

## **LOCAL COUNCIL RABAT (GOZO)**

**Report and financial statements  
For the year ended 31 December 2019**

***Prepared by:***

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## **LOCAL COUNCIL RABAT (GOZO)**

### **Annual report and financial statements for the year ended 31 December 2019**

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## **LOCAL COUNCIL RABAT (GOZO)**


### **Annual report and financial statements for the year ended 31 December 2019**

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

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's statement of comprehensive income for the year and of the Local Council's retained funds at the end of the year. By virtue of the same regulations it is duty of the Council and the Executive Secretary to ensure that the Financial Statements forming part of the report present fairly, in accordance with accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, 1993, and the Local Councils (Financial) Procedures, 1996 issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, the Local Councils (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.

Approved by the Council and signed on its behalf on 20 May 2020 by:



**Mr Josef Schembri**  
*Mayor*



**Mrs Miriam Attard**  
*Executive Secretary*

# **LOCAL COUNCIL RABAT (GOZO)**

## **Statement of Comprehensive Income for the year ended 31 December 2019**


		2019	2018
	Note	€	€
<b>Income</b>			
Funds received from central government	3	599,240	568,852
Income raised under Council Bye-Laws	4	18,465	19,602
Income raised under Law Enforcement System	5	4,297	4,603
General	6	2,914	67,218
		<u>624,916</u>	<u>660,275</u>
<b>Expenditure</b>			
Personal emoluments	7	141,372	127,230
Operations and maintenance	8	318,208	322,239
Administration and other expenditure	9	298,361	306,541
		<u>757,941</u>	<u>756,010</u>
Operating loss for the year		€ (133,025)	€ (95,735)
Investment income	10	41	9
Finance cost	11	-	(1,298)
<b>Total comprehensive loss for the year</b>		<u>€ (132,984)</u>	<u>€ (97,024)</u>

# LOCAL COUNCIL RABAT (GOZO)

## Statement of Financial Position at 31 December 2019

		31 Dec 2019	31 Dec 2018
<b>ASSETS</b>			
	Note	€	€
<b>Non-current assets</b>			
Property, plant and equipment	12	523,320	713,461
Intangible asset	13	1,783	1,721
		<u>525,103</u>	<u>715,182</u>
<b>Current Assets</b>			
Inventories	14	25,731	26,344
Receivables	15	182,877	173,023
Cash and cash equivalents	16	154,884	129,912
		<u>363,492</u>	<u>329,279</u>
<b>Total assets</b>		<b>€ 888,595</b>	<b>€ 1,044,461</b>
<b>Reserves and liabilities</b>			
<b>Reserves</b>			
Retained funds		<u>18,804</u>	<u>151,788</u>
<b>Non Current liabilities</b>			
Payables and accruals	18	221,246	231,246
		<u>221,246</u>	<u>231,246</u>
<b>Current liabilities</b>			
Payables and accruals	18	600,582	654,032
Overdrawn bank balance	18	47,963	7,395
		<u>648,545</u>	<u>661,427</u>
<b>Total Reserves and Liabilities</b>		<b>€ 888,595</b>	<b>€ 1,044,461</b>

These Financial Statements were approved by the Local Council on 30 May 2020 and signed on its behalf by:

  
Mr Josef Schembri  
Mayor

  
Mrs Miriam Attard  
Executive Secretary

## LOCAL COUNCIL RABAT (GOZO)

### Statement of changes in equity for the year ended 31 December 2019

	Retained funds
	€
Balance at 01 January 2018	248,812
Total comprehensive loss for the year	(97,024)
<b>Balance at 31 December 2018</b>	<b>151,788</b>
Balance at 01 January 2019	151,788
Total comprehensive loss for the year	(132,984)
<b>Balance at 31 December 2019</b>	<b>€ 18,804</b>

# **LOCAL COUNCIL RABAT (GOZO)**

## **Statement of Cash Flows** for the year ended 31 December 2019

	2019	2018
Note	€	€
<i><b>Cash flows from operating activities</b></i>		
<b>Total comprehensive loss for the year</b>	(132,984)	(97,024)
<i>Adjustment for:</i>		
Depreciation	207,905	207,720
Amortisation	1,759	2,059
Decrease in provision for bad debts	-	(105)
Interest receivable	(41)	(9)
Interest payable	-	1,298
<i>Operating profit before working capital movements</i>	<u>76,639</u>	<u>113,939</u>
Decrease in inventories	613	434
Increase in receivables	(9,854)	(54,821)
(Decrease) in payables	(68,525)	(39,493)
<i>Net cash flows (used in)/ generated from operating activities</i>	<u>(1,127)</u>	<u>20,059</u>
<i><b>Cash flows generated from investing activities</b></i>		
Purchase of property, plant and equipment	(17,764)	(60,385)
Purchase of intangible assets		
Grants received	5,075	77,913
Interest received	41	9
Interest paid	-	(1,298)
<i>Net cash flows (used in)/ generated from investing activities</i>	<u>(14,469)</u>	<u>16,239</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(15,596)	36,298
<b>Cash and cash equivalents at the beginning of the year</b>	<u>122,517</u>	<u>86,219</u>
<b>Cash and cash equivalents at the end of the year</b>	<u>106,921</u>	<u>122,517</u>

16

€

106,921

€

122,517



## **LOCAL COUNCIL RABAT (GOZO)**

### **Notes to the financial statement for the year ended 31 December 2019**

#### **1. General Information**

Rabat (Gozo) Local Council is the local authority of Rabat (Gozo) setup in accordance with the Local Councils Act. The office of the Local Council is situated at :

'Banca Guratale' Pjazza Indipendenza, Rabat - Ghawdex

The Local Council's presentation as well as functional currencies are the Euro (€).

#### **2. Accounting policies and reporting procedures**

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.

The 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 the Local Government in terms of section 67 of the Local Councils Act, (CAP 363).

##### **New and amended standards adopted by the Local Council**

During the current year, the Local Council has adapted a number of new standards and interpretations, or amendments thereto, issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee, and endorsed by the European Union. The Council is of the opinion that the adoption of these standards, interpretations or amendments thereto, does not have material impact on these financial statements.

##### *IFRS 16 Leases*

The standard replaces IAS 17 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs.

Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset and an interest expense on the recognised lease liability. For lessor accounting, the standard does not substantially change how a lessor accounts for leases under IAS1. This standard is applicable to annual reporting periods beginning on or after 1 January 2019.



## LOCAL COUNCIL RABAT (GOZO)

### Notes to the financial statement for the year ended 31 December 2019

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 Council anticipates that the adoption of the new standards, interpretations or amendments thereto, will not have a material impact on the financial statements upon initial application.

#### a. Revenue recognition

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

#### b. Local Enforcement Systems

The Local Council forms part of the Gozo Regional Committee. During the year, the amount disclosed in the financial statements under Local Enforcement Systems income represents the administrative fee of 10% that is now chargeable to the Regional Committees and the Law Enforcement System Agency for contraventions paid at the Council.

#### c. Intangible assets

Web-site and computer software are valued at cost less accumulated depreciation and impairment losses to date. Depreciation to write off the cost over the useful life of the asset is calculated on a monthly basis using the straight line method at 25% per annum.

#### d. Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss to date. Depreciation is calculated on a monthly basis using the straight line method.

	%
Trees	0
Buildings	1
Office furniture and fittings	7.5
Construction works	10
Urban Improvements	10
Special programmes	10
Office equipment	20
Motor vehicles	20
Plant and machinery	20
Computer equipment	25
Plants	100
Litter bins	replacement basis
Playground equipment	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 financial reporting date.

## **LOCAL COUNCIL RABAT (GOZO)**

### **Notes to the financial statement**

#### **for the year ended 31 December 2019**

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 benefit associated with the item will flow to the Local Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

#### **e. Government Grants**

Government grants relating to operating expenditure are recognised according to IAS 20 in the Statement of Comprehensive Income in the same period that the related expenditure is incurred. Grants relating to assets are deducted from the carrying amount of the asset using the capital approach.

#### **f. Impairment of Assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Comprehensive Income.

#### **g. Inventories**

Inventories are valued at the lower of cost and net realisable value. Cost includes freight, handling and other direct costs. Net realisable value is the price at which stocks can be sold in the course of Council activities less anticipated costs of selling. Provision is made where necessary for obsolete slow moving and defective stocks.

#### **h. 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 Statement of Comprehensive Income.

#### **i. Payables**

Liabilities for accounts payable and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Council. Accounts are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

#### **j. Foreign Currencies**

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Local Council operates. These Financial Statements are presented in Euro (€) which is the Council's functional and presentation currency.

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



## **LOCAL COUNCIL RABAT (GOZO)**

### **Notes to the financial statement for the year ended 31 December 2019**

#### **k. Profit 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.

#### **l. Cash and Equivalents**

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

#### **m. Related parties**

Related parties to the Local Council comprise the Department for Local Government, the Regional Committee and other Government entities.

#### **n. Critical accounting estimates and judgements**

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

In the opinion of the Council, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

#### **o. 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
- the Council's 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). 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.

#### **p. 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.

## LOCAL COUNCIL RABAT (GOZO)

### Notes to the financial statement for the year ended 31 December 2019

#### 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.

All income and expenses relating to loans and receivables are presented with 'finance income' or 'finance costs', except for impairment of receivables which is presented in 'administration and other expenditure'. Loans and receivables are non-derivating 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 aren't considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

#### Financial liabilities

The Council's financial liabilities include other payables. These are stated at their nominal amount which is a reasonable approximation of fair value. All interest related charges are included within 'finance costs'.

### 3. Funds received from Central Government

	2019	2018
	€	€
In terms of Section 55 of the Local Councils Act (CAP 363)	579,332	549,237
Other Government Funds	19,908	19,615
Total funds received from central government	€ 599,240	€ 568,852

### 4. Income raised from Bye Laws

	2019	2018
	€	€
Income raised under Local Council Bye Laws	18,465	19,602

### 5. Local Enforcement Income

	2019	2018
	€	€
Administrative fees from Regional Committees and LESA	4,297	4,603

## LOCAL COUNCIL RABAT (GOZO)

### Notes to the financial statement for the year ended 31 December 2019

#### 6. General Income

	2019	2018
	€	€
Refund due on organic waste	(3,504)	58,344
Sponsorships	-	2,200
Profit on sale of books	87	-
Other income	6,331	6,674
	<u>€ 2,914</u>	<u>€ 67,218</u>

The negative balance resulted from an over accrual in the previous years.

#### 7. Personal emoluments

	2019	2018
	€	€
Mayor's honoraria	13,822	11,195
Executive Secretary Salary and allowance	33,272	32,451
Employees' Salaries	69,707	65,889
Social Security Contributions and maternity fund	9,147	8,895
Allowances for Councillors and Mayor	13,300	8,800
Workers Scheme Bonus	2,124	-
	<u>€ 141,372</u>	<u>€ 127,230</u>

#### 8. Operations and maintenance

	2019	2018
	€	€
<i>Operations and maintenance includes, inter alia:</i>		
Signs	1,656	2,500
Road/Street pavements	-	1,876
Maintenance pots/plants	7,318	12,170
Repairs and upkeep	34,716	25,706
Repairs to street lights	1,693	7,010
	<u>€ 45,383</u>	<u>€ 49,262</u>

#### Contractual services

	2019	2018
	€	€
Refuse collection	125,687	140,806
Bulky refuse collection	48,516	21,237
Road & Street cleaning	56,950	57,409
Cleaning Public conveniences	31,372	37,464
Other contractual service	6,000	7,885
Experts	2,275	4,947
Local enforcement system	2,025	3,229
	<u>272,825</u>	<u>272,977</u>
	<u>€ 318,208</u>	<u>€ 322,239</u>



# **LOCAL COUNCIL RABAT (GOZO)**

## **Notes to the financial statement for the year ended 31 December 2019**

### **9. Administration and other expenses**

	2019	2018
	€	€
Utilities	7,885	2,873
Sundry material & supplies	2,652	2,586
Rent	4,265	4,265
Printing	2,732	4,586
Stationery	2,284	1,822
Postage	310	367
Other office services	9,961	4,336
Transport Malta/Gozo	750	1,516
Overseas tickets	1,924	502
Public relations expenses	326	375
Advertising	106	112
Insurance	1,893	2,046
Bank charges	474	295
Transport	80	1,634
Management & operating services	4,723	3,915
Legal fees	6,648	-
Accountancy services	5,900	5,900
Other support services	7,298	17,087
Entertainment	-	2,048
Other hospitality costs	303	195
Social events	5,797	10,860
Cultural events	21,649	27,982
Participation fee	102	768
Penalties	-	250
Sundry Minor expenses	635	547
Provision for bad debts	-	(105)
Depreciation	207,905	207,720
Amortisation	1,759	2,059
	<u>€ 298,361</u>	<u>€ 306,541</u>

### **10. Investment income**

	2019	2018
	€	€
Bank interest received	41	9
	<u>€ 41</u>	<u>€ 9</u>

### **11. Finance cost**

	2019	2018
	€	€
Interest paid	-	1,298
	<u>€ -</u>	<u>€ 1,298</u>