

The Mayor  
Sliema Local Council  
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Sliema, SLM 2037

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19 July 2022

Dear Sir,



### **Financial statements for the year ended 31 December 2020**

During the course of our audit for the year ended 31 December 2020 we have reviewed the accounting system and procedures operated by your council. We have also reviewed the operations of the council and how they conform to the Local Councils Act, 1993, the Financial Regulations issued in terms of this Act, and the supplementary Financial Procedures. We set out in this report the more important points that arose as a result of our review.

#### **1 Previous management letter**

##### **1.1 Insurance policy**

We again noted assets which are over or under insured (refer to note 3.6).

##### **1.2 Tipping fees shortages**

The council did not accrue for tipping fees shortages during the current year.

##### **1.3 Deferred income**

We again identified shortcomings in deferred income recorded in the books of account (refer to note 8.9).

##### **1.4 Bank reconciliations**

We are pleased to note that the council has rectified the issue during the year under review.

##### **1.5 Property, plant and equipment**

We identified shortcomings in property, plant and equipment (refer to note 5.1).

##### **1.6 Prepayments**

We did not note shortcomings in prepayments recorded in the books of account.

**1.7 Joint committee**

The council did not rectify the issue during the year under review (refer to note 2.15).

**1.8 Supplier statements**

We again noted that the council did not obtain statements as at or near year-end from all suppliers (refer to note 8.1).

**1.9 Long-outstanding creditors**

The books of account still include long-outstanding creditors (refer to note 8.5).

**1.10 Confirmation of trade creditors**

The council did not rectify the issue during the year (refer to note 8.7).

**1.11 Presentation of financial statements**

We did not note significant shortcomings in the presentation of financial statements.

**1.12 Business plan**

The council failed to prepare and approve business plan (refer to note 10.1).

**1.13 Payment approval**

We did not note instances where cheque payments were issued prior obtaining approval by the council.

**1.14 Binding of minutes**

The minutes of the council are not hard bound (refer to note 11.1).

**1.15 Frequency of meetings**

We are pleased to note that the council rectified the issue during the year under review.

**1.16 Pay rates and performance bonus**

We did not identify any shortcomings in relation to pay rates and performance bonus.

**1.17 Comparison with annual budget**

We again noted deviation when compared actual and budgeted expenditure (refer to note 12.1).

## 2 Income

### Income from Central Government

- 2.1 The council received an amount of €20,000 from the Department for Local Government in relation to the tourism zone. This was incorrectly recorded with the Government allocation rather than with other Government income. We have proposed an audit adjustment to rectify the issue. The audited financial statements of the council reflect this adjustment.
- 2.2 We recommend that the council discloses all income received from Government, which is not part of the annual allocation, as other Government income, unless otherwise directed by the Department.

### Other Government income

- 2.3 The council classified the amount of €172,555 from Wasteserv Malta Limited with respect to refunds from organic waste collections with general income rather than other Government income. We have proposed an audit adjustment to reclassify the amount with other Government income. The council approved our audit adjustment and included it in the final set of financial statements.
- 2.4 We recommend the council to allocate income receivable to the appropriate accounts so that income is adequately recorded. Furthermore, we recommend that the council accurately establishes accrued income and therefore ensures that income is not misstated.

### General income

- 2.5 We came across numerous instances where the council failed to deposit receipts on a timely basis. The following are examples which we encountered during the audit:

Description	Receipt number	Receipt date	Deposit date	€
Truck permit	83223	29.09.2020	04.12.2020	20.00
Crane permit	83706	30.10.2020	10.12.2020	15.00
Cherry picker permit	84120	24.11.2020	04.12.2020	10.00

- 2.6 We recommend that the council deposits cash twice weekly, primarily to comply with the Local Council (Financial) Procedures but also for security purposes.

### Custodial receipts

- 2.7 We came across the following instances whereby the council failed to deposit receipts on a timely basis. These shortcomings were noted during the course of our audit work on the council's custodial receipts:

Description	Receipt number	Receipt date	Deposit date	€
Lands Department	932189	17.07.2020	27.07.2020	36.10
Lands Department	933221	21.07.2020	27.07.2020	207.75

- 2.8 We remind the council that the Financial Procedures and LN 28/2000 requires the council to deposit its cash collected from custodial receipts at least twice weekly. We advise the council not to leave cash and cheques on the premises for a

prolonged period of time since, apart from contravening the Procedures, it can give rise to security concerns.

#### **LESA invoices**

- 2.9 The following invoice was not sent to LESA in the first week of the following month:

<b>Invoice month</b>	<b>Invoice date</b>
January 2020	18.02.2020
July 2020	30.09.2020
August 2020	30.09.2020
September 2020	20.10.2020
October 2020	09.11.2020

- 2.10 In accordance with memo 91/2011 councils are required to issue Regional Committee and LESA invoices in the first week of the following month.

#### **Pre-regional LES debtors**

- 2.11 During our review of pre-regional LES debtors, we noted that the decrease in tribunal pending payments in the books amounted to €1,924.76. The council instructed that they could not issue report 483 for pre-regional contraventions paid during the year and could not therefore confirm that the movement is correct. We did not propose an audit adjustment in this respect since no explanation was forthcoming.
- 2.12 The findings above cast doubts on the integrity of the data being generated from the Loqus IT system. Therefore, we recommend that the council takes the matter up with Loqus to determine what this difference pertains to. We also recommend that the council accounts for the movement from year to year so that the council is aware of what amounts are still due from pre-regional debtors at any point in time.

#### **Local Enforcement System (LES)**

- 2.13 During our audit fieldwork we tested income from LES administration fees by comparing the report 483 generated from the Loqus system (version 2) and the amount in the unaudited financial statements. We found that the amount in the books of account is overstated by €78. No audit adjustment was proposed since we were not provided with an explanation for this difference.
- 2.14 We recommend that the council generates the Loqus report frequently and reconciles amounts to fees claimed for collection of fines.

#### **Joint committee**

- 2.15 We noted that the Lyant Joint Committee, of which Sliema local council formed part up to 31 August 2011, has provided audited financial statements for the year ended 31 December 2011.
- 2.16 The reserves of the committee at that date amount to €3.01 million. We were unable to determine whether the council is entitled to receive any further income from the Joint Committee. As a result, our audit report has been qualified.

- 2.17 Nevertheless, we recommend that the council raises this issue with the Department for Local Government and ensures that the joint committee is liquidated and that the council receives any further income that may be due to it.

#### **Accrued Income**

- 2.18 We have noted that the council's accrued income includes a balance of €2,714 in relation to a refund to be received for Christmas decorations in line with Scheme 5/2020 for Pjazza Sant' Anna and another balance of €9,396.45 in relation to Social Cultural Event under Scheme 6/2020. We have traced to the amounts received after year-end and noted that an amount of €3,000 was received in relation to Scheme 5/2020 and an amount of €10,000 was received in relation to Scheme 6/2020. The accrued income needs to reflect the actual amount received. We have proposed audit adjustments to increase accrued income to the actual amount received for each scheme. Our proposed audit adjustments were approved by the council and reflected in the audited financial statements.
- 2.19 The council should ensure that transactions are properly allocated to the correct account and income is recorded in the appropriate accounting period.

### **3 Expenditure**

#### **Petty cash expenditure**

- 3.1 During our audit fieldwork we noted that the council has not yet adopted the Imprest system for petty cash.
- 3.2 We would like to bring council's attention to the clause in the Local Councils (Financial) Procedures, 1996, which states that the executive secretary should implement an Imprest system for petty cash and thus control can be implemented over this kind of payment.

#### **Procurement procedures**

- 3.3 Our testing on cheque payments and online banking transfers revealed the following irregularities for the purchases which are listed below:

<b>Details</b>	<b>Supplier</b>	<b>€</b>	<b>Note</b>
LED 60 warm and 12 LED	Calleja Ltd	1,076.40	(c)
10 black bins and 6 doggy bins	Green Skips Services Ltd	2,926.40	(c)
U poles x 4 and round pole, 31 sheet metals	Martin Sciberras	778.20	(c)
Playground equipment repairs	M Quip Co Ltd	1,906.50	(c)
Council maintenance work during November 2020	Bassam El Amani	1,262.60	(a)
Pump switch Pjazza Sant Anna	Charles Micallef (Swimming Pools Ltd)	1,500.00	(a)
Fixing of railing and poles Qui Si Sana	Malcolm Mallia	755.00	(a)
Contract management fees and measurement fees on final bill in connection with works carried out in Our Saviour Lance	MED Developers designers & consultants Ltd	1,421.62	(a), (b)

Triton Monument project meetings and correspondence	Architecture XV Ltd	651.95	(a), (b)
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- (a) The council did not obtain any quotations.
- (b) The council did not raise a purchase order.
- (c) The council obtained only one quotation.

3.4 In accordance with the Procurement Guidelines 2017 issued by the Department for Local Government the council should obtain at least three signed quotations for purchases exceeding €50 up to €5,000 unless, for purchases exceeding €50 but not €500, a direct order approved by the executive secretary is issued.

3.5 May we remind the council that the purpose of a purchase order is to confirm in writing the order for goods or services from third parties. The purchase order is the evidence of the council's approval for a proposed purchase or service. Upon receipt of the invoice, this should be checked and matched to the purchase order, with any discrepancies referred to the supplier.

#### **Insurance policy**

3.6 During our audit fieldwork we identified the following discrepancies between the asset insurance cover and net book value of assets included in the prior year audited financial statements:

<b>Asset</b>	<b>Sum insured €</b>	<b>NBV 2019 €</b>
Plant, machinery and equipment	20,570	12,963
Property	90,000	136,306
Office, furniture and fittings	25,000	12,191
	<b>135,570</b>	<b>161,460</b>

3.7 We also noted that the council is insuring property in the open amounting to €50,000. This is in breach of Directive 3/2017 which states that community assets should not be insured.

3.8 It is evident that some of the fixed assets are over or under insured. May we advise the council to perform at least an annual review of its insurance policy to ensure that the council's insurance coverage is in line with current legislation.

3.9 Directive 3/2017 and Legal Notice 269 of 2017 state that the council must ensure that administrative offices, including all the furniture and office machinery are insured by a 'buildings and content' insurance. The insurance shall cover fire, theft, and damage due to natural events. Circular 33/2016 also states that the insurance policy should be based on the net book value of assets included in the last audited financial statements. However, since last year a significant number of assets had a nil net book value, we recommend that insurance at least covers the replacement cost of assets.

#### **IFRS 16 'Leases'**

3.10 During the audit fieldwork we noted that an amount of €5,797.30 was recorded in the council's books of account as rental expense. The council failed to assess and account for the leases in accordance with IFRS 16 'Leases'.

- 3.11 We recommend that the council reviews all lease contracts in place and considers the impact of IFRS 16 'Leases' on the council's financial statements and adjust if the need arises.

#### **Tendering procedures**

- 3.12 During the year under review the council has incurred monthly expenditure of €13,146.97 in relation to street sweeping. We noted that for the period covering 10 June 2020 till 31 December 2020 the service was provided by SRF & Veladrians Joint Venture, however the contract expired on 9 June 2020. The same issue was noted for the services of bulky refuse provided by the same supplier. The contract has expired on 2 March 2020 but the council continued using services up to 31 December 2020 with a monthly charge of €2,859.44.
- 3.13 We recommend the council adheres to Procurement Guidelines, 2017 which states that councils are required to make a public call for quotations for expenditures in the range of €5,000 to €10,000. Furthermore, the council is specifically required to issue a call for tenders for expenditures above €10,000.

## **4 Payroll**

### **Wages' reconciliation**

- 4.1 Whilst reconciling the FSS tax declared in FS5 forms to that declared in the FS7 form of the council, we came across the following differences:

<b>Description</b>	<b>Declared in FS5s €</b>	<b>Declared in FS7 €</b>	<b>Difference €</b>
Gross salary full-time	203,317.53	202,967.00	350.53
<b>Total</b>	<b>203,317.53</b>	<b>202,967.00</b>	<b>350.53</b>

- 4.2 It is important that FSS forms are filled in properly to ensure that all amounts paid are correctly declared to the Commissioner for Revenue.

### **Reconciliation of wages between FS5s and books of account**

- 4.3 During the audit we noted a discrepancy of €628.98 between the wages accounts and the personal emoluments stated in the FS5 forms submitted to the Commissioner for Revenue.
- 4.4 The council should ensure that all FSS forms agree to the payroll expenditure in the accounts. Once again, we reiterate that the council must ensure that amounts payable to the Commissioner for Revenue are correctly declared.

### **Councillors' allowances**

- 4.5 During our audit fieldwork we noted that the council has erroneously classified the mayor allowance amounting to €2,400 in the honoraria account. We have proposed an audit adjustment to correct the issue.
- 4.6 We recommend that the council should allocate its expenditure to the appropriate accounts so that the expenses of the council are properly reported.

## 5 Property, plant and equipment

### Upkeep of fixed asset register

- 5.1 During the audit fieldwork we noted that the fixed asset register includes descriptions such as shelving, cabinet, litter bins, benches, air conditioner and others. Therefore individual assets could not be traced from the register to the councils' premises and locality.
- 5.2 As pointed out in our prior years' management letters, the fixed asset register must at least include the following details:
- i. Description of asset
  - ii. Date of purchase
  - iii. Supplier details
  - iv. Invoice number
  - v. Invoice date
  - vi. Asset tag code (where applicable)
  - vii. Cost
  - viii. Depreciation rate
  - ix. Location of asset
  - x. Grants received
- 5.3 We suggest that the council updates its fixed asset register with full details and categorises assets appropriately. This will ensure that assets can be easily identified and further ensure that the depreciation calculated is correct.

### Reconciliation of financial statements with books of account

- 5.4 We identified the following discrepancies between the net book value of certain assets in the unaudited financial statements and the net book value of the corresponding assets in the books of account:

Asset category	NBV in unaudited financial statements €	NBV in books of account €	Difference €
Property	134,545	134,490	55
Urban improvement and construction	193,900	110,802	83,098
Plant, machinery and equipment	9,371	833	8,538
Office furniture and fittings	11,523	11,350	173
Special programmes	248,797	340,659	(91,862)
	<b>598,136</b>	<b>598,134</b>	<b>2</b>

- 5.5 We remind the council that any variances between the assets disclosed in the financial statements and the books of account need to be investigated and reclassified accordingly.

## 6 Debtors

### Overdue receivables

- 6.1 During the year under review we noted the following overdue receivables for which no provision was made in the books of account:

Debtor	€
Blues Limited	4,000.00
LESA	1,043.21
	<b>5,043.21</b>

- 6.2 We would like to recommend once again that the council pursues these debtors by sending reminders for the long overdue amounts and establish whether the amounts recorded in the council's books of account are correct. Otherwise, if the council believes that amounts are unrecoverable, it should evaluate the possibility of writing them off in the books of account after obtaining approval in a council meeting.

### Confirmation of debtors

- 6.3 As part of our audit procedures we circularised confirmation letters to selected debtors. We noted the following discrepancy between the council's books of account and a confirmation letter which was received:

Debtor	Amount in council's books of account €	Amount in confirmation reply €	Difference €
Wasteserv Malta Ltd	386,989.44	292,190.48	94,798.96

The discrepancy relates mainly to invoices three invoices issued by the council which are not being shown in the Wasteserv Malta Ltd's statement amounting to €64,281.92, €1,298 and 92, €1,298 and €29,219.04 respectively.

- 6.4 We recommend that the council contacts Wasteserv Malta Ltd and ensures that all invoices are approved and recorded in their books. The council should also chase for payment.

## 7 Bank and cash

### Petty cash balance

- 7.1 During our audit fieldwork we performed a cash count on 13 September 2021 and reconciled it back to 31 December 2020. We identified a difference of €18.87 between the cash count and petty cash balance recorded in the council's books of account. No adjustment was proposed from our end since no explanation was provided.
- 7.2 We recommend that the council investigates any differences in its petty cash balance and passes appropriate adjustments in the books of account to agree to actual cash in hand. We also advise the council to reconcile petty cash monthly.

### Final withholding tax

- 7.3 During our fieldwork we noted that the BOV savings account is subject to a 15% final withholding tax.
- 7.4 Even though this bank account does not normally earn any interest it is still recommended that the council instructs the bank not to withhold tax since it is exempt from income tax.

### Bank account representatives

- 7.5 During our testing of bank balances, it was noted that the previous executive secretary, is still listed as an account representative for one of the BOV savings bank account held by the council.
- 7.6 May we remind the council that subsidiary legislation 363.01 states that the bank representatives of the council should only be the current Mayor and executive secretary. We recommend that the council instructs the bank to update the account representatives for security reasons.

## 8 Trade and other payables

### Supplier statements

- 8.1 We again noted that the council did not obtain statements as at or near year-end from all suppliers to confirm the year-end balances and to ensure the completeness of the books of account. Circulars issued from time to time by the Department of Local Government specifically emphasise that the council should acquire monthly statements from all its suppliers.
- 8.2 We understand that the council does make every effort to obtain statements from its suppliers and that sometimes it is difficult to obtain monthly statements due to suppliers' inefficiency. However we recommend the council keeps on chasing its suppliers for regular statements. This will ensure that the council's creditors are properly recorded in the accounts and that any differences or disputes are highlighted promptly.

### Debit balances in creditors' list

- 8.3 We identified debit balances in the creditors' list amounting to € 685.94. These consist of the following:

Supplier	€
Charles Micallef Swimming	210.00
G4S Security Services Malta	160.48
Lara Catania	233.40
LK Limited	82.06
<b>Total</b>	<b><u>685.94</u></b>

We have passed an audit reclassification amounting to €685.94 to record debit balances in creditors' list as other debtors.

- 8.4 The council should issue and allocate payments against specific invoices. We also recommend that the council investigates the debit balances in creditors as these can indicate a possible overpayment or omitted purchases or expenses.

**Long-outstanding creditors**

- 8.5 The council's creditors' list includes the following balances which have been outstanding for more than one year:

<b>Creditor</b>	<b>€</b>
Alfred Green	2,000.00
Ansek	150.00
Attard Micaela	80.00
C-Planet (IT Solutions) Limited	254.88
Censu Grech	1,167.29
Charlene de Domenico	99.46
Sandro Chetcuti	1,197.70
Cleansing department – extra	19,263.29
Cleansing directorate	8,212.80
Mr Daniel Attard Portughes	70.80
ERS Ltd	413.00
Flower Land	60.00
Formosa Jacqueline	15.84
Guard and Warden	110.88
G3B Ltd	581.28
Gafa Safeway Cleaners Limited	18.13
General Cleaners Limited	11.80
St Gregory Parish Church	10.00
Gillian Eve Buttigieg	900.00
G. Micallef	90.00
St Gregory Musical Institution	1,500.00
Green Skip Services Ltd	1,687.40
Jagged House Co Ltd	420.00
Karljos Dimech	615.52
LBV Ltd	2,528.74
Malta library & information	24.00
Mark Morales	60.00
MCE Limited	66.99
MED Developers Designers	7,729.64
Meusac	150.00
Mica Med Limited	246.90
Mr Saviour Mifsud	5,351.78
Miller Distributors Limited	25.00
MSD Department	4,524.75
Northern Harbour	1,837.05
Odyssey restaurant	720.00
OnePiece Graphic Design	1,100.00
Ozone Limited	362.22
Project Management Group	116,571.84
Polidano Brothers Ltd	67,230.60
Ray Abela Associates Ltd	170.39
S8S Ltd	849.52
SRF Veladrians Joint Venture	18,051.28
Steve Tagliaferro	2,400.00
Transport Malta	15.12

Tony Aquilina Limited	2,035.81
Veladrians	1,224.84
Vella Galea & Associates	177.00
Vinto Ironmongery	190.30
Wasteserv Malta Ltd	48,013.03
Drinking Fountain	72.67
Works Department	3,632.29
Water Services Corporation	89,094.45
	<b>413,386.28</b>

- 8.6 We recommend that the council reviews these amounts and, either settles them if still due, or else reverses them after having obtained approval from the council. Furthermore, decisions and discussions regarding these balances should be minuted during the council meetings.

#### Confirmation of trade creditors

- 8.7 As part of our audit procedures we prepared confirmation letters to be sent to selected creditors and forwarded them to the council for signature. The council up to date of management letter refused to forward the confirmation letters to the listed below creditors. The council also failed to provide us with the invoices and proof of payments made from 1 January 2021 up to date of audit fieldwork with respect to outstanding balances as at 31 December 2020 as well as we were not provided with the suppliers' statements as at year end. Hence, we could not perform audit procedures on the selected creditors' balances. Our audit report has been qualified in this respect. The selected sample included:

Creditor	€	
Projects Management Limited	116,571.84	
Polidano Brothers Limited	67,230.60	(a)
Water Services Corporation	122,752.28	(b)
Cleansing Department	27,476.09	
	<b>334,030.81</b>	

- (a) The council informed us that there is an ongoing court case with the contractor. The details are disclosed in note 18 to the unaudited financial statements.
- (b) The council disclosed in note 18 to the unaudited financial statements that the creditor has launched a claim against the council amounting to €110,261.
- 8.8 We again remind the council that effort must be done in obtaining monthly statements from its suppliers and if any discrepancies are identified promptly address them. Furthermore, council should ensure that once legal claims are resolved, books of accounts are updated and all decisions are minuted during council meetings.

#### Deferred Income

- 8.9 The council failed to provide signed agreements for the below listed deferred income recorded in the books as at 31 December 2020:

	€
MEPA CPPS: Car Park M	50,903.14
Resurfacing High Street	68,203.16
Dingli Street Project	48,008.30
Urban Greening Project	30,000.00

LC Care Project	4,000.00
	<u>201,114.60</u>

- 8.10 We remind the council that obtaining and retaining signed copies of all the contracts is of vital importance and will assist in the establishing of the appropriate accounting treatment.

## **9 Administration**

### **Schedule of payments**

- 9.1 We noted that all schedules of payments did not include all cheque numbers and, as a result, we could not ensure that all cheque payments were included.
- 9.2 In accordance with P1.11 of the Local Councils (Financial) Procedures, 1996 the executive secretary must prepare complete and accurate schedules of payments containing information in sequential order and present them for council's approval. We recommend that the schedules of payments are reviewed for accuracy and jointly signed by the mayor and the executive secretary to serve as evidence that these have been duly approved by the council. We also recommend that if a cheque payment is cancelled this should be approved and properly indicated on the schedule of payments. The cancelled cheque should be retained as evidence of its cancellation.

## **10 Electronic site**

- 10.1 During our audit fieldwork, we noted the following shortcomings in relation to the electronic site:
- a) To date of the audit fieldwork the council failed to upload the quarterly reports for January to December 2020.
  - b) To date of the audit fieldwork the council has also not uploaded management letter 2019 and the reply to the management letter on the council website.
  - c) The council did not prepare and upload the business plan for 2020 - 2022.
  - d) To date of the audit fieldwork the council has failed to upload the 2021 annual budget.
- 10.2 This contravenes the Local Councils (Financial) Procedures which mandate specific timelines for these reports and minutes. We recommend that the council uploads all documents in pdf within the required time. Furthermore, the council should ensure that all the documents are uploaded in pdf and indicated as signed to confirm that the uploaded documents have been approved and are the correct ones.

### **Uploading of management letter and other documents**

- 10.3 We also noted that the council has not uploaded the 2019 Management Letter in full which is in contradiction to circular 21/2019.
- 10.4 We would like to remind the council of the recent General Data Protection Regulations as indicated to councils in SPI 7/2018. Councils should be mindful that there are restrictions on transmitting/ publishing information regarding personal data. Therefore, certain documents should be carefully scrutinised to ensure that they do not contravene GDPR prior to uploading on the website. This is also

highlighted in Circular 7 of 2019 which states that names of third parties not directly connected with the operations of the council should not be published.

- 10.5 We therefore recommend that the council contacts the Department for clarification of this contradiction.

## 11 Meetings

### Binding of minutes

- 11.1 We noted that the council did not bind the minutes of previous legislature.
- 11.2 We recommend that the council adheres to the provisions in the Local Councils (Office) Procedures, 1996 and arranges for the previous legislature minutes to be bound. The binding of minutes should be given due importance since this provides the only permanent, unchangeable record of council meetings and discussions.

## 12 Reports

### Comparison with annual budget

- 12.1 When comparing the budgeted figures with the actual figures of the year under review, we identified the following difference:

	Budget €	Actual €	Difference €
<b>Expenditure</b>			
Administrative and other expenses	142,755.00	263,388.25	(120,633.25)
	<b>142,755.00</b>	<b>263,388.25</b>	<b>(120,633.25)</b>

- 12.2 We recommend that the council compares budgeted figures to actual figures at least on a quarterly basis to ensure expenditure is in line with budgeted amounts. The council should apply due care and diligence when compiling the budget figures as required by the Financial Regulations.

## Conclusion

We would like to point out that the matters dealt with in this report came to our notice during the conduct of our normal audit procedures which are primarily designed for the purpose of expressing an opinion on the financial statements of the council. In consequence our work did not encompass a detailed review of all aspects of the system and cannot be relied upon necessarily to disclose defalcation or other irregularities or to include all possible improvements in internal control that a more extensive special examination might develop.

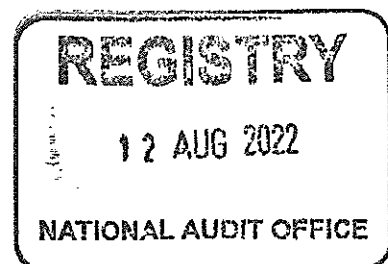
We would also like to take this opportunity to thank Mr Anthony Attard and his staff for their cooperation and assistance during the course of the audit.

Yours faithfully,



**Local Council Silema**  
**Annual Audit Report**  
**for the year ended 31 December 2020**

*Prepared by 3a*



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

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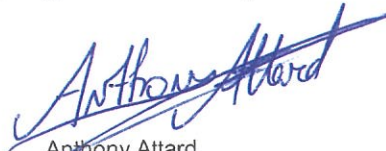
The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's comprehensive income for the year, and of the Council's retained funds at the end of year. By virtue of the same regulations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

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, 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 Council on 19 July 2022 and signed on its behalf by:



John Pillow  
Mayor



Anthony Attard  
Executive Secretary

		2020	2019
	Notes	€	€
<b>Revenue</b>			
Funds received from Central Government	3	1,581,633	1,274,309
Income raised under Local Council Bye-Laws	4	29,764	29,543
Income raised under Local Enforcement System	5	3,712	7,388
General Income	6	214,699	451,358
		<u>1,829,808</u>	<u>1,762,598</u>
<b>Expenditure</b>			
Personal Emoluments	7	(219,327)	(187,870)
Operations and maintenance	8	(1,050,025)	(1,074,764)
Administration and other expenditure	9	(395,030)	(379,192)
		<u>(1,664,382)</u>	<u>(1,641,826)</u>
<b>Operating profit for the year</b>		<b>165,426</b>	<b>120,772</b>
Finance income	10	10	348
<b>Profit for the year</b>	<b>7</b>	<b><u>165,436</u></b>	<b><u>121,120</u></b>

The notes on pages 6 to 27 form an integral part of these financial statements.

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		2020	2019
	Notes	€	€
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	12	1,089,531	1,141,928
Intangible assets	11	479	924
		<u>1,090,010</u>	<u>1,142,852</u>
<b>Current Assets</b>			
Receivables	13	707,975	513,044
Cash and cash equivalents	14	1,125,551	922,621
		<u>1,833,526</u>	<u>1,435,665</u>
<b>Total Assets</b>		<u><u>2,923,536</u></u>	<u><u>2,578,517</u></u>
<b>EQUITY</b>			
<b>Reserves</b>			
Retained earnings		1,674,879	1,509,443
<b>Total equity</b>		<u><u>1,674,879</u></u>	<u><u>1,509,443</u></u>
<b>Non-Current Liabilities</b>			
Deferred income	16	501,943	467,943
		<u>501,943</u>	<u>467,943</u>
<b>Current Liabilities</b>			
Payables	15	746,714	601,131
		<u>746,714</u>	<u>601,131</u>
<b>Total Liabilities</b>		<u><u>1,248,657</u></u>	<u><u>1,069,074</u></u>
<b>Total equity and liabilities</b>		<u><u>2,923,536</u></u>	<u><u>2,578,517</u></u>

These financial statements were approved by the Local Council on 19 July 2022 and signed on its behalf by:

  
John Pillow  
Mayor

  
Anthony Attard  
Executive Secretary

The notes on pages 6 to 27 form an integral part of these financial statements.

Statement of Changes in Equity  
for the year ended 31 December 2020

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	Retained Funds	Total
	€	€
<b>At 1 January 2019</b>	1,388,323	1,388,323
Profit for the year	121,120	121,120
<b>At 31 December 2019</b>	<u>1,509,443</u>	<u>1,509,443</u>
<b>At 1 January 2020</b>	1,509,443	1,509,443
Profit for the year	165,436	165,436
<b>At 31 December 2020</b>	<u>1,674,879</u>	<u>1,674,879</u>

The notes on pages 6 to 27 form an integral part of these financial statements.

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**Statement of Cash Flows**  
for the year ended 31 December 2020

	2020		2019	
	€	€	€	€
<b>Net profit for the year</b>	165,436		121,120	
Reconciliation to cash generated from operations:				
Depreciation and amortisation	109,641		109,274	
Movement in provision for doubtful debtors	22,003		(3,356)	
Investment income	(10)		(348)	
Operating profit before working capital changes	<u>297,070</u>		<u>226,690</u>	
(Increase) in receivables	(320,328)		(90,877)	
Decrease / (increase) in other receivables	103,395		(149,955)	
Increase in payables	123,104		102,301	
Increase / (decrease) in other payables	<u>22,479</u>		<u>(48,298)</u>	
<b>Cash generated from operating activities</b>		<b>225,720</b>		<b>39,861</b>
<b>Cash flow from Investing activities</b>				
Interest received	10		348	
Purchase of property, plant & equipment	(56,798)		(156,778)	
Receipt of grants	<u>34,000</u>		<u>361,835</u>	
<b>Cash generated from/(used in) investing activities</b>		<b>(22,788)</b>		<b>205,405</b>
<b>Net Increase in cash in the year</b>		<b>202,932</b>		<b>245,266</b>
Cash and equivalents at beginning of year		<u>922,621</u>		<u>677,355</u>
<b>Cash and equivalents at end of year</b>		<b><u>1,125,553</u></b>		<b><u>922,621</u></b>

The notes on pages 6 to 27 form an integral part of these financial statements.

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## 1. General Information

The Sliema Local Council is the local authority of Malta set up in accordance with the Local Councils Act(1993). The office of the Local Council is situated at Government School, Depiro Street, Sliema. These financial statements were approved for issue by the Council Members on 19 July 2022. The Local Council's presentation as well as functional currency are denominated in €.

## 2. Accounting Policies and Reporting Procedures

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

### *Accounting convention*

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

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 COVID-19 pandemic has impacted the Council's operations and functions. In line with the recommendations issued by the Maltese Public Health Authorities, the Council implemented a number of measures to offer its services in a safe environment to the residents, general public, councillors and employees.

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

During the year, the Company has applied the following International Financial Reporting Interpretations and Amendments as adopted by the EU which have become mandatorily effective for the year ending 31 December 2020:

### *New or revised Amendments adopted:*

- Amendments to References to the Conceptual Framework in IFRS Standards. In addition to the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework.

Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Amendments in the definition of 'material' to align with the definition used in the Conceptual Framework and the standards.

- Amendments to IFRS 16 'Leases'. The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. This became mandatorily effective for annual reporting periods beginning on or after 1 June 2020

*New and revised IFRSs adopted by the EU that are not mandatorily effective for the year ending 31 December 2020 and have not been applied during the year under review:*

Below is a list of new or revised standards, as well as interpretations and amendments to IFRSs adopted by the EU, that are not yet mandatorily effective (but allow early application) for the year ending 31 December 2020:

These consisted of 'Amendments to IFRS 4 'Insurance Contracts' and 'Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) Interest Rate Benchmark Reform - Phase 2'. Such amendments are not relevant for the Council's scenario.

*Standards and Interpretations issued by the IASB but not yet adopted by the EU:*

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the IASB except for the following standards and amendments to the existing standards, which were not endorsed for use in the EU as at 31 December 2020 and cannot be applied by the entities preparing their financial statements in accordance with IFRS as adopted by the EU:

- IFRS 17 Insurance Contracts (issued 18 May 2017)
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current (Issued 23 January 2020)
- Amendments to IFRS 3 Reference to the Conceptual Framework (issued 14 May 2020)
- Amendments to IAS 16 Property, Plant and Equipment - Proceeds before Intended Use (issued 14 May 2020)
- Amendments to IAS 37 Onerous Contracts - Cost of Fulfilling a Contract (Issued 14 May 2020)
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16, and IAS 41) (Issued on 14 May 2020)
- Amendments to IFRS 17 (issued 25 June 2020)
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current - Deferral of Effective Date (Issued 15 July 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.

*Intangible Fixed Assets*

Computer Software

Computer software is valued at cost less accumulated depreciation and impairment losses to date. Depreciation to write off the cost is calculated on a monthly basis using the straight line method at 25% per annum.

*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	7.5-23
Construction Works	10-17
Urban Improvements (Street Furniture)	10-23
Special Projects	10-18
Office Equipment	20-22
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	Replacement basis
Playground Furniture	100
Traffic Signs	Replacement basis
Road Signs	Replacement basis
Street Mirrors	Replacement basis
Street Lights	100

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each Statement of Financial Position date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company 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.

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*Impairment of non-financial assets*

The carrying amounts of non-financial assets are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is calculated as the present value of the expected future cash flows, discounted at the original effective interest rate inherent in the assets. The recoverable amount of the assets is the greater of their net selling price and value in use.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

*Impairment of financial assets*

The Council recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and trade receivables. ECLs are based on the difference between the contracted cash flows due in accordance with the contract and all the cash flows that the Council expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

After the adoption of IFRS 9 as from 1 January 2018, the Council applied the simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

*Leases*

Leases in which a significant portion of the risks 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.

*Inventories*

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

*Amounts receivable*

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less expected credit losses. The amount of credit loss is updated at each reporting period to reflect changes in credit risk since initial recognition.

Amounts receivable are derecognised when the rights to receive cash flows have expired or when substantially all risks and rewards of ownership have been transferred. When there is no reasonable expectation of recovering part or all of an amount receivable, its carrying value is written off.

**Related parties**

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

**Revenue**

Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods and services promised.

**Local Enforcement System**

The Sliema Local Council used to form part of the Lyant Joint Committee up to 31 August 2011. The amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the Joint Committee after deducting the related expenses.

As from 1 September 2011, the Central Regional Committee had taken over the Local Enforcement System function and the Council receives 10% administrative reimbursements on fines collected. Subsequently, as from 1st October 2015, the Local Enforcement System Authority became responsible for the overall management and control of the Local Enforcement System.

**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.

**Profits and losses**

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

**Cash and 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 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 IAS1 (revised) - 'Presentation of Financial Statements'.

*Capital Management*

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

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

To achieve the above, the Council carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was positive at the reporting date 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.

*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 transactions costs. They are measured subsequently as described below.

*Financial assets*

For the purpose of subsequent measurement, financial assets of the Council are classified into loans and receivables upon initial recognition.

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

All income and expenses relating to loans and receivables are presented within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administration and other expenditure'.

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

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

*Financial liabilities*

The Council's financial liabilities include other payables. These are stated at their nominal amount which is a reasonable approximation of fair value.

All interest-related charges are included within 'finance costs'.

**3. Funds received from central government**

	2020	2019
	€	€
In terms of section 55 of the Local Councils Act	1,358,144	1,221,652
Supplementary Government Income	30,006	52,657
EU Funding	928	-
Other Government Income	192,555	-
	<u>1,581,633</u>	<u>1,274,309</u>

**4. Income raised from Bye-Laws**

	2020	2019
	€	€
Bye-Laws - Advertising on Street Furniture	<u>29,764</u>	<u>29,543</u>

**5. Local Enforcement System**

	2020	2019
	€	€
Administrative reimbursement on fines collected	<u>3,712</u>	<u>7,388</u>

6. General Income	2020	2019
	€	€
Community services	-	1,430
Cultural events	983	3,090
Sponsorships	1,250	-
General income	-	360
Tender documents/info. charges	163	625
Media advertising	-	2,519
Donations	4,250	-
Refund of expenses	33,848	224,532
Income from permits	174,205	218,802
	<u>214,699</u>	<u>451,358</u>
7. Profit for the year	2020	2019
	€	€
Profit for the year is stated after charging:		
Staff salaries	219,327	187,870
Depreciation of intangible assets	445	461
Depreciation of tangible assets	109,196	108,814
	<u>219,327</u>	<u>187,870</u>
<i>Staff salaries</i>	<b>2020</b>	<b>2019</b>
	€	€
Mayor's Remuneration	19,651	20,006
Councillors' Allowances	32,200	20,833
Executive Secretary Salary and Allowances	32,970	24,620
Employees' Salaries	121,452	111,705
Social Security Contributions	13,054	10,706
	<u>219,327</u>	<u>187,870</u>
<i>Average number of people employed</i>		
Employees	8	7
Mayor & Councillors	13	13
	<u>          </u>	<u>          </u>

**8. Operations and Maintenance**

	2020	2019
	€	€
<i>Repairs and Upkeep:</i>		
Road/street pavements	24,356	20,686
Signs	4,635	7,727
Road markings	12,384	16,878
Office furniture and equipment	118	387
Plant & equipment	210	-
Sundry repairs	217	5,639
Other repairs and upkeep	57,927	74,091
	<u>99,847</u>	<u>125,408</u>
<i>Contractual Services:</i>		
Waste disposal	213,782	167,847
Refuse collection	422,334	452,500
Bulky refuse collection	34,313	34,313
Cleaning services	16,671	30,574
Road & street cleaning	157,764	158,677
Cleaning - public conveniences	24,329	24,964
Cleaning - council premises	3,829	3,321
Clean. & maint. parks & gardens	55,938	55,938
Street lighting	14,935	18,984
Studies & consultations	5,859	1,506
Local enforcement expenses	424	732
	<u>950,178</u>	<u>949,356</u>
Total Operations and Maintenance Costs	<u>1,050,025</u>	<u>1,074,764</u>

9. Administration and other expenditure	2020	2019
	€	€
Utilities	83,763	64,086
Other repairs and upkeep	38,989	18,714
Rent	5,797	3,911
National and International Memberships	86	1,930
Office Services	5,162	13,571
Transport	8,449	7,963
Travel	-	1,516
Information Services	15,704	18,132
Lease of Equipment	3,850	15,398
Insurance Coverage	4,441	3,931
Bank Charges	281	186
Professional Services	65,510	65,036
Training	5,673	5,403
Other Hospitality Costs	1,044	1,853
Social Events	23,260	45,323
Cultural events	1,028	4,694
Sundry Minor Expenses	349	1,627
Provision for Doubtful Debtors	22,003	(3,356)
Depreciation and amortisation	109,641	109,274
	<u>395,030</u>	<u>379,192</u>
10. Finance Income	2020	2019
	€	€
Bank interest receivable	<u>10</u>	<u>348</u>

**11. Intangible fixed assets**

	<b>Computer Software €</b>
<b>Cost</b>	
At 1 January 2019	6,882
Additions	438
	<hr/>
At 1 January 2020	7,320
Disposals	(1,150)
	<hr/>
<b>At 31 December 2020</b>	<b>6,170</b>
<b>Provision for diminution in value</b>	
At 1 January 2019	5,498
Charge for year	898
	<hr/>
At 1 January 2020	6,396
On disposals	(1,150)
Charge for year	445
	<hr/>
<b>At 31 December 2020</b>	<b>5,691</b>
<b>Net book values</b>	
<b>At 31 December 2020</b>	<b>479</b>
	<hr/> <hr/>
At 31 December 2019	924
	<hr/> <hr/>

Local Council Silema

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

12. Property, plant and equipment	Property	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & equipment	Office Furniture & fittings	Motor vehicles	Special Programmes	Total
	€	€	€	€	€	€	€	€	€
<b>Cost</b>									
At 1 January 2019	181,448	481,863	98,345	1,338,693	81,704	53,200	17,026	2,118,094	4,370,373
Additions	-	151,670	-	645	2,113	2,350	-	-	156,778
Assets Capitalised	-	(125,680)	-	16,114	469	-	-	108,659	(438)
Assets Impaired	-	-	-	-	-	(221)	-	-	(221)
At 31 December 2019	181,448	507,853	98,345	1,355,452	84,286	55,329	17,026	2,226,753	4,526,492
<b>Depreciation</b>									
At 1 January 2019	33,736	-	98,345	1,011,388	51,678	38,839	17,026	1,121,942	2,372,954
On impairment	-	-	-	-	-	(221)	-	-	(221)
Charge for the year	1,761	-	-	42,069	6,847	2,219	-	55,918	108,814
At 31 December 2019	35,497	-	98,345	1,053,457	58,525	40,837	17,026	1,177,860	2,481,547
<b>Grants</b>									
At 1 January 2019	9,645	-	-	132,594	12,329	2,301	-	745,679	902,548
Grants allocated for year	-	-	-	-	469	-	-	-	469
At 31 December 2019	9,645	-	-	132,594	12,798	2,301	-	745,679	903,017
<b>Net book values</b>									
At 31 December 2019	136,306	507,853	-	169,401	12,963	12,191	-	303,214	1,141,928

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

12. Property, plant and equipment	Property	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & equipment	Office Furniture & fittings	Motor vehicles	Special Programmes	Total
	€	€	€	€	€	€	€	€	€
<b>Cost</b>									
At 1 January 2020	181,448	507,853	98,345	1,355,452	84,286	55,329	17,026	2,226,753	4,526,492
Additions	-	52,088	-	111	2,974	1,625	-	-	56,799
Assets Capitalised	-	(68,547)	-	68,547	-	-	-	-	-
Assets Disposed	-	-	-	-	-	(221)	-	-	(221)
At 31 December 2020	181,448	491,395	98,345	1,424,110	87,260	56,733	17,026	2,226,753	4,583,070
<b>Depreciation</b>									
At 1 January 2020	35,497	-	98,345	1,053,457	58,525	40,837	17,026	1,177,860	2,481,547
On disposal	-	-	-	-	-	(221)	-	-	(221)
Charge for the year	1,761	-	-	44,159	6,566	2,293	-	54,417	109,196
At 31 December 2020	37,258	-	98,345	1,097,616	65,091	42,909	17,026	1,232,277	2,590,522
<b>Grants</b>									
At 1 January 2020	9,645	-	-	132,594	12,798	2,301	-	745,679	903,017
At 31 December 2020	9,645	-	-	132,594	12,798	2,301	-	745,679	903,017
<b>Net book values</b>									
At 31 December 2020	134,545	491,395	-	193,900	9,371	11,523	-	248,797	1,089,531

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**13. Receivables**

		<b>2020</b>	<b>2019</b>
		<b>€</b>	<b>€</b>
Receivables	<i>Note</i>	407,102	108,108
LES debtors	<i>Note</i>	1,950	2,618
Other receivables		6,242	6,465
Accrued income		285,966	391,441
<b>Financial assets</b>		<u>701,260</u>	<u>508,632</u>
Prepayments		6,715	4,412
		<u>707,975</u>	<u>513,044</u>

*Receivables*

General receivables are analysed as follows:

	<b>2020</b>	<b>2019</b>
	<b>€</b>	<b>€</b>
Within credit period	30,126	4,159
Exceeded credit period but not impaired	376,976	103,949
Impaired and provided for	164,839	140,912
Provision for doubtful debts	(164,839)	(140,912)
	<u>407,102</u>	<u>108,108</u>

**13. Receivables (cont.)**

Included in the receivables are debtors with a carrying amount of € 376,976 (2019: € 103,949 which are past due at the reporting date for which the council has not provided as there has not been significant change in credit quality and the amounts are still considered recoverable. The age of financial assets past due but not impaired is as follows:

	2020	2019
	€	€
Not more than 3 months	139,864	15,031
More than 3 months but not more than 6 months	229,282	4,038
More than 6 months	7,830	84,880
	<u>376,976</u>	<u>103,949</u>

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

	2020	2019
	€	€
Balance at 1 January	140,912	142,219
Increase/(decrease) in provision for general receivables	24,052	(1,307)
	<u>164,964</u>	<u>140,912</u>

**Local Enforcement System (LES) Debtors**

LES Debtors are stated after a specific provision for doubtful debts amounting to €656,879 (2019 - €658,803).

**14. Notes to the Statement of Cash Flows**

Cash and cash equivalents included in the Statement of Cash Flows comprise the following amounts in the Statement of Financial Position:

	2020	2019
	€	€
Bank Balances	1,124,629	922,001
Cash in Hand	922	620
	<u>1,125,551</u>	<u>922,621</u>

15. Payables	2020	2019
	€	€
Payables	681,266	558,162
Other taxes and social security costs	336	381
Other creditors	3,489	1,468
Accruals	61,623	41,104
<b>Financial liabilities</b>	<u>746,714</u>	<u>601,115</u>
Other deferred income	-	16
	<u>746,714</u>	<u>601,131</u>
16. Deferred Income	2020	2019
	€	€
<b>Government grants</b>		
At 1 January 2020	467,943	315,994
Increase for the year	34,000	152,856
	<u>501,943</u>	<u>468,850</u>
Released and allocated during the year	-	(907)
At 31 December 2020	<u>501,943</u>	<u>467,943</u>
<b>Non-Current deferred Income</b>	<u>501,943</u>	<u>467,943</u>
<b>Deferred Government Grants</b>		
Deferred between two and five years	<u>501,943</u>	<u>467,943</u>

## 17. Capital commitments

	2020	2019
	€	€
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	<u>947,000</u>	<u>943,000</u>
(i) Approved but not yet contracted for:		
Urban Improvements	80,000	80,000
Office Furniture & Fittings	10,000	10,000
Vincenzo Apap Monument	14,000	12,000
Office Equipment	10,000	8,000
Car Park Project	50,000	50,000
Embellishment of Public Convenience - Ferro Bay	100,000	100,000
Tony Nicholl Monument	5,000	5,000
Construction of Public Convenience - The Strand	120,000	120,000
Construction of Pavements	270,000	270,000
Construction of Pavements - High Street	228,000	228,000
Restoration of Niches	-	60,000
Road Works at Ghar il-Lembi	<u>120,000</u>	-
	<u>1,007,000</u>	<u>943,000</u>
(ii) Contracted for but not provided in the Financial Statements:		
	<u>-</u>	<u>-</u>

The projects outlined above will be mainly financed through funds received from the Regional Committee out of the administration of the Local Enforcement System, the Urban Development Fund and other ordinary funds earmarked specifically out of the annual allocation granted to the Council by Central Government.

**18. Contingent liabilities**

The Council signed a Joint Cooperation Agreement with Pembroke, San Giljan, San Gwann and Swieqi Councils on the 3rd November 1999. This was further amended by an agreement signed on 14th August 2002 where the Council entered into a Pooling agreement. Clause 18.1 of the said agreement entails that the Council deposits €2,329 as a bank guarantee. This is to indemnify the Joint Committee against any breach of the agreement by Local Council Sliema.

A contractor company has instituted a court case against the Council whereby the company is claiming that the amount payable to the Council of €89,767 for various permits, is not due and on the contrary, the Council should pay an additional amount of €17,594 over and above the amount €67,230 which is already recognised in the financial statements on account of various construction and resurfacing works carried out in the locality.

The Water Services Corporation has launched a claim against the Council with respect to unbilled water consumption at Bonello Du Puis Gardens, Qui-Si-Sana Sea Front. This claim amounts to a total bill of €110,261 covering the period 24th September 2013 till 29th January 2018.

An individual has launched a claim against the Council with respect to injuries sustained due to an accident which occurred at the Sliema Promenade during 2018. The individual is claiming expenses amounting to € 9,545.

During 2019, the Council committed a Bank Guarantee in favour of the Planning Authority and amounting to €6,100 in connection with a Project to construct a Car Park Facility in the locality. The Council would be required to pay damages and penalties to the Planning Authority in the event that it does not execute the project in line with what is expected of it under the terms of the development permit.

**19. Related party transactions**

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Ministry for Tourism	Significant control
Department of Local Councils	Significant control
Lvant Joint Committee (Local Enforcement)	Joint Control
Northern Harbour District Joint Committee	Joint Control
Central Regional Committee	Joint Control
Gozo Regional Committee	No control
South Regional Committee	No control
North Regional Committee	No control
South Eastern Regional Committee	No control
Local Enforcement System Authority	No control
Transport Malta	No control
Department of Information	No control
Director General - DEF	No control
Manufacturing and Servicing Department	No control
Ministry for Resources and Rural Affairs (Dissolved at 31 December 2013)	No control
Ministry of Education - Permanent Secretary	No control
Malta Communications Authority	No control
College Principal - St. Claire College	No control
Local Councils Association Malta	No control
Department of Lands	No control
CVA Technology Limited	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Cleansing Services Department	No control
Director General - Works Division	No control
ARMS Limited	No control
Commissioner of Police	No control
Ministry for Interior and National Security - Permanent Secretary	No control
Wasteserv Malta Limited	No control

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

	2020	2019
	€	€
Annual Financial Allocation	<u>1,358,144</u>	<u>1,221,652</u>

**Key management compensation**

Transactions with key management personnel are disclosed in note 7. The key management personnel of the Council is composed of the Mayor, Councillors and Executive Secretary. Amounts paid to Key Management Personnel for the year amounted to € 86,007 (2019: € 66,529)

**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 quality financial institutions as well as it limits the amount of credit exposure with any one financial institution.

The receivable balances of the Council are mainly composed of balances with government-related entities. Given the low risk associated with such entities, the default risk is considered to be insignificant. Given the fact that this will not result in material misstatement, the Council did not calculate and account for this 'expected credit loss'.

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
	€	€
<i>Classes of financial assets - carrying amounts</i>		
Trade and other receivables	701,260	508,632
Cash and cash equivalents	1,125,551	922,621
	<u>1,826,811</u>	<u>1,431,253</u>

The Council does not hold any collateral or other credit enhancements to cover this credit risk.

***Liquidity risk***

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact, at year end, the Council has as cash and cash equivalents the amount of € 1,125,551. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net asset position of € 1,674,879 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	Non-Current	
	within 1 year €	1 to 5 5 years €	later than 5 years €
Payables	681,266	-	-
Other taxes and social security costs	336	-	-
Other creditors	3,489	-	-
Accruals	61,623	-	-
	<u>          </u>	<u>          </u>	<u>          </u>

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

	Current	Non-Current	
	within 1 year €	1 to 5 5 years €	later than 5 years €
Payables	558,162	-	-
Other taxes and social security costs	381	-	-
Other creditors	1,468	-	-
Accruals	41,104	-	-
	<u>          </u>	<u>          </u>	<u>          </u>

#### 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 minimizing uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense. The Council is not exposed to any variable interest rates liabilities.

**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
	€	€
<b>Current assets</b>		
Loans and receivables:		
Trade and other receivables	701,260	508,632
Cash and cash equivalents	1,125,551	922,621
	<u>1,826,811</u>	<u>1,431,253</u>
<b>Current liabilities</b>		
Financial liabilities measured at amortised cost:		
Payables	681,266	558,162
Other taxes and social security costs	336	381
Other creditors	3,489	1,468
Accruals	61,623	41,104
	<u>746,714</u>	<u>601,115</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.