

PEMBROKE LOCAL COUNCIL
REPORT & FINANCIAL STATEMENTS
For the year ended 31st December 2019

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3, Sqaq il-Gilju, Ghaxaq

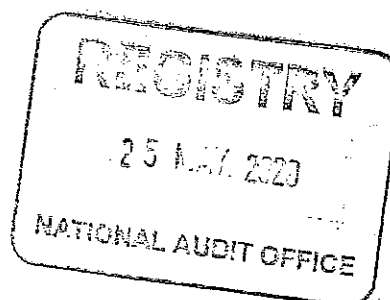


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Statement of Local Council Members' and Executive Secretary's Responsibilities

The Local Councils (Financial) Regulations 1993 require the Executive Secretary to prepare a detailed Annual Administrative Report which includes the Local Council's Statement of Profit or Loss and Other Comprehensive Income for the year and of the Council's retained funds at the end of this 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 1993, 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 30 April 2020 and signed on its behalf by:



Dr. Dean Hill LLD
(Mayor)



Mr. Kevin Borg
(Executive Secretary)

Report of the Local Government Auditors' on the Pembroke Local Council to the Director of Audit

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 Pembroke Local Council set out on pages 4 to 23 which comprise the statement of financial position as at 31 December 2019, 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 matter described in the Basis for qualified opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of 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

Up to 31 August 2011, all income and expenditure from the Local Enforcement System (LES) were centralised through the Joint Committee. The Joint Committee ceased operations on that date. No audited financial statements of the 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 Joint Committee.

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 1 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

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Central Business District,
Birkirkara CBD 1050
Malta

30 April 2020

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31st December 2019

	Notes	Year Ended 2019 €	Year Ended 2018 €
Income			
Funds received from Central Government	4	485,034	457,860
Income raised by Local Council Bye-Laws	5	403	2,183
Income from Law Enforcement System	6	3,198	4,102
General Income	7	17,194	11,636
		505,829	475,781
Expenditure			
Personnel emoluments	8	88,544	93,057
Operations and maintenance	9	315,664	214,309
Administrative and other expenditure	10	135,144	199,452
		539,352	506,818
Operating loss for the year		(33,523)	(31,037)
Investment income	11	22	121
		22	121
Loss for the year		(33,501)	(30,916)
Total comprehensive income for the year		(33,501)	(30,916)


The notes on pages 8 to 23 form an integral part of these financial statements.

Statement of Financial Position as at 31st December 2019

	Notes	Year Ended 2019 €	Year Ended 2018 €
Assets			
<u>Non-current assets</u>			
Property, plant and equipment	12	177,767	212,703
Total non-current assets		177,767	212,703
<u>Current assets</u>			
Inventories	13	1,592	1,618
Trade and other Receivables	14	15,923	33,395
Cash and cash equivalent	15	541,681	479,807
Total current assets		559,196	514,820
Total assets		736,963	727,523
Reserves and liabilities			
<u>Reserves</u>			
Retained Earnings		646,747	680,248
Total Reserves		646,747	680,248
<u>Current liabilities</u>			
Trade and Other Payables	16	90,216	47,275
Total current liabilities		90,216	47,275
Total reserves and liabilities		736,963	727,523

The notes on pages 8 to 23 form an integral part of these financial statements.

These financial statements were approved by the Local Council on 30th April 2020 and are signed by



Dr. Dean Hilli LLD
(Mayor)



Mr. Kevin Borg
(Executive Secretary)

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

	Retained Earnings €
At 1 January 2018	711,164
Loss for the year	(30,916)
At 31 December 2018	680,248
At 1 January 2019	680,248
Loss for the year	(33,501)
At 31 December 2019	646,747

Statement of Cash Flows for the year ended 31st December 2019

	Notes	2019 €	2018 €
Cash flows from operating activities			
Loss for the year		(33,501)	(30,916)
<u>Adjustments for:</u>			
Depreciation		85,966	152,369
Provision for doubtful debts		(104)	(199)
Interest receivable		(22)	(121)
Operating surplus before working capital changes		52,339	121,133
Movements in working capital:			
Movement in inventories		27	32
Movement in Trade and other receivables		17,472	(10,904)
Movement in payables		(15,646)	3,313
Movement in other payables		58,690	(4,705)
Net cash generated by operating activities		112,882	108,779
Cashflows from investing activities			
Payment to acquire property, plant and equipment		(115,301)	(125,812)
Interest received		22	121
Net cash generated used in investing activities		(115,279)	(125,691)
Cash flows from financing activities			
Grants received		64,271	77,341
Net cash generated by financing activities		64,271	77,341
Net movement in cash and cash equivalents in the year		61,874	60,429
Cash and cash equivalents at beginning of year	14	479,807	419,378
Cash and equivalents at end of year	14	541,681	479,807
Cash and equivalents– cash at bank & in hand		541,681	479,807

The notes on pages 8 to 23 form an integral part of these financial statements.

Notes to the Financial Statements for the year ended 31st December 2019**1. General Information**

Pembroke Local Council is the local authority of Pembroke set up in accordance with the Local Councils Act 1993. The office of the Local Council is situated at Triq il-Alamein, Pembroke, Malta. These financial statements were approved by the Council on 30 April 2020.

The Local Council's presentations as well as functional currency are denominated in Euro (€). Its ultimate controlling party is the Department for Local Government.

2. Accounting Policies and Reporting Procedures

These financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap 363).

The 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, 1993 (Chap. 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, 1993 (Cap 363).

Income recognition

Income in general is stated when there is reasonable certainty that the income would be receivable and thus can be accrued for. Other income such as that derived from the organization of courses, cultural, sporting and social activities is only recognized on a cash basis. Income from investment activities is recognized when the rights of receipt have been established. Interest income from financial assets is recognized when it is probable that the economic benefits will flow to the Council and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Local Enforcement System

Local Enforcement Income represents the income as it accrues from contraventions as controlled by the Local Enforcement System (L.E.S). The amount receivable from the Local Enforcement System is disclosed in the statement of financial position. A full provision for bad debts is accounted for receivables aged over two years. As from the 1st September 2011, the Council forms part of the North Regional Committee, which is responsible for the L.E.S income of the locality. The contract provides for a 10% administration fee payable to the Council for contraventions collected by the Council and remitted to the respective Regional Committees. During the year the

Notes to the Financial Statements for the year ended 31st December 2019 (cont.)

L.E.S. undergone changes with the introduction of the LESA which has taken over the functions previously undertaken by the Regional Committees.

Standards and Interpretations issued by the IASB but not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual period beginning after 1 January 2020, and have not been applied in preparing these financial statements. None of these are expected to have significant effect on the financial statements of the Local Council.

IAS1 and IAS8 Definition of Material include amendments to its definition of material to make it easier for companies to make materiality judgements. Subject to adoption by EU IAS1 and IAS8 Definition of Material, will be effective for financial periods beginning on, or after, 1 January 2020.

The Councillors are assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Councillors anticipate that the adoption of other 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.

Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment loss to date. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The present values of property, plant and equipment do not differ materially from those that would be determined by using fair values at the end of each reporting period.

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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

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:

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

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 surplus. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each year end. 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.

Notes to the Financial Statements for the year ended 31st December 2019 (cont.)

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 Profit or Loss and Other Comprehensive Income during the financial year in which they are incurred.

Impairment of property, plant and equipment

At the end of each reporting period, the Council reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Council estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Impairment of financial assets other than inventories

At the end of each reporting period, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

In the case of financial assets that are carried at amortised cost, objective evidence of impairment includes observable data about the following loss events - significant difficulty of the issuer (or counterparty) and/or breach of contract. An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

For loans, and receivables or, if there is objective evidence that an impairment loss has been incurred, the loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

Notes to the Financial Statements for the year ended 31st December 2019 (cont.)

In the case of other assets tested for impairment, the recoverable amount is the higher of fair value less costs to sell (which is the amount obtainable from sale at arm's length transaction between knowledgeable, willing parties, less the costs of disposal) and value in use (which is the present value of the future cash flows expected to be derived, discounted using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Impairment losses are recognized immediately in the statement of comprehensive income, unless the asset is carried at a revalued amount, in which case, the impairment loss is recognized directly against the asset's revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for the asset.

For loans and receivables, if, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized; the previously recognized impairment loss is reversed directly.

In the case of assets tested for impairment, an impairment loss recognized in a prior period is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but in a manner that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods. Impairment reversals are recognized immediately in the comprehensive income statement, unless the asset is carried at a revalued amount, in which case, the impairment reversal is recognized directly in reserves, unless an impairment loss on the same asset was previously recognized in the comprehensive income statement.

Financial instruments

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

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

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 each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below;

All income and expenses relating to loans and receivables are presented within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administration and other expenditure'. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Council's other receivables fall into this category of financial instruments.

Notes to the Financial Statements for the year ended 31st December 2019 (cont.)

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 counter party and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

Financial Liabilities

The Council's financial liabilities included other payables. These are stated at their nominal account 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. The paragraphs adopted from IAS 24 are paragraph 25 – 27, being amendments to government related entities disclosures.

Leases

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Government Grants

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

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

Up to the year ended 31st December 2017, government grants were accounted for using the income approach according to IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance." On 1st January 2018, the capital approach, according to IAS 20, has been adopted, in line with the directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting policy, and; according to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors," it has been accounted for retrospectively.

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 in the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit or loss.

Notes to the Financial Statements for the year ended 31st December 2019 (cont.)**Payables**

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of the council's activities from suppliers. Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Inventories

Inventories are valued at lower of cost and net realisable value.

Profits and Losses

Only profits that were realized at the reporting date 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.

Critical accounting estimates and judgments

Estimated 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 Executive Secretary, the accounting estimated are judgements made in the preparation of the Financial Statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirement of IAS1 – 'Presentation of Financial Statements'.

Capital Management Policies and Procedures

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objective is to ensure that the Council's ability to continue as a going concern is still valid and that the Council maintains a positive working capital ratio. To achieve this, the Council carries out a quarterly review of the working capital ratio (Financial Situation Indicator). This ratio was positive at the reporting date. The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

Notes to the Financial Statements for the year ended 31st December 2019 (cont.)**4. Funds received from Central Government**

	2019	2018
	€	€
In terms of section 55 of the Local Councils Act (Cap 363)	457,426	433,663
Supplementary Government Income	27,608	19,537
Other Government Income	0	4,660
	<u>485,034</u>	<u>457,860</u>

5. Income raised from Bye-Laws

	2019	2018
	€	€
Income raised under Local Council Bye-Laws	<u>403</u>	<u>2,183</u>

6. Local Enforcement Income

	2019	2018
	€	€
Fines, Penalties and fees	<u>3,198</u>	<u>4,102</u>

7. General Income

	2019	2018
	€	€
Donations and sponsorships	3,350	350
Income from Permits	6,383	4,173
Other income	7,461	7,113
	<u>17,194</u>	<u>11,636</u>

8. Personal Emoluments

	2019	2018
	€	€
Mayor's allowance	9,354	7,464
Councillors' allowances	9,700	6,333
Executive Secretary's salary and allowances	28,232	30,172
Employees' salaries	35,689	42,712
Social Security Contributions	5,569	6,376
	<u>88,544</u>	<u>93,057</u>

Notes to the Financial Statements for the year ended 31st December 2019 (cont.)**9. Operations and Maintenance**

	2019	2018
	€	€
Road and street pavements	108,344	23,997
Public property	18,540	2,948
Office furniture and equipment	41	148
Street signs	12,074	3,350
Other repairs and upkeeping	0	958
Road markings	1,225	4,859
	<u>140,224</u>	<u>36,260</u>
Contractual Services:		
Refuse collection	67,141	66,167
Bulky refuse collection	15,080	13,635
Road and Street Cleaning & premises	19,238	19,452
Cleaning and Maintenance of non-urban roads	17,875	17,585
Cleaning and Maintenance of Parks and Gardens	17,055	16,904
Cleaning and Maintenance of verges	18,707	18,435
Cleaning and Maintenance of Council Property	2,555	2,116
Cleaning and Maintenance of Public Conveniences	4,488	5,181
Local Enforcement System (L.E.S) Expenses	27	79
Street lighting expenses	6,269	12,552
Other contractual services	7,006	5,943
	<u>175,440</u>	<u>178,049</u>
Total Operations and Maintenance Expenses	<u>315,664</u>	<u>214,309</u>

Notes to the Financial Statements for the year ended 31 December 2019(cont.)**10. Administration and other expenditure**

	2019	2018
	€	€
Depreciation	85,966	152,369
Water, Electricity and telecommunications	5,795	5,474
Rent	1,603	1,456
National and International Memberships	452	702
Office Services	10,465	2,486
Insurance	2,019	2,016
Library Expenses	1,265	1,329
Transport	941	1,079
Advertising and public relations	938	699
Professional services	20,310	20,674
Community and hospitality	5,195	10,983
Sundry minor expenses	152	182
Provision for bad LES debts	(104)	(199)
Bank Charges	147	202
Total Administration and other expenses	135,144	199,452

11. Investment Income

	2019	2018
	€	€
Bank Interest	22	121

Notes to the Financial Statements for the year ended 31st December 2019 (cont..)

12. Property, plant and equipment	Office Furniture, & Fittings	Office Equipment	New Street Signs	Plant & Machinery	Const. & Street Paving	Special Prog.	Trees	Urban Improvement	Asset not yet Capitalised	Total
Cost	€	€	€	€	€	€	€	€	€	€
At 1 January 2018	24,583	47,469	11,787	6,300	612,447	653,660	17,307	530,561	-	1,904,114
Additions	162	7,840	-	-	10,002	-	-	107,808	-	125,812
Less Govt Grants prior years	-	(7,351)	-	-	(51,423)	(653,660)	-	(151,072)	-	(863,506)
Less Govt Grants current year	-	-	-	-	-	-	-	(77,341)	-	(77,341)
At 31 December 2018	24,745	47,958	11,787	6,300	571,026	-	17,307	409,956	-	1,089,079
Depreciation										
At 1 January 2018	(14,693)	(37,438)	(11,787)	(6,007)	(420,818)	-	-	(233,264)	-	(724,007)
Current charge	(3,818)	(3,903)	-	(293)	(132,091)	-	-	(12,264)	-	(152,369)
At 31 December 2018	(18,511)	(41,341)	(11,787)	(6,300)	(552,909)	-	-	(245,528)	-	(876,376)
N.B.V. at 31 December 2018	6,234	6,617	-	-	18,117	-	17,307	164,428	-	212,703

Notes to the Financial Statements for the year ended 31st December 2019 (cont..)

12. Property, plant and equipment	Office Furniture, & Fittings	Office Equipment	New Street Signs	Plant & Machinery	Const. & Street Paving	Special Prog.	Trees	Urban Improvement	Asset not yet Capitalised	Total
Cost										
At 1 January 2019	24,745	55,309	11,787	6,300	622,449	653,660	17,307	638,369	-	2,029,926
Additions	-	165	-	59	-	-	-	115,077	-	115,301
Less Govt Grants prior years	-	(7,351)	-	(51,423)	(653,660)	-	-	(228,413)	-	(940,847)
Less Govt Grants current year	-	-	-	-	-	-	-	(64,271)	-	(64,271)
At 31 December 2019	24,745	48,123	11,787	6,359	571,026	-	17,307	460,762	-	1,140,109
Depreciation										
At 1 January 2019	(18,511)	(41,341)	(11,787)	(6,300)	(52,909)	-	-	(245,528)	-	(876,376)
Current charge	(2,172)	(156)	-	(8)	(7,700)	-	-	(75,930)	-	(85,966)
At 31 December 2019	(20,683)	(41,497)	(11,787)	(6,308)	(56,609)	-	-	(321,458)	-	(962,342)
N.B.V. at 31 December 2019	4,062	6,626	-	51	10,417	-	17,307	139,304	-	177,767

Notes to the Financial Statements for the year ended 31st December 2019(cont.)**13. Inventories**

	2019	2018
	€	€
Books and other publications	<u>1,592</u>	<u>1,618</u>

14. Receivables

	2019	2018
	€	€
Amount invoices but not yet settled. 14.1	10,734	11,825
Provision for doubtful debts	(4,200)	(4,200)
Pre-Pooling LES Debtors	96,532	96,636
Provision for LES Debtors	(96,532)	(96,636)
Other Debtors	0	0
Prepayments and Accrued Income	9,389	25,770
	<u>15,923</u>	<u>33,395</u>

Note 14.1

Receivables within credit period	6,534	400
Receivables not within credit period*	-	7,225
Provision for doubtful debts	4,200	4,200
	<u>10,734</u>	<u>11,825</u>

* None of the receivables are at impaired status

The credit period on receivables (Note 14.1) is of 90 days. No interest is charged on receivables for the first 90 days from the date of request of payment. Thereafter, the Council may consider to impose an interest charge of 2% per annum on the outstanding balance. Allowances for doubtful debts are recognised against receivables after 730 days (two years). Receivables disclosed in (Note 14.1) include amounts (see below for aged analysis) that are past due at the end of the reporting date for which the Council has not recognised an allowance for doubtful debts, as these are still considered recoverable.

15. Cash and Cash Equivalents

	2019	2018
	€	€
Cash in hand	376	362
Cash in bank	541,305	479,445
	<u>541,681</u>	<u>479,807</u>

Notes to the Financial Statements for the year ended 31st December 2019(cont.)**16. Trade and other payables**

	2019	2018
	€	€
Trade Payables 16.1	4,311	19,957
Accruals and Deferred Income	64,787	27,318
Government Grants not yet utilise	21,027	
	<u>90,216</u>	<u>47,275</u>

Accruals include estimated for goods and services received prior to 31 December 2019 and for which invoices have not yet been received by the Local Council.

17. Capital Commitments

	As at 31 December 2019	As at 31 December 2018
	€	€
Capital expenditure that has been approved but not provided for in the Financial Statements		
i) lamps in Triq Manuel Buhagiar u lampa W01246	4,000	-
ii) Bus Shelters	5,000	-
iii) Lights in Gnien 4 ta' Lulju	40,000	-
iv) mobile app	5,800	-
v) 2 lamps in Triq Manuel Buhagiar	2,000	-
vi) 4 lamps Triq Giorgio Mitrovich	6,000	-
	<u>62,800</u>	<u>-</u>

18. Fair Values Estimation

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

19. Related party transactions

The Pembroke Local Council has the following related parties, exercising:

- i. Significant Control – The Department of Local Government
- ii. No Control- Arms Ltd., Water Services Corporation, Enemalta Corporation, WasteServ Malta Ltd., Malta Information Technology Agency, Northern Harbour District Joint Committee, Malta Tourism Authority, Bank of Valletta plc., South Regional Committee, Gozo Regional Committee, South Eastern Regional Committee, Central Regional Committee, LESA, Police General Head Quarters, Malta Environment and Planning Authority, Department of Lands and the Department of Information.

Notes to the Financial Statements for the year ended 31st December 2019(cont.)

In the ordinary course of its operations, the Council received funds and income from the related parties. The Council's income reflected in the statement of profit or loss and comprehensive income comprises funds received from the Central Government amounting to €457,426 (2018: €433,663).

In the opinion of the Local Council's members, disclosure of related party transactions, which are generally carried out, is only necessary when the transactions effected have a material impact on the operating results and financial position of the Council.

20. Financial Risk Management

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

Market Risk

The Council's interest rate risk arises from its deposits with financial institutions. The Council does not have any long-term 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 Councillors and Executive Secretary in view of the nature of the assets and liabilities.

Credit Risk

Financial assets which potentially subject the Council to concentrations of credit risk which are principally made up of cash at bank and debtors. The Council's cash is placed with a quality 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. Furthermore, credit risk is limited due to the fact that government-owned customers comprise a high percentage of the council's debtor base. LES Debtor balance has been provided for fully with an allowance for bad debts.

The Council's exposure to credit risk is limited to the carrying amount of financial assets recognized at the date of the Statement of Financial Position (as disclosed in Notes 14 and 15, and as referred to here under), which arises from cash and cash equivalents and credit exposures from receivables as follows:

	€
Receivables (Note 14)	10,734
Prepayments and Accrued Income (Note 14)	9,389
Cash and cash equivalents (Note 15)	541,681

Notes to the Financial Statements for the year ended 31st December 2019(cont.)

L.E.S receivables relate to sentenced cases arising from contraventions which are legally due to the Council. The credit risk exposure is high on L.E.S receivables as the Council has no control on such collectables.

Cash at bank relates to balances held as savings accounts placed with a local reliable financial institution. The credit risk exposure in this respect is considered low.

Foreign currency risk

Most of the Council's transactions are carried out in Euro. Exposure to foreign currency exchange rates arise from the Council's transactions in foreign currency. There were no figures translates from foreign currency to Euro as at the date of the Statement of the Financial Position, thus putting the foreign currency risk at nil.

Interest Rate Risk

Interest rate risk mainly arises through interest bearing liabilities and assets. The objective of interest rate risk management is to optimize the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense.

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 risks management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order to not 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 €541,681. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net asset position ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

21. Events after the reporting date

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of approval of the financial statements by the council members.

Notes to the Financial Statements for the year ended 31st December 2019 (cont.)**22. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES**

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

	2019	2018
	€	€
Current Assets		
Loans and receivables:		
Trade and other receivables	15,923	33,395
Cash and cash equivalents	541,681	479,807
	<u>557,604</u>	<u>513,202</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	4,311	19,957

23. Prior year Comparative amounts

Certain comparative amounts have been changed to reflect a fairer presentation.