

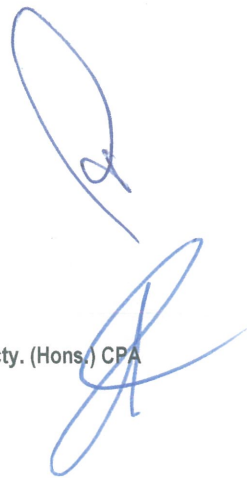
LOCAL COUNCILS' ASSOCIATION

**Annual Report
and
Financial Statements**

for the year ended 31 December 2020

Prepared by

Daniel Galea B. Accty. (Hons.) CPA

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ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2020

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Financial Statements for the year ended 31 December 2020

Statement of Executive Committee Members' and Executive Secretary's Responsibilities

The Local Councils (Financial) Regulations' require the Executive Secretary to prepare a detailed annual administrative report which includes the Association's statement of comprehensive income for the year and a statement of the Committee's retained funds at the end of year. By virtue of the same regulations it is the duty of the Committee Members 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 Association for the year and its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, and the Local Councils (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 Councils (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Local Councils' Association on the 14th January 2021 and was signed on its behalf by:



Mario Fava
President



Lianne Cassar
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

		2020 €	2019 €
	<i>Notes</i>		
Income			
Funds received from Central Government	4	240,000	102,772
EU Funded projects	5	-	8,059
General Income	6	<u>352,717</u>	<u>542,245</u>
		<u>592,717</u>	<u>653,076</u>
 Expenditure			
Personal emoluments	8	150,721	142,534
Administrative and other expenditure	9	<u>282,478</u>	<u>459,860</u>
		<u>433,199</u>	<u>602,394</u>
 Operating surplus for the year		159,518	50,682
 Finance income	10	6,041	6,240
Finance cost	11	(2,625)	(2,641)
 Surplus for the year		<u>162,934</u>	<u>54,281</u>

The notes on pages 8 to 24 are an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

		2020 €	2019 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	155,955	136,734
Intangible assets	13	1,011	1,695
Right of use assets	21	<u>75,367</u>	<u>90,802</u>
		<u>232,333</u>	<u>229,231</u>
Current Assets			
Receivables	14	486,345	481,092
Cash and Cash Equivalents	15	<u>1,139,526</u>	<u>935,101</u>
		<u>1,625,871</u>	<u>1,416,193</u>
Total Assets		<u><u>1,858,204</u></u>	<u><u>1,645,424</u></u>
EQUITY AND LIABILITIES			
Reserves			
Retained Fund		<u>1,182,668</u>	<u>1,019,734</u>
Non-Current Liabilities			
Lease liabilities	22	<u>51,274</u>	<u>69,175</u>
Current Liabilities			
Payables	16	<u>624,262</u>	<u>556,515</u>
Total Equity and Liabilities		<u><u>1,858,204</u></u>	<u><u>1,645,424</u></u>

These Financial Statements were approved by the Local Councils' Association on the 14th January 2021 and signed on its behalf by:

Mario Fava
President

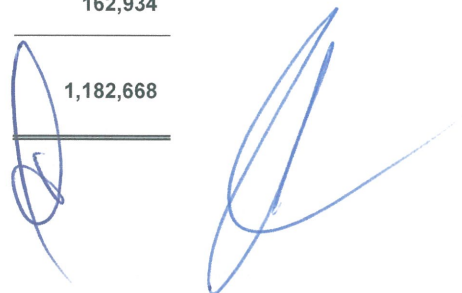
Lianne Cassar
Executive Secretary

The notes on pages 8 to 24 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Retained Funds €
At 1 January 2019	965,453
Surplus for the year 2019	54,281
	<hr/>
At 31 December 2019	1,019,734
	<hr/> <hr/>
At 1 January 2020	1,019,734
Surplus for the year 2020	162,934
	<hr/>
At 31 December 2020	1,182,668
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The notes on pages 8 to 24 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 €	2019 €
	<i>Note</i>	
Cash flows from Operating Activities		
Surplus for the year	162,934	54,281
Reconciliation to cash generated from operations:		
Depreciation and amortisation	17,205	13,849
Depreciation on Right-of-use asset	15,435	16,483
(Profit)/Loss on disposal of asset	(682)	1,401
Interest receivable	(6,041)	(6,240)
Finance cost	2,625	2,641
Operating Profit before Working Capital Changes	<u>191,476</u>	82,415
(Increase)/Decrease in receivables	(5,253)	122,961
Increase/(Decrease) in payables	67,747	(81,689)
Cash generated from operating activities	<u><u>253,970</u></u>	<u><u>123,687</u></u>
Cash flows from Investing Activities		
Interest received	6,041	6,240
Proceeds from disposal of property, plant & equipment	2,800	-
Purchase of property, plant & equipment	(37,860)	(105,291)
Cash used in investing activities	<u>(29,019)</u>	<u>(99,051)</u>
Cash flows from Financing Activities		
Lease payments	(20,526)	(22,672)
Cash used in investing activities	<u>(20,526)</u>	<u>(22,672)</u>
Net increase in Cash and Cash Equivalents	204,425	1,964
Cash and Cash Equivalents at the Beginning of the year	<u>935,101</u>	<u>933,137</u>
Cash and Cash Equivalents at the End of the year	<u><u>1,139,526</u></u>	<u><u>935,101</u></u>

The notes on pages 8 to 24 are an integral part of the financial statements.

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

1. General Information

Local Councils' Association is a local and regional authority set up in accordance with the Local Councils Act, (Cap 363) and the Local Councils (Association) Regulations (Cap 363.06). The office of the Local Councils' Association is situated at Local Government Building, Local Government Road, Marsa Industrial Estate, Marsa, Malta. These financial statements were approved for issue by the Association's Members on the 14th January 2021. The Association's presentation as well as functional currency is denominated in €.

2. Accounting Policies and Reporting Procedures

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

Accounting convention

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

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

New and amended standards adopted by the Association

In the current year, the Association has applied a number of amendments to IFRS issued by the International Accounting Standards Boards (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019.

IFRS 16 Leases: This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces IAS 17 Leases and will eliminate the classifications of operating leases and finance leases for lessees. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs.

Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). For lessor accounting, the standard does not substantially change how a lessor accounts for leases under IAS 17.

Annual Improvements to IFRS Standards 2015-2017 Cycle: The following standards have been amended: (1) IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business; (2) IAS 12 - The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits; (3) IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

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

Accounting Policies and Reporting Procedures

New Standards and amendments not yet effective:

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

The Members of the Association 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 Association anticipates that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

Property, plant and equipment

Property, plant and equipment 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:

	%
Office Furniture and Fittings	7.5
Office Equipment	20.0
Computer Equipment	25.0
Computer Software	25.0

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 Association 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.

Leases

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

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The Association has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Association has the right to direct the use of the asset. The Association has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Association has the right to direct the use of the asset if either:
 - The Association has the right to operate the asset; or
 - The Association designed the asset in a way that predetermines how and for what purpose it will be used.

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

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

Accounting Policies and Reporting Procedures (cont.)

Leases (cont.)

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

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

Impairment of Assets

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

Inventories

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

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

Accounting Policies and Reporting Procedures (cont.)

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 Association will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Comprehensive Income.

Government Grants

Government grants are accounted for on the Income Approach in accordance with IAS 20. They are accounted for on a systematic basis in the Statement of Comprehensive Income over the periods necessary to match them with the related costs which they intend to compensate. If such costs are already incurred when the grant is made, or if there are no related costs, then the grant is accounted for when it becomes receivable.

Payables

Payables are classified with either the current or the non-current liabilities depending on their due dates and are stated at their nominal value unless the effect of discounting is material, in which case trade payables are measured at amortised cost using the effective interest method.

Other payables

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

Borrowings

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

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

Financial instruments

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

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

Financial assets

For the purpose of subsequent measurement, financial assets of the Association 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

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'.

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

Accounting Policies and Reporting Procedures (cont.)

Financial assets (cont.)

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

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

Related parties

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

Income recognition

Income is recognised at the fair value of the amount received or receivable, to the extent that it is probable that future economic benefits will flow to the Association and these can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount.

Government grants are recognised when there is reasonable assurance that all conditions attaching to them are complied with and the grants will be received. Government grants related to income are recognised in profit or loss over the periods necessary to match them with the related costs which are intended to compensate, on a systematic basis. Such grants are presented as a credit in the statement of comprehensive income.

Local Enforcement Income

The Local Councils' Association does not form part of any Joint Committee. The function of the Association within the system is to manage the bank account in which the LES Online receipts are deposited and then distribute the paid contraventions to the various Local Councils. The amounts disclosed in the financial statements under Local Enforcement payables is the net of the cash held at the bank, into which the LES Online deposits are credited and the amount of contravention receipts, so credited, that were not yet distributed by year end. The notes within the cash and cash equivalents and payables further illustrate the situation.

Foreign currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the Association operates. These financial statements are presented in €, which is the Association's functional and presentation currency.

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

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

Accounting Policies and Reporting Procedures (cont.)

Borrowing costs

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

Profits and losses

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.

Capital Management

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

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

To achieve the above, the Association 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 Association also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

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

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

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

4. Funds received from Central Government

In terms of Section 55 of the Local Councils Act, 1993 (Cap 363)

2020 €	2019 €
<u>240,000</u>	<u>102,772</u>

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)**5. Surplus on EU Projects**

	2020	2019
	€	€
Local Sats	-	5,333
Coppem	-	2,726
	<u>-</u>	<u>8,059</u>

6. General Income

	2020	2019
	€	€
Re-imbusement of travel expenses	21,836	63,983
Re-imbusement of insurance expenses	87,317	80,440
Registration fees from local conferences	5,527	48,427
LES management fees	167,531	159,784
Other management fees	-	90,000
Other income	70,506	99,611
	<u>352,717</u>	<u>542,245</u>

7. Surplus for the year

	2020	2019
	€	€
Surplus for the year is stated after charging		
Staff salaries	150,721	142,534
Depreciation of property, plant & equipment	17,205	13,849
	<u>150,721</u>	<u>142,534</u>

8. Personal Emoluments

	2020	2019
	€	€
President's Allowance	20,807	15,926
Elected Officers' Allowances	22,888	22,524
Executive Secretary Salary and Allowances	40,714	35,774
Employees' Salaries	58,471	60,890
Social Security Contributions	7,841	7,420
	<u>150,721</u>	<u>142,534</u>

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)**9. Administration and other expenditure**

	2020	2019
	€	€
Utilities	9,233	6,632
Repair and Upkeep	9,020	13,424
Rent	4,362	4,362
National and International Memberships	8,943	12,353
Office Services	14,791	15,723
Travelling Costs	2,270	12,837
Refundable Tickets	21,836	63,983
Transport	5,852	5,741
Information Services	13,319	30,064
Other Contractual Service	92,866	104,635
Bank charges	1,144	1,020
Training	8,060	8,254
Conferences	14,431	80,474
Community & Hospitality	44,393	68,625
(Profit)/loss on disposal of property, plant & equipment	(682)	1,401
Depreciation on right of use assets	15,435	16,483
Depreciation and amortisation	17,205	13,849
	<u>282,478</u>	<u>459,860</u>

10. Investment Income

	2020	2019
	€	€
Bank Interest	<u>6,041</u>	<u>6,240</u>

11. Finance costs

	2020	2019
	€	€
Lease interest	<u>2,625</u>	<u>2,641</u>

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

12. Property, Plant and Equipment

	Office Furniture & fittings €	Office Equipment €	Computer Equipment €	Assets Not Yet Capitalised €	Total €
Cost					
At 1 January 2020	70,712	58,044	33,787	43,167	205,710
Additions	29,171	5,179	720	2,790	37,860
Disposal	(2,662)	(291)	(570)	-	(3,523)
At 31 December 2020	97,221	62,932	33,937	45,957	240,047
Depreciation					
At 1 January 2020	16,742	29,480	22,754	-	68,976
Charge for the year	5,128	7,429	3,964	-	16,521
Released on disposal	(986)	(110)	(309)	-	(1,405)
At 31 December 2020	20,884	36,799	26,409	-	84,092
Net Book values					
At 31 December 2020	76,337	26,133	7,528	45,957	155,955

	Office Furniture & fittings €	Office Equipment €	Computer Equipment €	Assets Not Yet Capitalised €	Total €
Cost					
At 1 January 2019	38,029	39,564	25,550	-	103,143
Additions	34,293	18,480	8,237	43,167	104,177
Disposal	(1,610)	-	-	-	(1,610)
At 31 December 2019	70,712	58,044	33,787	43,167	205,710
Depreciation					
At 1 January 2019	13,510	23,784	18,904	-	56,198
Charge for the year	3,441	5,696	3,850	-	12,987
Released on disposal	(209)	-	-	-	(209)
At 31 December 2019	16,742	29,480	22,754	-	68,976
Net Book values					
At 31 December 2019	53,970	28,564	11,033	43,167	136,734

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

13. Intangible assets

	Computer software €
Cost	
At 1 January 2020	3,442
Additions	-
	<hr/>
At 31 December 2020	3,442
	<hr/>
Depreciation	
At 1 January 2020	1,747
Charge for the year	684
	<hr/>
At 31 December 2020	2,431
	<hr/>
Net Book value	
At 31 December 2020	1,011
	<hr/> <hr/>

	Computer software €
Cost	
At 1 January 2019	2,328
Additions	1,114
	<hr/>
At 31 December 2019	3,442
	<hr/>
Depreciation	
At 1 January 2019	885
Charge for the year	862
	<hr/>
At 31 December 2019	1,747
	<hr/>
Net Book value	
At 31 December 2019	1,695
	<hr/> <hr/>

Amortisation of intangible assets is recognised in administrative expenses.

LOCAL COUNCILS' ASSOCIATION

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

14. Receivables

	2020	2019
	€	€
Current		
Other receivables	9,006	808
Prepayments	9,201	5,366
Accrued income	72,685	80,240
Refundable expenditure in respect to EU Projects	394,678	394,678
Law Enforcement Receivable - Note 16.1	775	-
	<u>486,345</u>	<u>481,092</u>

Receivables

Other receivables are analysed as follows:

	2020	2019
	€	€
Within credit period	<u>9,006</u>	<u>808</u>

Included in the accounts receivable are amounts due from related parties amounting to €3,935 (2019 : €808). These amounts are unsecured, interest free and repayable on demand.

Refundable expenditure is stated net of provision for bad debts of €52,482 (2019: €52,482)

15. Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and at bank. Cash and cash equivalents in the statement of Cash Flows comprise of the following amounts in the Association's Statement of Financial Position:

	2020	2019
	€	€
Cash at Bank		
Current and savings accounts	1,899,692	1,779,228
LES Savings accounts	1,008,800	662,351
Cash in Hand	2	50
	<u>2,908,494</u>	<u>2,441,629</u>
(less) LES Savings account transferred to payables	(1,008,800)	(662,351)
(less) Regional Committees/Local Councils funds transferred to payables	(760,168)	(844,177)
Local Councils' Association's cash & cash equivalents	<u>1,139,526</u>	<u>935,101</u>

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

16. Payables

	2020	2019
	€	€
Current		
Accounts payable	12,655	24,942
Other payables	6,009	6,009
Accruals	17,147	19,474
Deferred income	564,372	463,741
Deferred rental income	6,000	22,667
Lease Liabilities - Note 22	18,079	18,079
Law Enforcement Payable - Note 16.1	-	1,603
	<u>624,262</u>	<u>556,515</u>

Included in the accounts payable are €5,862 (2019: €5,798) due to related parties. These amounts are unsecured, interest free and repayable on demand.

16.1 Law Enforcement System Payable

	2020	2019
	€	€
Amount distributable to Regional Committees/Local Councils	1,008,025	663,954
LES Savings Account	<u>(1,008,800)</u>	<u>(662,351)</u>
	<u>(775)</u>	<u>1,603</u>

16.2 Regional Committees/Local Councils Funds

	2020	2019
	€	€
Regional Committees/Local Councils Bank Accounts	760,168	844,177
Amount distributable to Regional Committees/Local Councils	<u>(760,168)</u>	<u>(844,177)</u>
	<u>-</u>	<u>-</u>

17. Ultimate controlling party

The ultimate controlling party is the Department of Local Government within the Ministry for National Heritage, Culture and Local Government. The individual financial statements of the Association are included with the consolidated financial statements of the Government of Malta.

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

18. Capital commitments

	2020	2019
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	29,000	29,000
- Contracted for but not provided in the financial statements	-	-
(i) Approved but not yet contracted for:		
Office Furniture and fittings	10,000	10,000
Computer Equipment	9,000	9,000
Office equipment	5,000	5,000
Computer Software	5,000	5,000
	<u>29,000</u>	<u>29,000</u>

These will be financed from the Association's Own Funds.

19. Contingent Liability

Proceedings have been filed by Ms Isabella Testaferrata De Noto against the Association, which are currently being heard before the Industrial Tribunal with reference 3664/JD.

Proceedings have been filed by 365 Holdings Limited against the Association, various Local Councils and Faces Consultants Limited, which are currently heard before the Civil Court, First Hall with reference 1018/2019 AF.

Similar proceedings have been filed by 365 Holdings Limited against the Association, various Local Councils and Faces Consultants Limited before the Public Contracts review Board.

The Association is subject to a judicial letter filed by Mr John Mary sive Jimmy Magro, filed on the 7th of August 2017. No further action was taken to date.

20. Related Party Transactions

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Government	Significant control
Airmalta plc	No control
Bank of Valletta plc	No control
Office of the Prime Minister	No control
Data Commissioner	No control
Malta Industrial Parks	No control

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

The amounts due from / to related parties at year-end are disclosed in notes 14 and 16. The terms and conditions do not specify the nature of the consideration to be provided in settlement. These amounts are unsecured, interest free and repayable on demand.

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)**20. Related Party Transactions (cont.)***Key Management compensation*

The Association considers the President, Elected Officers and the Executive Secretary to be Key Management Personnel.

Transactions with key management personnel are disclosed in note 8

	2020		2019			
	Related party activity €	Total activity €	%	Related party activity €	Total activity €	%
<i>Income</i>						
Transactions with central government	240,000			102,772		
Transactions with government entities	238,037			241,823		
Transactions with local councils	92,844			128,867		
	<u>570,881</u>	<u>592,717</u>	<u>96</u>	<u>473,462</u>	<u>653,076</u>	<u>72</u>
<i>Expenditure</i>						
Transactions with central government	12,418			5,841		
Transactions with government entities	35,431			74,977		
Key personnel remuneration	86,905			76,720		
	<u>134,754</u>	<u>433,199</u>	<u>31</u>	<u>157,538</u>	<u>602,394</u>	<u>26</u>

21. Fair value of financial assets and financial liabilities

At 31 December 2020 and at 31 December 2019, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively, approximated their fair values due to the short term maturities of these assets and liabilities. The fair values of non-current financial assets and non-current financial liabilities are not materially different from their carrying amount.

22. Leases

The Association sub-leased parts of its premises to two related parties as from 2019 for €14,400 and €18,600 each per annum and expires on 1 June 2021 and 16 April 2021. Rental income recognised in 2020 amount to €33,000 (2019: €31,228).

Minimum lease payments receivable under this contract amount to:

	2020	2019
	€	€
Not later than one year	11,425	33,000
Later than one year and not later than five years	-	11,425
	<u>11,425</u>	<u>44,425</u>

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

22. Leases (cont.)

'Property, plant and equipment' comprises owned and leased assets that do not meet the definition of investment property. The Association leases assets, including land and buildings and motor vehicles. Information about leases for which the Association is a lessee is presented below.

	2020	2019
	€	€
Property, plant and equipment owned	156,966	138,429
Right-of-use assets, except for investment property	75,367	90,802
	<u>232,333</u>	<u>229,231</u>
Right-of-use assets		
2020		
	Property	Vehicles
Balance at 1 January	87,360	3,442
Depreciation charge for the year	(12,354)	(3,081)
Balance at 31 December	<u>75,006</u>	<u>361</u>
2019		
	Property	Vehicles
Balance at 1 January	99,714	7,571
Depreciation charge for the year	(12,354)	(4,129)
Balance at 31 December	<u>87,360</u>	<u>3,442</u>
	2020	2019
	€	€
Lease liabilities		
Maturity analysis - contractual undiscounted cash flows		
Less than one year	22,154	22,154
One to five years	89,482	89,482
Total undiscounted lease liabilities at 31 December	<u>111,636</u>	<u>111,636</u>
Lease liabilities included in the statement of financial position at 31 December	<u>69,353</u>	<u>87,254</u>
Current	18,079	18,079
Non-current	<u>51,274</u>	<u>69,175</u>
Amounts recognised in profit or loss		
Interest on lease liabilities	(2,625)	(2,641)
Income from sub-leasing right-of-use assets	33,000	31,228
Amounts recognised in the statement of cash flows		
Total cash outflow for lease	(20,526)	(22,672)

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)**23. Financial Risk Management**

The contracted maturity of financial liabilities is as follows:

2020	0-90 days	91-180 days	180-365 days	Total
	€	€	€	€
Payables	12,655	-	-	12,655
Accruals	17,147	-	-	17,147
Lease liabilities	69,353	-	-	69,353
Other payables	6,009	-	-	6,009
	<u>105,164</u>	<u>-</u>	<u>-</u>	<u>105,164</u>

2019	0-90 days	91-180 days	180-365 days	Total
	€	€	€	€
Payables	24,942	-	-	24,942
Accruals	19,474	-	-	19,474
LES payable	1,603	-	-	1,603
Lease liabilities	87,254	-	-	87,254
Other payables	6,009	-	-	6,009
	<u>139,282</u>	<u>-</u>	<u>-</u>	<u>139,282</u>

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

Where applicable, any significant changes in the Association's exposure to financial risks or manner in which the Association manages and measures these risks are disclosed below.

Where possible, the Association aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of the risk exposure associated with financial instruments sharing similar characteristics is disclosed in more details in the notes to the financial statements.

*Categories of Financial Instruments**Financial assets*

Cash and bank balances	1,139,526	935,101
Loans and receivables	<u>477,144</u>	<u>475,726</u>

Financial liabilities

Amortised cost	105,164	52,028
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Credit risk

Financial assets which potentially subject the Local Councils' Association to concentrations of credit risk consist principally of cash at bank and receivables. The Local Councils' Association's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Local Councils' Association has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to receivables is monitored continuously and the Local Councils' Association places a provision on any debt on which there is doubt of recoverability.

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

23. Financial Risk Management (cont.)

The Association does not have any receivables which are past due at the end of the reporting period.

Liquidity Risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Local Councils' Association'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 Local Councils' Association 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 Local Councils' Association has as cash and cash equivalents the amount of €1,139,526. This should ensure an ongoing working capital of the Local Councils' Association for the next 12 months. The Association also maintains a positive current net asset position of €950,335 (2019: €790,503) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

Foreign Currency Risk

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

Interest Rate Risk

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

Market risks

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks. The Local Councils' Association is not exposed to Market Risks.

Other risks

The Local Councils' Association's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Local Councils' Association to cash flow interest rate risk. In general, the Local Councils' Association is not exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows in view of the nature of the assets and liabilities.

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