantee or if the Council changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Council presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position

MOSTA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

Accounting Policies and Reporting Procedures (cont.)

Short-term leases and leases of low-value assets

The Council has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes freight, handling and other direct costs. Costs of inventories include the transfer from retained funds of any gains/losses on qualifying cash flow hedges relating to purchases of stock items. However, borrowing costs and foreign exchange differences are excluded. Net realisable value is the price at which stocks can be sold in the course of Council activities less anticipated costs of selling.

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 amount of the asset and 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.

Borrowings

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

Borrowings are classified as current liabilities unless the Local Council has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Other payables

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

Financial Instruments

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

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.

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

2. Accounting Policies and Reporting Procedures

Financial assets (cont.)

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 a 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'.

Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard No. 24.

Revenue

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs and it can be measured reliably. Interest income is recognised in the statement of comprehensive income as it accrues.

Income from central government is not recognised until there is reasonable assurance that the Council will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross and any deductions made for non-compliance are to be disclosed separately with expenses.

Local Enforcement System

As from 2015, the income recognised in the Income Statement was derived from the Local Enforcement System Agency, which income consists of administration fee of 10% of cash collected on behalf of LESA or the Regional Committee

Government grants

Government grants relating to operating expenditure are recognized in the statement of Comprehensive Income in the same period that the related expenditure is incurred.

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

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 €, which is the Council's functional and presentation currency.

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

MOSTA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

2. Accounting Policies and Reporting Procedures

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Profits and losses

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

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.

Capital Management

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

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

To achieve the above, the Council carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). 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.

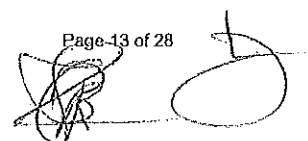
3. Judgments in applying accounting policies and key sources of estimation

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Council, 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.

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4. Funds received from central government

	2020	2019
	€	€
In terms of section 55 of the Local Councils Act	1,381,403	1,301,832
Supplementary Government Income	73,718	-
Other Government Income	137,354	127,531
	<u>1,592,475</u>	<u>1,429,363</u>



MOSTA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

5. Income raised from Bye-Laws

	2020	2019
	€	€
Advertising on Street Furniture	727	7,958
Income from publications	245	12,889
Income from skip permits	1,551	1,440
Income from courses	1,360	6,385
Use of facilities	7,195	9,883
	<u>11,078</u>	<u>38,555</u>

6. Local Enforcement system

	2020	2019
	€	€
Administrative charge to LESA	6,449	12,009
Contraventions and other fines	452	1,044
	<u>6,901</u>	<u>13,053</u>

7. General Income

	2020	2019
	€	€
Cultural Events & sponsorships from NGOs	-	420
General Income	2,900	15,068
Income from Permits	59,299	70,559
	<u>62,199</u>	<u>86,047</u>

8. Profit for the year

	2020	2019
	€	€
Profit for the year is stated after charging		
Mayor's Remuneration	19,651	18,007
Staff salaries	36,700	35,833
Depreciation and amortisation	181,493	229,215
Movement in provision for doubtful debts	-	32
	<u>-</u>	<u>32</u>

MOSTA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

9. Personal Emoluments

	2020	2019
	€	€
Mayor's Remuneration	19,651	18,007
Councillors' Allowances	32,200	23,140
Executive Secretary Salary and Allowances	36,700	35,833
Employees' Salaries	162,827	145,577
Social Security Contributions	17,461	15,870
Overtime	6,144	2,855
	<u>274,983</u>	<u>241,282</u>

The average number of persons employed by the Council during the year was as 9 (2019: 8).

10. Operations and Maintenance

	2020	2019
	€	€
<i>Repairs and Upkeep:</i>		
Office furniture and upkeep	-	905
Patching and Pavements	105,542	108,312
Repairs to public property	1,127	4,254
Signs	5,322	7,061
Road Markings	51,670	11,339
Plant and machinery	307	289
Handyman repairs and upkeep	35,743	33,757
	<u>199,711</u>	<u>165,917</u>
<i>Contractual Services:</i>		
Refuse Collection	358,903	380,666
Bulky Refuse Collection	36,068	32,640
Road & Street Cleaning	192,975	152,350
Cleaning & Maintaining Non-Urban	1,888	745
Cleaning - Public Conveniences	7,253	5,905
Cleaning - Council Premises	4,971	3,522
Cleaning & Maintaining Parks & Gardens	85,119	72,387
Street Lighting	16,846	37,445
LES related expenditure	712	588
	<u>704,735</u>	<u>686,248</u>
Total Operations and Maintenance Costs	<u>904,446</u>	<u>852,165</u>

MOSTA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

11. Administration and other expenditure

	2020	2019
	€	€
Utilities	18,881	15,945
Other repairs and upkeep	31,952	7,763
Rent	36,646	37,463
National and International Memberships	417	300
Office Services	4,223	5,588
Transport	-	110
Insurance Coverage	3,345	4,078
Bank Charges	1,457	283
Professional Services	72,769	33,266
Tuition for courses and expenses	-	467
Social and cultural events	21,200	15,570
Conference Expenses	86	292
Community Services	36,109	69,639
Sundry Minor Expenses	28	-
Provision for Doubtful Debtors	-	32
Public relations expenses	2,224	17,783
Permits and licenses	1,496	154
Depreciation	181,483	229,215
	<u>412,316</u>	<u>437,948</u>

12. Finance Income

	2020	2019
	€	€
Bank Interest Receivable	<u>97</u>	<u>403</u>

13. Inventories

	2020	2019
	€	€
Books and other publications	<u>3,351</u>	<u>3,693</u>

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

14. Intangible fixed assets

	Computer software €	Total €
Cost		
At 1 January 2020	3,210	3,210
Additions	2,525	2,525
	<hr/>	<hr/>
At 31 December 2020	5,735	5,735
	<hr/>	<hr/>
Depreciation		
At 1 January 2020	1,433	1,433
Charge for the year	832	832
	<hr/>	<hr/>
At 31 December 2020	2,265	2,265
	<hr/>	<hr/>
Net Book value		
At 31 December 2020	3,470	3,470
	<hr/> <hr/>	<hr/> <hr/>
	Computer software €	Total €
Cost		
At 1 January 2019	3,210	3,210
	<hr/>	<hr/>
At 31 December 2019	3,210	3,210
	<hr/>	<hr/>
Depreciation		
At 1 January 2019	821	821
Charge for the year	612	612
	<hr/>	<hr/>
At 31 December 2019	1,433	1,433
	<hr/>	<hr/>
Net Book value		
At 31 December 2019	1,777	1,777
	<hr/> <hr/>	<hr/> <hr/>

MOSTA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

15. Property, plant and equipment

	Trees	Improvements to premises	Computer equipment	Office equipment	Street signs mirrors & lights	Urban Improvements	Plant, & machinery	Office Furniture & fittings	Construction works	Assets under construction	Special Programmes	Total
	€	€	€	€	€	€	€	€	€	€	€	€
Cost												
At 1 January 2020	37,316	1,130	5,124	168,554	128,450	368,017	77,544	173,373	2,759,827	747	2,970,702	6,690,784
Additions	-	-	4,815	5,563	-	10,577	-	2,650	43,040	213,913	47,177	330,735
At 31 December 2020	37,316	1,130	9,939	177,117	128,450	378,594	77,544	176,023	2,802,867	214,660	3,017,879	7,021,519
Depreciation												
At 1 January 2020	-	207	2,850	143,230	128,450	336,824	82,644	181,901	2,514,004	-	531,022	3,671,032
Charge for the year	-	92	2,398	5,320	-	7,310	-	1,844	80,140	-	83,548	180,852
At 31 December 2020	-	299	5,248	148,550	128,450	344,134	82,644	183,745	2,594,144	-	614,570	4,051,684
Grants												
At 1 January 2020	-	-	-	9,308	-	-	25,000	-	-	-	2,197,435	2,231,743
At 31 December 2020	-	-	-	9,308	-	-	25,000	-	-	-	2,197,435	2,231,743
Net Book values At 31 December 2020	37,316	831	4,691	19,259	-	34,460	-	12,278	208,723	214,660	205,674	738,092

MOSTA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

15. Property, plant and equipment (cont.)

	Trees	Improvements to premises	Computer equipment	Office equipment	Street signs mirrors & lights	Urban Improvements	Plant, & machinery	Office Furniture & fittings	Construction works	Assets under construction	Special Programmes	Total
	€	€	€	€	€	€	€	€	€	€	€	€
Cost												
At 1 January 2019	37,316	1,130	4,939	148,163	128,450	360,884	77,544	170,886	2,759,827	747	2,964,009	6,653,995
Additions	-	-	185	20,391	-	7,133	-	2,387	-	-	6,693	36,768
At 31 December 2019	37,316	1,130	5,124	168,554	128,450	368,017	77,544	173,273	2,759,827	747	2,970,702	6,690,764
Depreciation												
At 1 January 2019	-	58	1,580	139,186	128,450	333,040	52,544	156,163	2,379,618	-	449,810	3,642,429
Charge for the year	-	169	1,270	4,044	-	3,784	-	3,738	134,386	-	81,212	228,603
At 31 December 2019	-	207	2,850	143,230	128,450	336,824	52,544	161,901	2,514,004	-	531,022	3,871,032
Grants												
At 1 January 2019	-	-	-	-	-	-	25,000	-	-	-	2,168,810	2,193,810
Received during the year	-	-	-	9,308	-	-	-	-	-	-	28,625	37,933
At 31 December 2019	-	-	-	9,308	-	-	25,000	-	-	-	2,197,435	2,231,743
Net Book values												
At 31 December 2019	37,316	923	2,274	16,016	-	31,193	-	11,472	245,823	747	242,245	588,009

MOSTA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

16. Receivables

	2020	2019
	€	€
Receivables	120,795	49,367
Provision for bad debts	(6,615)	(6,615)
Accrued income	20,916	34,328
Prepayments	14,964	12,698
	<u>150,060</u>	<u>89,778</u>

Receivables

General receivables are analysed as follows:

	2020	2019
	€	€
Within credit period	130,870	75,852
Exceeded credit period but not impaired	10,841	7,843
Impaired and provided for	352,589	352,880
Provision for doubtful debts	(352,589)	(352,880)
	<u>141,711</u>	<u>83,695</u>

included in the accounts receivable are amounts due from related parties amounting to €48,741 (2019 : €39,339). These amounts are unsecured, interest free and repayable on demand. Amounts due from LES Debtors amount to €345,974 and are fully provided for.

	2020	2019
	€	€
Financial Receivables	135,096	77,080
Non-financial Receivables	14,964	12,698
	<u>150,060</u>	<u>89,778</u>

17. Cash & cash equivalents

Cash and cash equivalents included in the Statement of Cash Flows comprise the following statement of financial position amounts.

	2020	2019
	€	€
Cash at Bank	1,148,926	1,201,807
Cash in Hand	887	660
	<u>1,149,813</u>	<u>1,202,467</u>

MOSTA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

18. Payables

		2020	2019	
		€	€	
Payables		429,999	307,265	
Other payables		124,474	114,821	
Accruals - PPP		-	29,920	
Accruals		86,406	105,331	
		<u>640,879</u>	<u>557,337</u>	

2020	0-90 days	91-180 days	180-365 days	Total
	€	€	€	€
Payables	254,333	54,951	120,715	429,999
Other payables	124,474	-	-	124,474
Accruals - PPP	-	-	-	-
Accruals	86,406	-	-	86,406
	<u>465,213</u>	<u>54,951</u>	<u>120,715</u>	<u>640,879</u>

2019	0-90 days	91-180 days	180-365 days	Total
	€	€	€	€
Payables	178,572	31,493	97,200	307,265
Other payables	114,821	-	-	114,821
Accruals - PPP	29,920	-	-	29,920
Accruals	105,331	-	-	105,331
	<u>428,644</u>	<u>31,493</u>	<u>97,200</u>	<u>557,337</u>

Included in the accounts payable are amounts to related parties amounting to €85,419 (2019 : €62,136). These amounts are unsecured, interest free and repayable on demand.

	2020	2019
	€	€
Financial Payables	640,879	557,337
	<u>640,879</u>	<u>557,337</u>

19. Deferred income

	2020	2019
	€	€
Government grants		
At 1 January	15,721	-
Used during the year	(8,685)	-
Received during the year	3,200	15,721
At 31 December	<u>10,236</u>	<u>15,721</u>
Current Deferred Income	<u>10,236</u>	<u>15,721</u>

MOSTA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

20. Capital commitments

	2020	2019
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	55,000	1,261,332
- Contracted for but not provided in the financial statements	<u>700,000</u>	<u>388,668</u>
(i) Approved but not yet contracted for:		
Projects financed under PA Development Fund	-	850,000
Projects financed under PAMA agreement	-	75,332
Project financed under Northern Region Tarmac Fund	-	26,388
Pavements around the Locality	-	200,000
Other Minor Projects	-	19,612
Motor Vehicle	25,000	25,000
Office Furniture & Fittings	5,000	10,000
Office Equipment	20,000	45,000
Computer Equipment	5,000	10,000
	<u>55,000</u>	<u>1,261,332</u>
(ii) Contracted for but not provided in the Financial Statements:		
Project financed under Measure 4.4	200,000	110,738
Projects financed under PA Development Fund	500,000	277,930
	<u>700,000</u>	<u>388,668</u>

21. Contingent liabilities

There were no contingent liabilities in respect of bank guarantees at year end. However the council is involved in a number of legal disputes that could give rise to sums to be paid to third parties at year end. These involve the following:

- a. A case instituted by an Insurance Company for a claim for damages due to the poor state of a street. The Council is involving as well the owner of a manhole since this was the cause of the accident;
- b. The Council has an ongoing litigation with a contractor and issued a number of default notices to same Contractor, which default notices' value was reduced from the balance payable to the Contractor. Default Notices are being disputed by the Contractor who has recently indicated that they will open claim in the Civic Court against the Council

The Council may also be subject to legal action from third parties who have suffered damages on Mosta Roads and are stating that the Council was at fault, which claims are being refused by the Council.



MOSTA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

22. Related party transactions

During the course of the year, the Council entered into transactions with related parties which are related through common ultimate controlling party. The Council entered into transactions with the following related parties:

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Councils	Significant control
North Regional Committee	Joint Control
Street Lighting Joint Committee	Joint control
Local Enforcement System Agency	No control
Central Regional Committee	No control
Gozo Regional Committee	No control
South Eastern Regional Committee	No control
South Regional Committee	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Arms Limited	No control
Cleansing Services Department	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Police General Headquarters	No control
Department of Lands	No control
Airmalta plc	No control
Bank of Valletta plc	No control
MCAST	No control
National Library of Malta	No control
Office of the Prime Minister	No control
Housing Authority	No control
Kunsill Malti għall-Isport	No control
Local Councils' Association	No control
Department for Elderly & Community	No control
Malta Communications Authority	No control
Ministry for Energy & Health	No control
Heritage Malta	No control
Ministry for Resources and Rural Affairs	No control

The amounts due from / to related parties at year-end are disclosed in notes 16 and 18. The terms and conditions do not specify the nature of the consideration to be provided in settlement. These amounts are unsecured, interest free and repayable on demand.

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

	2020			2019		
	Related party activity €	Total activity €	%	Related party activity €	Total activity €	%
<i>Income</i>						
Transactions with central government	1,381,403			1,301,832		
	<u>1,381,403</u>	<u>1,672,653</u>	<u>83</u>	<u>1,301,832</u>	<u>1,567,018</u>	<u>83</u>
<i>Expenditure</i>						
Transactions with government entities	48,415			10,841		
Key personnel remuneration	274,983			241,282		
	<u>323,398</u>	<u>1,591,745</u>	<u>20</u>	<u>252,123</u>	<u>1,531,395</u>	<u>16</u>

MOSTA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

23. Ultimate controlling party

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

24. Financial Risk Management

The Council's activities expose it to a variety of financial risks such as market risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance.

Credit risk

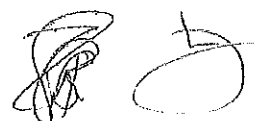
Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

Liquidity Risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact at year end, the Council has as cash and cash equivalents the amount of Euro 1,149,813. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive current net asset position of €652,109 (2019: €722,880) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

Summary of financial assets and liabilities by category:

	2020	2019
	€	€
Current Assets		
Loans and receivables:		
Accounts and other receivables	141,711	83,695
Cash and Cash Equivalents	<u>1,149,813</u>	<u>1,202,467</u>
	<u>1,291,524</u>	<u>1,286,162</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	<u>640,879</u>	<u>557,337</u>



MOSTA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

24. Financial Risk Management (cont.)

Foreign Currency Risk

Foreign currency transactions arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Council does not trade in any foreign currency transactions.

Interest Rate Risk

The Council operates bank accounts without any financing facilities. As a result, the Council is not exposed to cash flow interest rate risk on bank balances.

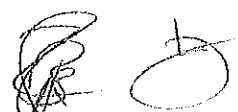
Market risks

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

Other risks

The Council's interest rate risk arises from long term borrowings. However, the Council is not currently exposed to such risk since it does not have long term fluctuating interest borrowings. In general, the Council's exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows are not deemed to be substantial by the Councilors and Executive Secretary in view of the nature of the assets and liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.

Two handwritten signatures in black ink, one on the left and one on the right, located at the bottom right of the page.

Report of the Local Government Auditor

To the Auditor General

Report on the audit of the financial statements

Qualified opinion

We have audited the financial statements of Mosta Local Council set out on pages 4 to 25 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, except for the effects of the matters described in paragraphs 1 and 2 under the Basis for qualified opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Council as at 31 December 2019, 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 qualified opinion

1. Up to 31 August 2011, all income and expenditure from the Local Enforcement System (LES) were centralised through the North Joint Committee. The North Joint Committee ceased operations on that date. No audited financial statements of the North Joint Committee have been made available to us and consequently we were unable to determine whether the Council is entitled to receive any further income from the North Joint Committee.
2. As at 31 December 2020, the council recognised other creditors amounting to €13,370 which originated many years ago. The council failed to provide us with sufficient and appropriate audit evidence to enable us to verify this balance and there was no satisfactory alternative procedures which we could perform to ensure that this amount is not mis-stated.
3. The council received a number of Government grants in previous years in respect of capital projects. The 'EU Project' and 'Cult Exchange' projects had a total balance of €288,040. No adequate supporting evidence was provided to confirm the amounts recognised and there were no practicable alternative procedures that we could apply to determine whether this amount is misstated.
4. Our testing on fixed assets and capital creditors revealed the following:
 - (a) In accordance with the accounting records of the council, one of the creditors who had performed works through the Public Private Partnership Scheme is owed an additional €47,733.23. Upon further enquiries the council explained that this balance is being brought forward from previous years but no supporting evidence about this amount is available.

- (b) In 2019 and 2020 the council netted off liabilities of €27,609 for each year against fixed asset additions. The Council did not provide us with adequate explanations for this adjustment.

Because of the matters described in points 4(a) and (b) above we could not determine whether or not fixed assets and capital creditors are materially mis-stated.

5. Our alternative procedures on trade payables revealed that amounts shown as due to a third parties are overstated by €18,085. We were not provided with satisfactory explanations and documentation about these differences.

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 qualified 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
Central Business District
Birkirkara CBD1050
Malta

13 July 2021