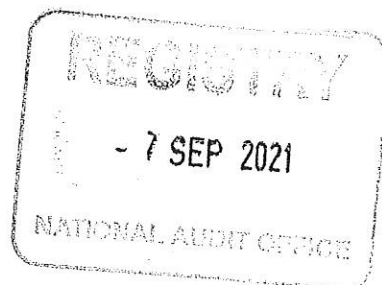


MARSA LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2020

Contents

	Page
Statement of Local Council Members' and Executive Secretary's Responsibilities	1
Statement of Total Comprehensive Income	2
Statement of Financial Position	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 22
Report of Local Government Auditor to the Auditor General	23 - 24



MARSA 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 accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at 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, Local Council (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on 25 August 2021 and signed on its behalf by :



Josef Azzopardi
Mayor



Edward Spiteri Audibert
Executive Secretary

MARSA LOCAL COUNCIL
 STATEMENT OF TOTAL COMPREHENSIVE INCOME
 For the year ended 31 December 2020

	Notes	2020 €	2019 €
REVENUE			
Funds received from Central Government	3	784,771	657,901
Income raised under Local Council Bye-Laws	4	18	462
Income raised under Local Enforcement System	5	3,758	3,148
General Income	6	17,257	18,643
		805,804	680,154
EXPENDITURE			
Personal emoluments	7	124,339	111,513
Operations and maintenance	8	421,381	432,818
Administration and other expenses	9	223,219	198,252
		768,939	742,583
OPERATING PROFIT/ (LOSS) FOR THE YEAR		36,865	(62,429)
Finance income	10	3	17
Finance cost	10	(9,509)	(9,516)
Interest on third party loan	10	-	(954)
PROFIT/ (LOSS) FOR THE YEAR	7	27,359	(72,882)

The notes on pages 6 to 22 form an integral part of these financial statements.

MARSA LOCAL COUNCIL
 STATEMENT OF FINANCIAL POSITION
 As at 31 December 2020

	Notes	2020 €	2019 €
ASSETS			
NON-CURRENT ASSETS			
Intangible asset	11	5,567	1,436
Property, plant and equipment	12	<u>559,197</u>	<u>630,977</u>
		<u>564,764</u>	<u>632,413</u>
Current Assets			
Inventories	13	322	322
Receivables	14	90,262	56,404
Cash and cash equivalents	15	<u>287,908</u>	<u>181,052</u>
		<u>378,492</u>	<u>237,778</u>
TOTAL ASSETS		<u>943,256</u>	<u>870,191</u>
EQUITY			
RESERVES			
Retained earnings		<u>447,306</u>	<u>419,947</u>
NON-CURRENT LIABILITIES			
Long-term borrowings	17	<u>194,700</u>	<u>211,751</u>
		<u>194,700</u>	<u>211,751</u>
CURRENT LIABILITIES			
Payables	16	284,063	221,997
Short-term borrowings	17	<u>17,187</u>	<u>16,496</u>
		<u>301,250</u>	<u>238,493</u>
TOTAL LIABILITIES		<u>495,950</u>	<u>450,244</u>
RESERVES AND LIABILITIES		<u>943,256</u>	<u>870,191</u>

The notes on pages 6 to 22 form an integral part of these financial statements.
 These financial statements were approved by the Council on 25th August 2021


 Josef Azzopardi
 Mayor


 Edward Spiteri Audibert
 Executive Secretary

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

	Retained Earnings
	EUR
Year Ended 31 December 2019	
Balance as at 1 January 2019	492,829
Loss for the year	(72,882)
Balance as at 31 December 2019	<u>419,947</u>
Year Ended 31 December 2020	
Balance as at 1 January 2020	419,947
Profit for the year	27,359
Balance as at 31 December 2020	<u>447,306</u>

MARSA LOCAL COUNCIL
CASH FLOW STATEMENT
For the year ended 31 December 2020

	Notes	2020 €	2019 €
CASH FLOW FROM OPERATING ACTIVITIES			
Profit/ (loss) for the year		27,359	(72,882)
Reconciliation to cash generated from operations:			
Depreciation		90,911	88,215
Amortisation		560	659
Release of grants		-	46,826
Movements in provision for doubtful debts			-
Interest receivable		(3)	(17)
		<u>118,827</u>	<u>62,801</u>
Operating profit before working capital changes		118,827	62,801
(Increase) in receivables		(33,858)	(22,751)
Increase in payables		62,066	19,933
		<u>147,035</u>	<u>59,983</u>
NET CASH FLOW FROM OPERATING ACTIVITIES			
CASH FLOW USED IN INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(26,771)	(149,115)
Purchase of intangible assets		(4,691)	-
Interest received		3	17
Receipt of grants		7,640	20,575
		<u>(23,819)</u>	<u>(128,523)</u>
NET CASH USED IN INVESTING ACTIVITIES			
CASH FLOW USED IN FINANCIAL ACTIVITIES			
Repayment of short term borrowings		(16,360)	(15,715)
Repayment of third party loan		-	(10,422)
		<u>(16,360)</u>	<u>(26,137)</u>
NET CASH USED IN FINANCING ACTIVITIES			
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		106,856	(94,677)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		181,052	275,729
CASH AND CASH EQUIVALENTS AT END OF YEAR	15	<u>287,908</u>	<u>181,052</u>

1. GENERAL INFORMATION

Marsa Local Council is the local authority of Marsa incorporated in accordance with the Local Councils Act, 1993. The office of the Council is situated at Pont San Tumas, Marsa. These financial statements were approved for issue by the Council Members on 25th August 2021. The Local Council's presentation as well as functional currency is dominated in €.

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

ACCOUNTING COVENTION

These financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of Section 67 of the Local Councils Act (Cap 363). The financial statements are prepared under the historical cost convention as modified to include fair values stated in the accounting policies below. These financial statements are prepared in accordance to the requirements of International Financial Reporting Standards (IFRSs) as adopted by the EU and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

NEW AND AMENDED STANDARDS ADOPTED BY THE LOCAL COUNCIL

During the year under review, the Council adopted new standards, amendments and interpretations to existing standards that are mandatory for the Council's accounting year beginning on 1 January 2020. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Council's accounting policies.

Effective date of new materiality definition

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

Effective date of updated references to the Conceptual Framework

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

Effective date of IFRS 3 amendments

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

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

NEW IMPORTANT STANDARDS AND AMENDMENTS NOT YET ADOPTED

On 23 January 2020, the IASB issued 'Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place of the reporting date. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

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

The Councillors and Executive Secretary 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 and Executive Secretary 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.

REVENUE RECOGNITION

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Funds received from Central Government, income earned from Bye-Laws and interest income are recognised in the income statement as they accrue.

LOCAL ENFORCEMENT SYSTEM

Up till August 2011, the Council used to manage the Local Enforcement System as part of the Valletta Joint Committee. As from 1 September 2011, the Council started to form part of the Southern Region which took over the management of Local Enforcement System and the Council is receiving a 10% administration fee on every fine paid at the Council. As from October 2015 LESA took over the administration of the Local Enforcement System.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

INTANGIBLE FIXED ASSETS

In line with IAS 38, intangible assets are initially recorded at cost and are subsequently stated at cost less amortisation. Amortisation to write off the cost is calculated on a monthly basis using the straight line method.

	%
Computer software	25 - 100

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

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:

	%
Land	0
Trees	0
Buildings	1
Office furniture and fittings	7.5 - 100
Construction works	10 - 100
Urban improvements (street furniture)	10 - 100
Special projects	10 - 100
Office equipment	20 - 100
Motor vehicles	20
Plant and machinery	20 - 100
Computer equipment	25 - 100
Plants	100
Litter bins	100
Playground furniture	100
Traffic signs	100
Road signs	100
Street mirrors	100
Street lights	100

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Freehold land, land held on perpetual emphyteusis and assets in the course of construction are not depreciated.

Directive issued in 2017 by the Department of Local Councils, applicable as from 1 January 2018, instructs the Council to depreciate non-current assets on a monthly basis using straight line method at the rates specified in the Local Council (Financial) Procedures (P1.X1).

Gains and Losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are considered 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.

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

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 total comprehensive income.

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.

IFRS 9 Financial Instruments addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS39 that relate to the classification and measurement of Financial Instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measure at amortised cost. The determination is made at initial recognition. The classification depends on the entities business module for managing its financial instruments and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of IAS39 requirements. The main change is that, in cases of where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's credit risk is recorded in other Comprehensive Income rather than the Income Statement, unless this creates and accounting mismatch. The council adopted IFRS 9 for annual reporting periods beginning on or after 1 January 2018.

LEASES

For any new contracts entered into on or after 1 January 2019, the Local Council considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Local Council assesses whether the contract meets three key evaluations which are

- a) whether the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Local Council.
- b) The Local Council has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- c) The Local Council has the right to direct the use of the identified asset throughout the period of use. The Local Council assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

LEASES – Continued

At lease commencement date, the Local Council recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Local Council, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Local Council depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Local Council also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Local Council measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

RELATED PARTIES

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard 24.

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.

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 the change in accounting policy, and according to IAS 8 Accounting Policies, and Changes in Accounting Estimates and Errors, it has been accounted for retrospectively.

SURPLUSES AND DEFICITS

Only surpluses that were realised at the date of the statement of financial position are recognised in these financial statements. All foreseeable liabilities and potential 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.

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

FINANCIAL INSTRUMENTS

A financial instrument is recognised if the Council becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Council's contractual rights to the cash flows from the financial assets expired or if the Council transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Council commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Council's obligations specified in the contract expire or are discharged or cancelled.

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 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 included other payables, bank and third party loans. These are stated at their nominal amount which is a reasonable approximation of fair value. All interest related charges are included with 'Finance Costs'.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 Executive Secretary, the accounting estimates and 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 requirements of IAS 1 (revised) - 'Presentation of Financial Statements'.

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

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 quarterly review of the working capital ratio (Financial Situation Indicator). This ratio was positive at the reporting date and has not changed significantly from the previous year. 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 FUNDS RECEIVED FROM CENTRAL GOVERNMENT

	2020	2019
	€	€
In terms of section 55 of the Local Councils Act	585,838	520,008
Supplementary Government income	129,617	34,709
Other Government income	69,316	103,184
	<u>784,771</u>	<u>657,901</u>

4 INCOME RAISED FROM BYE-LAWS

	2020	2019
	€	€
Income from bye-laws	<u>18</u>	<u>462</u>

5 LOCAL ENFORCEMENT SYSTEM

	2020	2019
	€	€
LES administration fee	<u>3,758</u>	<u>3,148</u>
	<u>3,758</u>	<u>3,148</u>

6 GENERAL INCOME

	2020	2019
	€	€
Community services	42	1,073
Donations	150	900
Document and information charges	-	30
Contributions	130	227
Income from permits	<u>16,935</u>	<u>16,413</u>
	<u>17,257</u>	<u>18,643</u>

MARSA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2020

Notes to the Financial Statements

7 LOSS FOR THE YEAR

	2020	2019
	€	€
Loss for the year is stated after charging:		
Staff Salaries (note)	124,339	111,513
Depreciation on tangible assets	90,911	88,214
Amortisation on intangible assets	560	659
	<hr/>	<hr/>
Staff salaries		
Personal emoluments include, inter alia:		
Mayor's remuneration	15,027	11,884
Allowances	17,800	11,928
Executive secretary salary and allowances	34,446	29,661
Employees' salaries	49,739	51,032
Social security contributions	7,327	7,008
	<hr/>	<hr/>
	124,339	111,513

8 OPERATIONS AND MAINTENANCE

	2020	2019
	€	€
Repair and upkeep:		
Road and street pavements (patching works)	27,604	45,132
Street signs	1,088	1,123
Road markings	8,842	6,723
Office furniture and equipment	143	102
	<hr/>	<hr/>
	37,677	53,080
Contractual Services:		
Refuse collection	222,419	210,879
Bulky refuse collection	12,243	10,568
Road and street collection	52,052	57,974
Cleaning and maintenance of public conveniences	18,984	18,984
Cleaning and maintenance of parks and gardens	17,391	13,040
Cleaning and maintenance of verges / non-urban	53,358	48,010
Other contractual services	7,257	20,283
	<hr/>	<hr/>
	383,704	379,738
	<hr/>	<hr/>
Total	421,381	432,818

MARSA LOCAL COUNCIL
 Financial Statements for the year ended 31 December 2020
 Notes to the Financial Statements

9 ADMINISTRATION AND OTHER EXPENSES

	2020	2019
	€	€
Utilities	12,493	16,264
Office services	6,249	13,038
Transport	8,939	2,538
Information services	2,382	4,254
Other contractual services	26,807	10,755
Insurance	3,656	4,500
Overseas Tickets	-	1,942
Staff uniforms	187	534
Professional services	7,301	2,165
Legal disputes	23,660	-
Rent	700	700
Community and hospitality	33,143	34,342
Depreciation on tangible assets	90,911	88,214
Amortisation on intangible assets	560	659
Office Expenditure and Repairs	6,231	12,229
Hire of Equipment	-	6,118
	<u>223,219</u>	<u>198,252</u>

10 FINANCE INCOME / COST

	2020	2019
	€	€
Bank interest receivable	<u>3</u>	<u>17</u>
Interest payable from banks	<u>9,509</u>	<u>9,516</u>
Interest payable to third parties	<u>-</u>	<u>954</u>

11 INTANGIBLE ASSETS

	€
Cost	
As at 1 st January 2020	5,177
Addition for the year	4,691
As at 31 st December 2020	<u>9,868</u>
Depreciation	
As at 1 st January 2020	3,741
Amortisation for the year	560
As at 31 st December 2020	<u>4,301</u>
Net Book Value	
As at 31 st December 2020	<u>5,567</u>
Net Book Value	
As at 31 st December 2019	<u>1,436</u>

MARSA LOCAL COUNCIL
 Financial Statements for the year ended 31 December 2020
 Notes to the Financial Statements

12 PROPERTY, PLANT AND EQUIPMENT

ASSET	Assets under construction	Office furniture & fittings	Buildings	New Street signs	Office Equipment	Computer equipment	Plant & Machinery	Urban Improvements & Construction	Special Programmes	Total
	€	€	€	€	€	€	€	€	€	€
COST										
As at January 2019	1,100	156,214	329,212	15,046	31,894	9,053	64,021	1,022,926	1,075,563	2,705,029
Additions	-	-	-	-	617	-	-	148,498	-	149,115
As at 31 December 2019	1,100	156,214	329,212	15,046	32,511	9,053	64,021	1,171,424	1,075,563	2,854,144
GRANTS & OTHER REIMBURSEMENTS										
As at 1 January 2019	-	-	-	-	-	-	19,800	321,585	337,755	679,140
Charge for the year	-	-	-	-	-	-	-	46,826	-	46,826
As at 31 December 2019	-	-	-	-	-	-	19,800	368,411	337,755	725,966
ACCUMULATED DEPRECIATION										
As at 1 January 2019	-	61,741	15,681	15,046	26,040	9,053	41,405	681,608	558,412	1,408,986
Charge for the year	-	10,808	3,295	-	2,563	-	2,816	25,456	43,277	88,215
As at 31 December 2019	-	72,549	18,976	15,046	28,603	9,053	44,221	707,064	601,689	1,497,201
NET BOOK VALUE										
As at 31 December 2019	1,100	83,665	310,236	-	3,908	-	-	95,949	136,119	630,977

12 PROPERTY, PLANT AND EQUIPEMENT

ASSET	Assets under Construction	Office furniture & fittings	Buildings	New Street signs	Office Equipment	Computer equipment	Plant & Machinery	Urban Improvements & Construction	Special Programmes	Total
COST	€	€	€	€	€	€	€	€	€	€
As at January 2020	1,100	156,214	329,212	15,046	32,511	9,053	64,021	1,171,424	1,075,563	2,854,144
Additions	-	-	7,920	-	2,410	5,176	-	11,265	-	26,771
As at 31 December 2020	1,100	156,214	337,132	15,046	34,921	14,229	64,021	1,182,689	1,075,563	2,880,915
GRANTS & OTHER REIMBURSEMENTS										
As at 1 January 2020	-	-	-	-	-	-	19,800	368,411	337,755	725,966
Charge for the year	-	-	-	-	-	-	-	7,640	-	7,640
As at 31 December 2020	-	-	-	-	-	-	19,800	376,051	337,755	733,606
ACCUMULATED DEPRECIATION										
As at 1 January 2020	-	72,549	18,976	15,046	28,603	9,053	44,221	707,064	601,689	1,497,201
Charge for the year	-	10,371	3,292	-	1,963	210	-	31,798	43,277	90,911
As at 31 December 2020	-	82,920	22,268	15,046	30,566	9,263	44,221	738,862	644,966	1,588,112
NET BOOK VALUE										
As at 31 December 2020	1,100	73,294	314,864	-	4,355	4,966	-	67,776	92,842	559,197

MARSA LOCAL COUNCIL
 Financial Statements for the year ended 31 December 2020
 Notes to the Financial Statements

13 INVENTORIES

	2020 €	2019 €
Lapel badges / sets for resale	<u>322</u>	<u>322</u>

14 RECEIVABLES

	2020 €	2019 €
Receivables (note 1)	65,718	19,254
LES debtors (note 2)	-	-
Other receivables	799	1,262
Accrued Income	<u>22,422</u>	<u>33,705</u>
Financial Assets	88,939	54,221
Prepayments	<u>1,323</u>	<u>2,183</u>
Total Receivables	<u>90,262</u>	<u>56,404</u>

Note 1: General receivables are analysed as follows:

	2020 €	2019 €
Within Credit period	65,718	19,254
Exceeded credit period but not impaired	24,544	37,150
Impaired and provided for	7,930	7,930
Provision for doubtful debts	<u>(7,930)</u>	<u>(7,930)</u>
	<u>90,262</u>	<u>56,404</u>

Note 2: LES Debtors are stated after a specific provision for doubtful debts amounting to Eur 95,466 (2019: Eur 95,446)

The amount in the provision for doubtful debts is as follows:

	2020 €	2019 €
LES Debtors	95,446	95,446
Provision for Doubtful Debts	<u>95,446</u>	<u>95,446</u>
	<u>-</u>	<u>-</u>

MARSA LOCAL COUNCIL
 Financial Statements for the year ended 31 December 2020
 Notes to the Financial Statements

15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2020	2019
	€	€
Bank balances:		
Ordinary funds	286,769	180,674
Cash in hand	1,139	378
	<u>287,908</u>	<u>181,052</u>

16 PAYABLES

	2020	2019
	€	€
Financial liabilities		
Payables and other payables	211,547	178,716
Accruals	69,316	35,641
Financial liabilities	<u>280,863</u>	<u>214,357</u>
Deferred income	3,200	7,640
	<u>284,063</u>	<u>221,997</u>
Total current liabilities		

17 BORROWINGS

	2020	2019
	€	€
Non-Current		
Bank borrowings	<u>194,700</u>	<u>211,751</u>
Current		
Bank borrowings	<u>17,187</u>	<u>16,496</u>
Repayable within one year	17,187	16,496
Repayable between two and five years	90,718	71,606
Repayable between five years and more	<u>103,982</u>	<u>140,145</u>
	<u>211,887</u>	<u>228,247</u>

The two bank loans are secured by First General Hypothec over the assets of the Council and by a letter of undertaking by the Government of Malta to channel funds due to the Council. The loans bears interest at 4.15% (2017: 4.15%) per annum and are repayable over 20 years by monthly instalments of €1,682 and €456 respectively.

18 CAPITAL COMMITMENTS

	2020 €	2019 €
Details of capital commitments are as follows;		
Approved but not yet contracted for	-	-
Approved and contracted for	-	48,000
Roads Resurfacing	-	-
Mini Pitch	-	48,000
	-	48,000

19 RELATED PARTY TRANSCATIONS

During the year under review, the Council carried out transactions with the following related parties:

Name of Entity	Nature of relationship
Department for Local Government	Significant Control
South Eastern Regional Committee	Joint Control
Police General Head Quarters	No Control
Central Regional Committee	No Control
South Regional Committee	No Control
Gozo Regional Committee	No Control
North Regional Committee	No Control
Malta Environment and Planning Authority	No Control
Water Services Corporation	No Control
Enemalta Corporation	No Control
Cleansing Services Department	No Control
Director General – Works Division	No Control
Department of Lands	No Control
Bank of Valletta Plc	No Control
Wasteserv Malta Limited	No Control
Transport Malta	No Control
Local enforcement system agency	No Control

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

	2020 €	2019 €
Annual financial allocation	585,838	520,008

20 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 a quality financial institution with a credit rating of BBB+. 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. The risk of default is negligible for both bank and debtors and hence there are no expected credit losses.

The council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period and is summarised as follows:

		2020	2019
		€	€
	Notes		
Classes of financial assets – carrying amounts:			
Trade and Other Receivables	14	88,939	54,221
Cash and Cash Equivalentents	15	287,908	181,052
		<u>376,847</u>	<u>235,273</u>

20 FINANCIAL RISK MANAGEMENT – continued

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 €287,908. This should ensure ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net current asset position of € 77,242 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

At 31 December 2020 the Council's financial liabilities have contractual maturities which are summarised below:

	Current Payable within 1 year	Non Current Payable	
		within 2 & 5 years	Payable after more than 5 years
	€	€	€
31 December 2020			
Payables	211,547	-	-
Accruals	69,316	-	-
Bank Borrowings	17,187	90,718	103,982
PPP Payables	-	-	-
	298,050	90,718	103,982
31 December 2019			
Payables	178,716	-	-
Accruals	35,641	-	-
Bank Borrowings	16,496	71,606	140,145
PPP Payables	-	-	-
	230,853	71,606	140,145

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 currencies.

INTEREST RATE RISK

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

MARSA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2020

Notes to the Financial Statements

21 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES

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

		2020	2019
	Notes	€	€
Current Assets			
Loans and Receivables:			
Trade and Other Receivables	14	88,939	54,221
Cash and Cash Equivalents	15	287,908	181,052
		<u>376,847</u>	<u>235,273</u>
Current Liabilities			
Financial Liabilities measure at amortised cost:			
Payables	16	211,547	178,716
Accruals	16	69,316	35,641
Bank Borrowings	17	17,187	16,496
		<u>298,050</u>	<u>230,853</u>

22 FAIR VALUES ESTIMATION

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

23 EVENTS AFTER THE REPORTING PERIOD

There were no particular important event or transactions affecting the council that have occurred since the end of the accounting period, which, though properly excluded from the financial statements, are of such importance that they should have been disclosed in the notes to the financial statements.

24 GOING CONCERN

The statement of financial position on page 3 and the notes thereto, with special reference to capital commitments, suggest that going concern assumption used in the preparation of these financial statements is dependent on further sources of funds other than the annual financial allocation by Central Government, on the collection of debts due to the Council and on the continued support of the Council's creditors. Any adverse change in either of these assumptions above, would not let the Council able to meet its financial obligations as they all due without curtailing its future commitments.

25 CONTINGENT LIABILITIES

The council received a legal letter from C&F Building Contractors Limited, requesting the amount of Eur 22,509 for works carried out in 2014. However, the council of the time decided not to pay the contact since the works were not carried out by the contractor properly. The current council decided to inform the architect to evaluate the works which were carried out in 2014 and establish which amounts should be paid to the contractor. In 2020 this issue was settled with the Council paying C&F Building Contractors Limited an amount of € 16,652. This amount has been reflected in the statement of comprehensive income under administration and other expenses.

Report of the Local Government Auditor

To the Auditor General

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Marsa Local Council set out on pages 2 to 22 which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Council as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act, the Local Councils (Financial) Procedures 1996 (the "Legislation").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Council in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of those charged with governance for the financial statements

As described on page 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

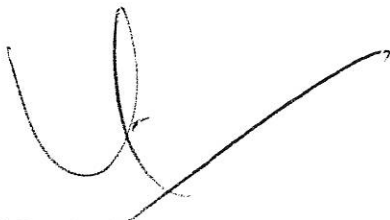
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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

Fort Business Centre
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Birkirkara CBD1050
Malta

25 August 2021