THE CITY COUNCIL OF PORT LOUIS
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Notes	2018-19 MUR	2017-18 MUR
ASSETS			
Current Assets			
Cash and Cash Equivalents	**20**	**57,618,295**	12,534,476
Receivables From Exchange Transactions	**21**	**12,007,472**	10,300,294
Receivables From Non-Exchange Transactions	**22**	**1,186,290**	-
Loans and Advances	**23**	**25,060**	25,060
Inventories	**25**	**7,208,999**	9,125,951
Investments	**26**	**203,950,000**	243,356,800
Total Current Assets		**281,996,116**	**275,342,581**
Non - Current Assets			
Available-for-sale investments	**27**	**50,000,000**	50,000,000
Loans and Advances	**28**	**9,067,531**	11,545,306
Receivable from Exchange transactions	**21**	**1,006,682**	8,769,020
Receivable from non-exchange transactions	**22**	**115,980,571**	122,160,898
Property, Plant And Equipment	**29**	**5,673,249,571**	1,366,619,934
Total Non - Current Assets		**5,849,304,354**	**1,559,095,159**
TOTAL ASSETS		**6,131,300,470**	**1,834,437,740**
Current Liabilities			
Payables from Exchange transactions	**30**	**14,222,027**	5,229,353
Payables from non-Exchange transactions	**31**	**8,443,745**	6,184,782
Deposits	**32**	**12,945,149**	14,340,407
Deferred Income	**33**	-	64,476,763
Borrowings	**34**	**19,890,140**	19,890,140
Provisions	**35**	**46,164,242**	42,851,815
Employee Benefit Obligations	**36**	**208,039,072**	210,460,641
Other liabilities	**37**	**47,658,218**	45,465,698
Total Current Liabilities		**357,362,593**	**408,899,598**
Non - Current Liabilities			
Employee Benefit Obligations	**36**	**1,408,395,939**	1,580,680,114
Total Non - Current Liabilities		**1,408,395,939**	**1,580,680,114**
TOTAL LIABILITIES		**1,765,758,532**	**1,989,579,713**
NET ASSETS/(LIABILITIES)		**4,365,541,938**	**(155,141,973)**
NET ASSETS/EQUITY			
Reserves		**3,996,781,189**	(320,004,101)
Accumulated surplus		**368,760,749**	164,862,128
Total Net Assets/Equity		**4,365,541,938**	**(155,141,973)**

Approved in Council Meeting on the 24th October 2019

....	....
M. M. CADERSAIB	**J. MULLOO**
Lord Mayor	**Chief Executive**

THE CITY COUNCIL OF PORT LOUIS

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2018-19 MUR	2017-18 MUR
Revenue From Non-Exchange Transaction			
Taxes	**3**	**120,302,321**	129,398,203.43
Fees, fines and penalties	**4**	**59,980,856**	95,769,926
Public Contributions And Donations	**5**	**10,842,310**	-
Government Grant	**6**	**702,236,952**	580,311,863
Other Revenue	**7**	**18,589,509**	10,912,916
Total revenue from Non-Exchange Transactions		**911,951,949**	816,392,908
Revenue From Exchange Transactions			
Building and Land Use Permit Fees	**8**	**12,679,494**	4,281,799
Rent and Royalties	**9**	**45,190,581**	43,815,620
Financial Income	**10**	**6,257,417**	-
Other Revenue	**11**	**5,796,003**	3,041,688
Total revenue from Non-Exchange Transactions		**69,923,495**	**51,139,107**
Total Revenue		**981,875,444**	**867,532,015**
Expenses			
Compensation Of Employees	**12**	**751,993,950**	634,295,716
Remuneration of Councilors	**13**	**6,394,519**	5,846,396
Grants And Subsidies	**17**	**3,901,356**	3,901,341
Supplies and consumables	**15**		
Utilities Cost	15.1	**64,923,754**	64,188,667
Motor Vehicle Expenses	15.2	**12,774,977**	13,046,960
Repairs And Maintenance	15.3	**22,882,557**	20,887,273
Cleaning and Security Services	15.4	**87,346,260**	78,369,950
Hosting of events running costs	15.5	**8,502,811**	10,211,443
Professional And Legal Fees	**16**	**2,593,275**	4,622,737
Depreciation and Amortisation expenses	**18**	**11,421,783**	9,882,755
Other Expenses	**19**	**13,374,352**	22,780,802
Total Expenditure		**986,109,594**	**868,034,039**
Deficit for the Year		**-4,234,150**	**-502,024**

STATEMENT OF CHANGES IN NET ASSETS/EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Accumulated Fund MUR	Reserves MUR	Other Reserves MUR	Total MUR
Balance as at 01 July 2018	**(164,862,128)**	**317,881,844**	**-**	**153,019,715.85**
Transfer to				
Deferred Grants 17/18	(64,476,763)			(64,476,763)
Adjustment				
Prior Year Adjustment	3,603,268	845,611,064		849,214,332
Stock Adjustment	441,066			441,066
Other Adjustments	(6,625)		(5,033,482,909)	(5,033,489,533)
Pension Retired employee Benefits	(147,693,718)			(147,693,718)
Gain on Liability-Remeasurement Pension Liability		(125,299,644)		(125,299,644)
Gain on Assets-Remeasurement Pension Liability		(1,491,544)		(1,491,544)
Deficit for the year	4,234,150			4,234,150
Balance as at 30 June 2019	**(368,760,749)**	**1,036,701,719**	**(5,033,482,909)**	**(4,365,541,938)**

THE CITY COUNCIL OF PORT LOUIS
STATEMENT OF CASH FLOW AS AT 30 JUNE 2019

CASH FLOW FROM OPERATING ACTIVITIES	2018-19	2017-18
Receipts	**MUR**	**MUR**
Tax	**122,770,843**	113,090,405
Public Contributions and Donations	**10,524,310**	-
License And Permits	**63,988,548**	122,661
Government Grants And Subsidies	**720,294,069**	68,247,558
Rendring Of Services	**12,712,360**	665,277,175
Finance Income	**5,114,041**	9,199,998
Other Income, Rental And Agency Fees	**65,903,469**	53,820,227
Total receipts	**1,001,307,640**	**916,229,946**
Payments		
Compensestion Of Employees	**(602,600,884)**	(483,772,304)
Good And Services	**(229,510,979)**	(328,600,921)
Rent Paid	**(611,820)**	(659,256)
Other Payments	**(77,119,986)**	(24,721,583)
Grants And Subsidies Paid	**(3,254,200)**	(3,582,625)
Total payments	**-913,097,869**	**-841,511,479**
NET FLOW FROM OPERATING ACTIVITIES	***88,209,771***	***74,718,466***
Cash flows from investing activities		
Purchase of property, plant, equipment and intangible assets	**-84,712,957**	(129,525,258)
Decrease in non-current receivables	**243,356,800**	288,633,985
Increase in investments	**-203,950,000**	(243,356,800)
Net cash flows used in investing activities	***(45,306,157)***	***(84,248,073)***
Cash flows from financing activities		
Increase in deposits	**2,180,205**	6,694,094
Net cash flows used in financing activities	***2,180,205***	***6,694,094***
Net Increase/(decrease) in cash and cash equivalents	**45,083,819**	(2,835,512)
Cash and cash equivalents at 1 July	**12,534,476**	15,369,988
Cash and cash equivalents at 30 June	**57,618,295**	**12,534,476**

THE CITY COUNCIL OF PORT LOUIS

STATEMENT OF COMPARISON OF BUDGET VS ACTUAL AMOUNT AS AT 30 JUNE 2019

REVENUES	Original Budget	Adjustments/ Virement	Final Budget	Actual on Comparable Basis	Performance Difference
	MUR	MUR	MUR	MUR	MUR
Property Tax					
Local Rates	120,000,000	(6,102,498)	113,897,502	120,302,321	**6,404,819**
Taxes on Goods and Services					
Trade Fees	68,200,000	(3,173,427)	65,026,573	58,009,685	**(7,016,888)**
GRANTS					
Grants-in-Aid	597,000,000	-	597,000,000	607,037,070	**10,037,070**
OTHER REVENUE					
Interest					
Investment Income	3,000,000	-	3,000,000	6,257,417	**3,257,417**
Rent and Royalties					
Rental of Land and Buildings					
Rent Salle Des fetes & Reception Halls/Rent other municipal buildings and Infrastructures	11,214,500	1,393,880	12,608,380	15,709,599	**3,101,219**
Rentals -Market and Fairs	28,500,000	0	28,500,000	23,223,234	**(5,276,766)**
Sale of Goods of Services					
Advertising Fees	1,000,000	253,545	1,253,545	1,925,995	**672,450**
Fees Funeral					
Cremation/Inceneration	250,000	65,797	315,797	362,047	**46,250**
Bus Toll	6,400,000	276,450	6,676,450	7,336,498	**660,048**
BLP Fees	7,000,000	1,008,936	8,008,936	12,713,860	**4,704,925**
Miscellaneous Revenue					
Other Miscellaneous Revenues	2,781,000	363,750	3,144,750	5,811,752	**2,667,001**
TOTAL REVENUES	**845,345,500**	**(5,913,567)**	**839,431,933**	**858,689,478**	**19,257,545**
EXPENSES					
Compensation of Employees	658,200,811	(11,229,890)	646,970,921	642,735,452	**4,235,469**
Cost of Utilities	64,459,500	2,279,280	66,738,780	65,103,728	**1,635,052**
Fuel and Oil	7,750,000	(67,409)	7,682,591	7,374,261	**308,330**
Rental	684,000	6,756	690,756	690,756	**-**
Office Equipment and Furniture	1,450,000	715,340	2,165,340	1,903,560	**261,780**
Office Expenses	3,558,000	471,004	4,029,004	3,458,131	**570,873**
Maintenance	25,784,000	1,262,353	27,046,353	24,049,368	**2,996,985**
Cleaning Services	2,000,000	(181,332)	1,818,668	1,760,304	**58,364**
Publications and Stationery	4,414,000	(67,652)	4,346,348	3,996,813	**349,535**
Overseas Travel	300,000	-	300,000	299,918	**82**
Fees	4,675,000	(902,126)	3,772,874	3,766,398	**6,476**
Other Goods and Services	81,137,000	9,039,587	90,176,587	88,366,274	**1,810,313**
Contributions	600,000	-	600,000	589,130	**10,870**
Social Activities/Grants	11,785,500	(363,004)	11,422,496	10,625,193	**797,303**
TOTAL EXPENSES	**866,797,811**	**962,907**	**867,760,718**	**854,719,286**	**13,041,432**

NOTES ON PERFORMANCE DIFFERENCES:

REVENUES

(1) Trade Fees- Decrease in the amount collected is due mainly to Amendment of 12th Schedule of Local Government Act 2011 through the Financial (Miscellaneous Provisions) Act 2018 whereby payment of trade fees by Gaming operators has been tranferred to the Gaming Regulatory Authority since August 2018.

(2) Grant in Aid- Actual expenditures during any financial year are defrayed based on budgeted revenues. However, a mid term review exercise is conducted during the year to provide for any changes in the approved budget in view of unforeseen increases in expenditures or any additional revenues received. Following this exercise in January 2019 an additional Grant in Aid of Rs10,037,070 was released to the Council to meet its additional expenditures.

(3) Rent (Market & Fairs)- Amount budgeted as revenues for year 18 /19 was based on revised market fees for stalls to be applied after review of the regulations. However, the revised market fees was scheduled to be applied at time of renewal of contract by the stall holders. Due to unforeseen circumstances the renewal of contract has been delayed.

(4) Building and land Use Permit- Increase in development projects.

EXPENSES

(5) Compensation of Employees-The decrease in expenditure as regards to this item of expenditure is mainly due to a series of measures that has been implemented by Council to eliminate unnecesary overtime costs through better organisation , redistribution of the labour force and better planning on site of works. Savings has also been made on the filling of vacant posts without of course affecting service delivery.

(6) Cost of Utilities- Existing street lanterns are been replaced by led lanterns at the end of their useful life which in terms of energy consumption has reduced the monthly cost of electricity. The fall in expenditure as compared to budget is due also to decrease in gas consumption falling the fact that one incinerator was out of order and beyond repairs. Provision has been made for replacement of same in financial year 2019/20

(7) Maintenance- Provisions were made in the budget for the Maintenance of Egov Hardware and Software during the year. As the contract for same pertains to all local authorities, payment of the maintenance cost is shared between the 12 local authorities. The share of the cost for the council amounting to Rs1,412,433 has been deducted at source from the Grant In Aid entitlement for the year.

(8) Publications and Stationery-In line with the Council policy reduce the cost of printing, the council has adopted a paperless approach regarding agenda and notes of meetings which are now been forwarded in soft copy to councillors and Heads of Department.

(9) Other Goods and Services- The council has had recourse to hired and contracted services in the delivery of certain statutory services to its citizens. In order to minimize cost, regular procurement exercises in line with procurement Act are made to ensure that competive prices are obtained for the supply of these services.

(10) Social Activities/Grants-The council has had recourse to hired and contracted services in the delivery of certain statutory services to its citizens. In order to minimize cost, regular procurement exercises in line with procurement Act are made to ensure that competive prices are obtained for the supply of these services.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2019

1.0 SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of reporting

(i)Reporting Entity

The City Council of Port Louis is a corporate body established under the Local Government Act 2011 (as amended), Part II Section 3 and 7. The place of management is at Jules Koenig Street Port-Louis.

(ii)Reporting Period

The reporting period for the Financial Statements is the year ended 30 June 2019.

(iii)Activities of the Local authorities

The Council's principal activities are the provision of sound public infrastructure and its maintenance, household waste collection, licensing of business activities, issuingof development permit and the promotion of sport, leisure and welfare activities as stipulated under Section 50 of the LGA 2011.

1.2 Basis of Preparation and Statement of Compliance

(i). Compliance with regulatory framework

The financial statement of the City Council of Port Louis has been prepared in compliance with Section 133 of the Local Government Act (LGA) 2011 in accordance with the transitional International Public Sector Accounting Standards (IPSAS 33) under a historical basis. Local Authorities have adopted the transitional exemptions before an explicit and unreserved statement in Financial Year 2019/20 (See Statement below)

(ii). Basis of Preparation

The financial statements have been prepared on an accrual basis, using the historical cost except for assets which may be revalued at fair value.

(iii). Basis of Budget Preparation

The budget for Local Authorities is prepared on an accrual basis, appropriated by Votes of Expenditure and Income.
The statement of comparison of budget and actual amounts are prepared on the same basis as the budget.
The period of approval of Budget Estimates cover the Financial Period from 1st July 2018 to 30 June 2019.
The budget shall be approved by the Minister under Section 85 (2) (d) of the Local Government Act 2011. It may also be revised under Section 85 (3) (b) of the Act. The funding of the Budget Estimates is partly appropriated under Grant-In-Aid by the Parliament and internally generated income.
Local Authorities are recommended to present comparative figures ,but those who have opted for presentation of only the current year Financial Insights as per IPSAS 33, Paragraph 81 shall present all the standard Statements (including the Opening Statement of Financial Position at date of adopting IPSAS (1st July 2017-re-instated figures)

(iv). Currency Denomination

The Financial statements are presented in *Mauritian Rupees and rounded to nearest rupee. The Local authorities elect to* disclose information under the Notes (IPSAS 1.1.05).

(v) Authorization Date

The Financial Statements are prepared by all the local authorities under the provision of Section 132 of Local Government Act (LGA) 2011.The Financial Statements are approved by the Council before 31st October of the Financial Year; the Financial Statements are authorised for issue by the Chief Executive within four months of the end of every financial year to the Director and endorsed by the Lord Mayor and the Chief Executive under the provision of the Local Government Act 2011.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2019

(vi). Basis of Consolidation

Where the Local authority holds less than 20% of voting rights in an investment and has the power to exercise significant influence, such an investment is treated as an associate using the equity method of consolidation.
However, if the investment held by the local authority in an associate with significant influence, but the shares are not traded on the stock exchange then it is treated as investment available for sale.

1.3 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the City Council of Port Louis and the revenue can be reliably measured, regardless of when the payment is received or not. The general policy of the Council is to recognize revenue on an accrual basis with the substance of the relevant agreement. Revenue is recognized as deferred income when there is a related condition attached that would give rise to a liability to repay the amount.
Financial reporting of revenue arising from exchange transactions when one entity receives asset or services, or has liabilities exchanged, and directly gives approximately equal value in the form of cash, goods, services or use of assets to another entity in exchange.Non-exchange transactions are those transactions where there is no exchange of approximate direct benefits or value between receiving and giving entities.

1.3.1 Revenue from Exchange Transactions

(i) *Rent*

Rental income arising from operating leases is accounted for, on a straight-line basis over the lease terms and on an accrual basis.

(ii) *Building and Land Use Permit Fee (BLUP)*

Building and land use permit fee is recognized on an accrual basis that is the amount actually receivable and/or collectible when the development permit is actually issued.

(iii) Interest Income

Interest income is recognized on a time proportion basis after following the procurement procedures at an arm-length taking intoaccount the effective yield of the financial assets.
However, it should be noted that interest income is foregone upon directives received from the Ministry of Finance and Economic Development to invest into treasury bills or treasury certificates, which may be below that the prevailing market rates.

(iv) Other Income

All other income derived from other sources are treated under accrual basis. According to IPSAS 9.19, when the outcome of the transaction can be estimated reliably, revenue from rendering of services is recognized by reference to the stage of completion. The stage of completionservices performed to date as a is measured by reference to percentage of total services to be performed.

(v) Bus toll fee

Bus toll fee is payable by every bus owner using the traffic centres facilities and the fee is accounted for as income on an accrual basis. It is payable to Council one month in advance.

(vi) Burial and Incineration fees

Burial and incinerator fees are recognized on the accrual basis that is the amount actually receivable after service actually provided.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2019

1.3.2 Revenue from Non- Exchange Transactions

(i) Tax (General Rate)

Every Town Council and the City Council levy a tax on the owner of any immovable property included in the valuation list, on an accrual basis. It is based on the net annual value on their valuation list determined as per the Regulation. This property tax is governed by Section 95 of the Local Government Act (LGA) 2011 commonly known as General Rate. (IPSAS 23.26 to be applied).

(ii) Fees and penalties

a) Trade fee, license and permits

Trade fee is payable whenever an economic operator or any person carries out a classified trade as stipulated under Section 122 of the Local Government Act 2011.
Trade fees under the Twelfth Schedule shall be recognized on accrual basis. A surcharge of 50% shall be levied on any amount not paid within the period specified in Section 122 (4) of the Local Government Act 2011.

b) Advertising fee

Advertising fees received or receivable are accounted as income on an accrual basis unless collectability is in doubt and cannot be recognized when it is uncertain that future economic benefits will flow to the Council.

(iii) Capital Grants

Capital grant is not recognized until there is reasonable assurance that the Council will comply with the conditions attached to them and that the grants will be received. A liability is recognized in respect of the condition attached to the grant and related revenue recognized in the period the condition is satisfied.
The recognized revenue may be straddled over the periods, the council operate the asset, if the condition of the grant stipulate that the council deferred reserve and should operate the asset or otherwise return the money, and then the capital grant is spread over the life time of the assets where the inflow of services is ascertained, like matched with inflow of economic benefit from the assets acquired. Otherwise the Capital grant is recognized in the statement of performance at the time of grant received. Capital grant should be grouped- under receivables from non exchange transactions.

(iv) Grant-In-Aid

Grant in aid (GIA) are received from the Central Government as funding to meet the expenses or losses met by local authorities in performance of their statutory duties under the Local Government Act (LGA) 2011. They are recognized in the statement of financial performance in the period in which they become receivable.

(v) Grant/ Goods In-Kind /Gifts and Donation with No Conditions

Revenue is measured at fair value and is recognized on obtaining control of the asset (cash, goods, and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the authorities and can be measured reliably.

(vi) Service In-kind

The local authorities do not recognize services in kind.

(vii) Other Income-Concessionary Loan

Concessionary loans should be classified as financial liabilities and the difference between loan proceeds and the fair value of the loan on initial recognition is recognized as non-exchange revenue. The financial risk should be disclosed under <Financial Liability>.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2019

1.4 Property, Plant and Equipment

1.4.1 Measurement on Initial Recognition

On initial recognition, property, plant and equipment are stated at cost. Cost includes expenditure that is directly attributable to the acquisition of the items (excluding borrowing cost). When significant parts of property, plant and equipment are required to be replaced at intervals, the asauthorities recognize such parts individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying satisfied. All other repair and maintenance costs are recognized as surplus or deficit as incurred.
Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.State Lands are recognized at a value estimated by the Valuation Department and /or any substantial acceptable basis of valuation which is justified in financial term.
Regarding vested land, a policy will be agreed at the level of the Ministry of Finance and Economic Development.
Where the cost of the building is not readily available, the initial measurement will be at a value estimated by the Valuation Department or /or any substantial acceptable basis of valuation which is justified in financial term.
An asset's carrying amount is written down immediately to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount. Impairment gain or loss is recognised as a surplusor deficit".
Moreover, Councils should review only the remaining life of asset and as far as possible, councils should use straight line method. (IPSAS 17.67).

1.4.2 Class of assets

a) Land (freehold and/or leasehold)

Land transferred *by land and real estate promoters* to the Council are in principle transferred to the Council at the token amount of MUR 1 per plot and the deed of sale clearly stipulates the condition that the land shall be used only for the purpose for which it has been vested to the Council under the Morcellement Act. Land transferred is recognized as PPE at the date the transfer took place and it is valued at fair value.

b) Vested Land

Land are vested to the Council by the Ministry of Housing and Land for its management and administration. These lands are for community use and council has no right to dispose it or use for any other purpose. These lands are transferred with conditions. Recognition of these vested assets need to be decided at the level of the Steering Committee.

c) Buildings

Buildings held for use in the supply of services and for administrative purposes are stated in the financial statements at cost or transfer value, being the fair value at the date of transfer of ownership less any subsequent accumulated depreciation and/or accumulated impairment losses. No revaluation is carried out unless required.

d) Machinery and Equipment

Machinery and equipment comprises of the following group of assets:-

Air Condition Equipment;
Digital panel board;
Energy saving equipment;
Firefighting equipment;
Generators;
Incinerators;
Kitchen equipment (items above Rs. 5000)
Indoor Gym equipment;
Lighting equipment;

Office equipment;
Security Equipment;
Social Hall Equipment (Sound system, etc)
Equipment other than vehicles; and Workshop equipment.

e) Motor Vehicles

Following several discussion with Local Authorities, it has been agreed that motor/transport vehicles shall comprise only those vehicles having a Motor Vehicle License (MVL).

f) Computer and IT Equipment (< 5 yrs)

As agreed, the group of assets shall comprise of the following items:-

Computer (screen, CPU, Mouse, Keyboard & other accessories);
Laptop;
Tablette devices;
Printer;
Servers;
UPS (UNINTERRUPTIBLE POWER SUPPLY)
Mobile devices;
Other peripheral devices (photocopy, scanner, fax)

It has also been agreed that this category shall also include those software that cannot be dissociated from the equipment or hardware or used on its own.

g) Infrastructure

Construction of drains, absorption pit, non-classified roads, sport facilities, children playground and other community infrastructures are recognized under public infrastructure, and are depreciated during their economic useful life. Extension of street lighting network and fixed resurfacing of existing roads are also recognized as assets and there of depreciated.
Cost of patching of roads, fixing of traffic signs and names plates are charged to the income statement as expenses in the year they areincurred. However, overhauling of road are capitalized.

h) Leased Assets

Currently Local Authorities do not have any assets acquired under a lease agreement. However, they are eligible to acquire assets under a lease agreement. Therefore, accounting policies is design to provide the use of acquiring assets under a lease agreement.

i) Furniture, Fittings & Fixtures

Furniture and fixtures are larger items of movable equipment that are used to furnish an office. Examples are bookcases, chairs, desks, filing cabinets, and tables.

j) Heritage Asset

Regarding the initial recognition of Heritage Assets, no value shall be assigned due to the lack of an accurate estimation. However any enhancement or capital renovation should be recognised as <PPE>, as being recommended by the European Public Sector Accounting Standards (EPSAS) for transparency and accountability purposes.

1.4.3 Depreciation Rates

Depreciation is charged so as to write off the cost of fixed assets less the residual value at the annual estimated rates over their useful lives using the straight-line method.
The annual rates are used in the calculation of depreciation and is inclusive of the residual value convergence with Authorities Accounts.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2019

Description	Depreciation Rate	
Freehold Land	**0**	
Leasehold Land	**0**	
Building	**2%**	
Machinery and Equipment	**5% to 25%**	
Vehicles	**12.5%**	
Computer and IT Equipment (< 5 yrs)	**25%**	
Infrastructure (Roads, Bridges and Drains)	**2% to 10%**	
Leased Asset	**5% to 25%**	
Furniture, Fittings & Fixtures	**10%**	
Intangible Asset	*12.50%*	*Please refer below*

It is to be noted that, immovable property without any structure or building are not depreciated (freehold and leasehold land).

1.4.4 Borrowing Costs

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

1.4.5 Subsequent Measurement

Land

After recognition, land is stated in the statement of financial position at its revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent impairment losses.

All other property, plant and equipment

Machinery and equipment, IT appliances & computer, motor vehicles and furniture, fixtures, fittings should be stated at cost less accumulated depreciation and accumulated impairment losses, and is stated at its carrying value.

1.4.6 Assets under Construction

Assets in the course of construction are carried out at cost, less any recognized impairment loss. Cost includes professional fees and any related cost, excluding borrowing costs. They are classified as Property, Plant and Equipment.(PPE)

Depreciation of these assets commences when the assets are ready for their intended use and is on the same basis as other property assets.

1.4.7 Impairment of Asset

When the carrying amount of an asset is greater than its estimated recoverable service amount or recoverable amount, it is written down to its recoverable service amount and an impairment loss is recognized as surplus or deficit.

1.4.8 De-recognition

Property, plant and equipment and/or any significant part of an asset are derecognized upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

1.5 Leases

Lease is classified as finance lease when all the risks and benefits incidental to ownership of an asset is transferred to the lessee. Though the title is not transferred to the lessee, the asset under finance lease is recognized as asset and liability at the lower of the present value of minimum lease payments and the fair value of the property determined at the inception of the lease (initial recognition). The discount rate used is the incremental borrowing rate or the interest rate implicit in the lease. The land and building element of a lease is considered separately for the purpose of lease classification.

1.5.1 Finance Lease

Assets under finance lease is depreciated over its useful economic life. The asset is depreciated over the shorter of the estimated useful life of asset and the lease term when there is no reasonable certainty that council will obtain ownership of the asset by the end of the lease period.Finance lease payment is apportioned between finance charge and reduction in outstanding lease liability so as to achieve a constant rateof interest on the remaining balance of the liability. Finance cost is recognized as an expense in the statement of financial performance.Finance lease receivable is recognized as an asset in the statement of financial position at an amount equal to the net investment in the lease (IPSAS 13.48).
Revenue received under a finance lease is recognized in the statement of financial performance based on a pattern reflecting a constant periodic rate of return on the Council's net investment (IPSAS 13.51).

1.5.2 Operating Lease

In an operating lease all risks and rewards incidental to ownership of the asset are not substantially transferred to the Council.
Under an operating lease:
☐ The rent payment is recognized as an expense in the surplus or deficit on a straight-line basis over the lease term.
☐ Rent received/receivable from an operating lease agreement is recognized as income on a straight-line basis over the lease term under revenue from exchange transaction in the statement of financial performance.
Assets held under operating lease are disclosed in Council's statement of financial position according to its nature. Any initial direct cost incurred in finalizing an operating lease agreement is capitalized in the carrying amount of the leased asset and recognized as expenseover the lease term on the same basis as the lease revenue. (IPSAS 13.65).

1.6 Intangible Assets

Intangible assets are recognized if it is probable that future benefits or services potential that are attributable to the asset will flow to the Council, and the cost or fair value of the asset can be measured reliably. Internally generated intangible assets are not recognized. An intangible item that do not meet both the recognition and definition criteria is treated as an expense in the statement of financial performance when incurred.
Following the initial recognition as an intangible asset, it is accounted for using the cost model less any accumulated depreciation and impairment losses except for an intangible asset acquired through a non-exchange transaction which has been measured at the fair value at the date of acquisition. The economic useful life of an intangible asset is assessed as finite or infinite.
Application software is classified as an intangible asset while operating software is recognized as property, plant and equipment as it cannot be separated from the latter. The cost of intangible is amortized over its useful economic life. Impairment test is carried out whenever there is indication that the asset may be impaired.

Application software (Ebiz System)	8 years
Operating Software (Office) and software licen	8 years

The amortization period and the amortization method for an intangible asset with a finite life should be amortized using the straight-line method and are reviewed at the end of each reporting year. Any changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period and/or method as appropriate, and are treated as changes in accounting estimates. Amortization expense is recognized as surplus or deficit under the amortization cost of intangible assets.
Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the surplus or deficit when the asset is de-recognized.

1.7 Impairment of Non-Financial Assets

At each reporting date, Council assesses whether there is an indication that an asset may be impaired. If such an indication exists, or when annual impairment testing for an asset is required, the local authority makes an estimate on the asset recoverable amount.

A cash generating asset is an asset that is held with the primary objective of generating a commercial return whereas a non-cash generating asset is one from which Council do not intend to realize commercial return. (IPSAS 21.14)

1.7.1 Impairment of Cash Generating Assets

An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less cost to sell and its value in use, and it is determined for an individual asset, unless it does not generate cash inflows that are largely independent of those from other assets or groups of assets.
When the carrying amount of an asset or the cash generating unit exceeds its recoverable amount, the asset is considered impaired and it is written down to its recoverable amount. However, any impairment losses on a revalued asset is treated as a revaluation decrease (IPSAS 26.73)

Value in Use

In computing the value in use, the estimated future cash flows are discounted to their present value using discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Fair Value less Cost to Sell

In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Recognizing and Measuring Impairment Loss

Impairment losses from continuing operations, including impairment on inventories, are recognized in the statement of financial performance in those expense categories consistent with the nature of the impaired asset.

Reversal of Impairment Losses

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.
The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in surplus or deficit except for asset carried at revalued amount.
After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

1.7.2 Impairment of Non-Cash Generating Assets

An asset's recoverable service amount is the higher of the non-cash generating asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable service amount, the asset is considered as impaired and is written down to its recoverable service amount.

Fair Value Less Costs to Sell

The fair value less cost to sell is the market value/price less cost of disposal based on the best available information.

Value in Use

The depreciated replacement cost approach has been adopted by the Council, where the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

Reversal of Impairment

An individual assessment of asset is carried out at each reporting date to identify any indication that previously impairment loss may no longer exist or may have decreased. An estimation of the asset's recoverable service amount is carried out. A previously recognized impairment loss is reversed only when there has been a change in the assumptions used to determine the asset's service amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount does not exceed its recoverable service amount , nor exceed the carrying have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior year. The reversal is recognized in the statement of financial performance under other gain/loss.

1.8 Financial Instruments

Please note that as from 01 Jan 2022, IPSAS 29 will be replaced by IPSAS 41 for annual periods beginning on or after 1 January 2022, with earlier application encouraged.
IPSAS 41 replaces IPSAS 29, while providing entities a transition option to continue to apply the hedge accounting requirements of IPSAS 29. If an entity elects to apply this Standard early, it must disclose the fact and apply all of the requirements.

1.8.1 Financial Assets

1.8.2 Initial Recognition of Financial Assets

An entity shall recognize a financial asset in its Statement of Financial Position when, and only when, the entity becomes party to the contractual provisions of the instrument. (IPSAS 41.10)
Councils' financial assets include: cash and cash equivalent; term deposits; trade and other receivables; loans and other receivables.

1.8.3 Classification of Financial Assets

IPSAS 29.47: Financial assets are measured based on their respective classification.
They are classified into four categories namely: financial assets measured at fair value through surplus or deficit, held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

☐ ***Available-for-sale financial assets***

Available-for-sale of financial assets are assets that are designated as available for sale or not classified as loans and receivables, held-to-maturity or financial assets at fair value through surplus or deficit. After initial measurement, available-for-sale assets are subsequently measured at fair value with gains and losses recognized directly in net assets through the statement of changes in the net assets When the financial asset is de-recognized, then the cumulative gain or loss is recognized in surplus or deficit.

It is to be noted that available-for-sale is not applicable as per the revised classification of IPSAS 41.39 .

☐ ***Held-to-maturity investments (Fixed Deposit)***

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council has the positive intention and ability to hold to maturity.
If the Council was to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.
They are presented as non-current assets, except for those maturing within 12 months after the balance sheet date which are presented as current assets.
Held-to-maturity financial assets are measured at amortized cost using the effective interest method less impairment loss.
The amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the effective interest rate. Any loss arising from impairment of the asset is recognized in the surplus or deficit.

It is to be noted that held-to-maturity is not applicable as per the revised classification of IPSAS 41.39.

☐ ***Loan and receivables***

Loans and other receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. After its initial measurement, such assets are subsequently measured at amortized cost using the effective interest method less any impairment loss.
The local authority assesses its loans and receivables (including trade receivables) and its held-to-maturity investments at the end of each reporting period. In determining whether an impairment loss should be recorded as surplus or deficit, the local authority evaluates the indicators present in the market to determine if these indicators are indicative of impairment in its loans and receivables or held-to-maturity investments.

IPSAS 41.39: According to IPSAS 41.39, an entity shall classify financial assets as:-
(a) subsequently measured at amortised cost,

(b) fair value through net assets/equity or

(c) fair value through surplus or deficit on the basis of both:
☐ The entity's management model for financial assets and
☐ The contractual cash flow characteristics of the financial asset.

1.8.4 Measurement of Financial Assets

☐ **Initial Measurement**

According to **IPSAS 41.57** on initial recognition, financial assets are measured at fair value plus or minus and in the case of a financial asset not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

IPSAS 41.60:- At initial recognition, an entity may measure short-term receivables and payables at the original invoice amount if the effect of discounting is immaterial.

☐ ***Subsequent Measurement***

(a). A financial asset shall be measured at amortized cost if both of the following conditions are met:

☐ The financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows; and

☐ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.(IPSAS 41.40)

(b). A financial asset shall be measured at fair value through net assets/equity if both of the following conditions are met:

☐ The financial asset is held within a management model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

☐ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. (IPSAS 41.40)

(c). A financial asset shall be measured at fair value through surplus or deficit unless it measured at amortized cost in accordance with Para (a) above or at fair value through net assets/equity in accordance with Para (b). However, an entity may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through surplus or deficitto present subsequent changes in fair value in net assets/equity. **(IPSAS 41:43)**

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2019

IPSAS 29.47:- Financial assets at fair value through surplus or deficit include financial assets held for trading and that are designated upon initial recognition at fair value through surplus or deficit. Financial assets are classified as held for trading if they are acquired for the purpose of trading in the near future. Financial assets at fair value through surplus or deficit are carried in the statement of financial position at fair value with changes in the fair value recognized in surplus or deficit. (IPSAS 29.47)
Financial assets at fair value through surplus or deficit' (FVTSD) are as laid down below:-

☐ Investment in quoted and unquoted shares.

It is to be noted that only for unquoted shares the value is at NAV.

1.8.5 De-recognition of Financial Assets

A financial asset is derecognised when, and only when the two conditions applies:-

(a) The contractual rights to the cash flows from the financial asset expire or are waived or

(b) It transfers the financial asset and the transfer qualifies for derecognition.

ii. De-recognition is applied on transfer of a financial asset if, and only if, it either:-

(a) Transfers the contractual rights to receive the cash flows of the financial asset; or

(b) Retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

iii. On a transfer of financial asset, it shall evaluate the extent to which it retains the risks and rewards of ownership of the financial asset.

In this case:-

a. If the entity transfers substantially all the risks and rewards of ownership of the financial asset, the asset shall derecognize the financial asset and recognize separately as assets or liabilities any rights and obligations created or retained in the transfer.

b. If the entity retains substantially all the risks and rewards of ownership of the financial asset, the entity shall continue to recognize the financial asset.

c. If the entity neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the entity shall determine whether it has retained control of the financial asset.

d. If the entity has not retained control, it shall derecognise the financial asset and recognize separately as assets or liabilities any rights and obligations created or retained in the transfer.

e. If the entity has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset.

iv. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received shall be recognized in surplus or deficit.

Transfers that qualify for derecognition

IPSAS 41.21:- If an entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it shall recognize either a servicing asset or a servicing liability for that servicing contract. If the fee to be receivedis not expected to compensate the entity adequately for performing the servicing, a servicing liability for that servicing obligation shall berecognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset shall be recognized for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

IPSAS 41.22:- If, as a result of a transfer, a financial asset is derecognized in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity shall recognize the new financial asset, financial liability or servicing liability at fair value.

Transfers that do not qualify for derecognition

IPSAS 41.26:- If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity shall continue to recognize a financial liability for the consideration received.
In subsequent periods, the entity shall recognize any revenue on the transferred asset and any expense incurred on the financial liability.

IPSAS 41.27: - Continuing Involvement in Transferred Assets

If an entity neither transfers nor retains substantially all the risks and reward of ownership of a transferred asset, and retains control of the transferred asset, the entity shall continue to recognize the transferred asset to the extent of its continuing involvement.

IPSAS 41.33: - All Transfers

If a transferred asset continues to be recognized, the asset and the associated liability shall not be offset.
Similarly, the entity shall not offset any revenue arising from the transferred asset with any expense incurred on the associated liability.

1.8.6 Impairment of Financial ssets

IPSAS 29.67:- Financial assets are deemed to be impaired if there is objective evidence of impairment as result of one or more events that has occurred after the initial recognition of the asset and that the event has an impact on the estimated future cash flows of the asset or group of assets that can be reliably estimated.

IPSAS 41

The IPSASB notes that for many public sector entities, receivables may be the only significant financial asset held. In addition, public sector entities may not have an ability to choose the counterparties they transact with because of the nature of services provided and laws or regulations requiring provision of services to all service recipients. Under such scenarios, credit risk information at an individual counterparty level and forward looking information/forecasts may not be available.
The IPSASB considered whether public sector modifications or additional guidance should be included in the Standard and concluded that the simplified approach for receivables along with practical expedients available in determining expected credit losses provide relief to the practical challenges.

IPSAS 41.73-41.80 Recognition of Expected Credit Losses
General approach

An entity shall recognize a loss allowance for expected credit losses on a financial asset, a lease receivable or a loan commitment and a financial guarantee contract.
An entity shall apply the impairment requirements for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through net assets/equity. However, the loss allowance shall be recognized in net assets/equity and shall not reduce the carrying amount of the financial asset in the Statement of Financial Position.
At each reporting date, an entity shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.
The objective of the impairment requirements recognize lifetime expected credit losses for all financial instruments.

If at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, an entity shall measure the loss allowance for that financial instrument, at an amount equal to 12-month expected credit losses.
For loan commitments and financial guarantee contracts, the date that the entity becomes a party to the irrevocable commitment shall be considered to be the date of initial recognition for the purposes of applying the impairment requirements.

If an entity has measured the loss allowance for a financial instrument at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on that financial instrument has not increased significantly since initial recognition, the entity shall measure the loss allowance at an amount equal to 12-month expected credit losses at the current reporting period.
An entity shall recognize in surplus or deficit, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

IPSAS 41.81-41.83

Determining significant increases in credit Risk

☐ At each reporting date, an entity shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition.

☐ To make that assessment, an entity shall compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

☐ There is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payment are more than 30 days past due.

IPSAS 41.84: - Modified Financial Assets

If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset was not derecognized , an entity shall assess whether there has been a significant increase in the credit risk of the financial instrument by comparing the risk of a default occurring at the reporting date and the risk of a default occurring at initial recognition.

IPSAS 41.85-41.86: - Purchased or originated credit-impaired Financial Assets

At the reporting date, an entity shall only recognize the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets. An entity shall recognize in surplus or deficit the amount of the credit losses as an change in lifetime expected impairment gain or loss.

IPSAS 41.87: - Simplified Approach for Receivables

An entity shall always measure the loss allowance at an amount equal to lifetime expected credit losses for:

a) Receivables that result from exchange and non-exchange 0transactions.
b) Lease Receivables

An entity may select its accounting policy for trade receivables and lease receivables independently of each other.The requirements for purchased or originated credit- impaired financial assets do not apply to short-term receivables.

1.8.7 Reclassification of Financial Assets

IPSAS 41.94-41.100: -

☐ When, and only when, an entity changes its management model for financial assets, it shall classify all affected financial assets.

☐ A change in the objective of the entity's management model must be effected before the reclassification date.

The following are not changes in management model:
a) A change in intention related to particular financial assets
b) The temporary disappearance of a particular market for financial assets
c) A transfer of financial assets between parts of the entity with management models.

☐ **An entity shall not reclassify any financial liability.**

If an entity reclassifies financial assets, it shall apply the reclassification prospectively from the classification date. The entity shall not restate any previously recognized gains, losses or interest.

If an entity reclassifies a financial asset out of the amortized cost measurement category and into the fair value through surplus or deficit measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost or the financial asset and fair value is recognized in surplus or deficit.

If an entity reclassifies a financial asset out of the fair value through surplus or deficit measurement category and into the amortized cost measurement category, its fair value at the reclassification date becomes its new gross carrying amount.

If an entity reclassifies a financial asset out of the amortized cost measurement category and into the fair value through net assets/ equity measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in net assets/equity. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

If an entity reclassifies a financial asset out of the fair value through net assets/equity measurement category and into the amortized cost measurement category, the financial asset is reclassified at its fair value at the reconciliation date.

☐As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortized cost. This adjustment affects net assets/equity but does not affect surplus or deficit and therefore is not a reclassification adjustment. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification..

☐If an entity reclassifies a financial asset out of the fair value through surplus or deficit measurement category and into the fair value through net assets/equity measurement category and into the fair value through surplus or deficit measurement category, the financial asset continues to be measured at fair value.

☐ The cumulative gain or loss previously recognized in net assets/equity is reclassified from net assets/equity to surplus or deficit as a reclassification adjustment at the reclassification date.

1.8.8 Financial Liabilities

1.8.9 Initial Recognition and Measurement

IPSAS 29: - Upon initial recognition the financial liability is measured at its fair value plus the transaction cost that are directly attributed to the acquisition of the financial liability except when the financial liability is measured at its fair value through surplus or deficit. Therefore, the composition of financial liabilities is loan, trade and other payables.

IPSAS 41.57: -

☐ An entity shall recognize a financial asset or a financial liability in its Statement of Financial Position when, and only when, the entity becomes party to the contractual provisions of the instrument.

☐ Except for short-term payables, at initial recognition, an entity shall measure a financial liability at its fair value plus or minus, in the case of a financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial liability.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2019

IPSAS 29:-Financial Liabilities at Fair Value through surplus or deficit

Financial liabilities at fair value through surplus or deficit include financial liabilities held for trading. Such financial liabilities are hedging instruments. Any gain or loss in a hedging transaction is recognized as the surplus or deficit.

1.8.10 Classification of Financial Liabilities

An entity shall classify all financial liabilities as subsequently measured at amortized cost except for:

a. Financial liabilities at fair value through surplus or deficit

b. Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies

c. Financial guarantee contracts

d. Commitments to provide a loan of a below-market interest rate

e. Contingent consideration recognized by an acquirer in a public sector combination

Option to designate a financial liability at fair value through surplus or deficit

An entity may, at initial recognition, irrevocably designate a financial liability as measured at fair value through surplus or deficit when permitted by the paragraph below:

If a contract contains one or more embedded derivatives and the host is not an asset within the scope of this Standard, an entity may designate the entire hybrid contract at fair value through surplus or deficit Or when doing so results in more relevant information , because either:

a) It eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases or

b) A group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

1.8.11 Subsequent Measurement of Financial Liabilities

IPSAS 29

All financial liabilities are measured at amortized cost using cost effective interest method except for financial liabilities at fair value through surplus or deficit and financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the applies.continuing involvement approach
After initial recognition, an entity shall measure a financial liability at amortized cost or irrevocably designate a financial liability as measured through surplus or deficit.

The local authorities' financial liabilities include the following:
☐ **Interest Bearing Loans and Borrowings (loan)**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus/deficit when the liabilities are derecognized as well as through the amortization process.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2019

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Interest-bearing loans and borrowings that are expected to be settled within 12 months after the reporting are classified as current liabilities.

☐ **Concessionary Loans**

IPSAS 29

For concessionary loans, the difference between the fair value and the loan proceed is accounted for as revenue from non-exchange transactions. However, if a present obligation exists, a liability is recognized and as the present obligation is satisfied, the liability is reduced and an equal amount of revenue is recognized. For concessionary loans granted, councils should provide disclosures as per IPSAS 30.37 (revised)

IPSAS 41

☐Concessionary loans are granted to or received by an entity at below market terms. Below market terms can result from interest and/or principal concessions. Examples: loans from development agencies

☐The granting or receiving of a concessionary loan is distinguished from the waiver of debt owing to or by an entity. This distinction is important because it affects whether the below market conditions are considered in the initial recognition or measurement of the loan rather than as part of the subsequent measurement or derecognition.

☐The intention of a concessionary loan at the outset is to provide or receive resources at below market terms. A waiver of debt results from loans initially granted or received at market related terms where the intention of either party to the loan has changed subsequent to its initial issue or receipt.

☐Concessionary loans also share many characteristics with originated credit- impaired loans. Whether a loan is classified as concessionary or originated credit-impaired determines whether the difference between the transaction price and the fair value of the loan is recognized as a concession or as a credit loss in the statement of financial performance.

☐Whether a loan is concessionary or originated credit-impaired depends on its substance. An intention to incorporate a non-exchange component into the transaction, such as a transfer of resources, indicates the loan is concessionary. The non-exchange component is incorporated into the transaction by granting the loan at below market terms. By contrast, originated credit-impaired loans are loans where one or more events, that have a detrimental impact on the estimated future cash flows of the financial asset, have occurred.

☐As concessionary loans are granted or received at below market terms, the transaction price on initial recognition of the loan may not be its fair value. At initial recognition, an entity therefore analyses the substance of the loan granted or received into its component parts, and accounts for those components.

☐An entity first assesses whether the substance of the concessionary loan is in fact, a non-exchange transaction, a contribution from owners or a combination thereof. If an entity has determined that the transaction, or part of the transaction, is a loan, it assesses whether the transaction price represents the fair value of the loan on initial recognition. An entity determines the fair value of the loan. Where an entity reference to an active cannot determine fair value by market, it uses a valuation technique. Fair value using a valuation technique could be determined by discounting all future cash receipts using a market-related rate of interest for a similar loan.

☐Any difference between the fair value of the loan and the transaction price is treated as follows:

(a) Where the loan is received by an entity, the difference is accounted for in accordance with IPSAS 23

(b) Where the loan is granted by an entity, the difference is treated as an expense in surplus or deficit at initial recognition, except where the loan is a transaction with owners, in their capacity as owners. Where the loan is a transaction with owners in their capacity as owners, the difference may represent a capital contribution.

☐ **Commitment to Provide loans at below market interest rate**

The commitment to provide loan is recognized initially as a liability at fair value.
Subsequently, unless the liability has been designated at fair value through surplus or deficit, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount **initially recognized less cumulative amortization.(Currently the local authority do not take commitment to provide loan at below market interest rate and car loan provided to employees at below market rate is considered under loan and** *other payables).(However local authorities are not vested with these Financial Guarantee Contracts and is essential to be stipulated, if ever an event of similar nature happen.)*

1.8.12 De-recognition of financial liabilities

IPSAS 29:- A financial liability is de-recognized (removed from the statement of financial position) when the obligation under the liability is discharged, waived, cancelled, expired or when an existing liability is replaced by another from the same source on substantially different terms. When the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognized as surplus or deficit.

Offsetting of financial instruments

Financial assets and liabilities are offset only if there is an enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, and the net amount is accounted for in the statement of financial position.

☐ An entity shall remove a financial liability (or a part of a financial liability) from its Statement of Financial Position when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged, waived, cancelled or expires.

☐ The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non- cash assets transferred or liabilities assumed, shall be recognized in surplus or deficit

☐ If an entity repurchases a part of a financial liability, the entity shall allocate the previous carrying amount of the financial liability between the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the repurchase. The difference between (a) the carrying amount allocated to the part derecognized and (b) the consideration paid, including any non-cash assets transferred or liabilities assumed, for the part derecognized shall be recognized in surplus or deficit.

1.8.13 Trade and other payables

Trade and other payables are stated at their nominal value. All known trade payables are recognized at cost. They are classified as current liabilities if payment is due within one year. Otherwise, they are presented as non-current liabilities.
According to IPSAS 41.60, at initial recognition, an entity may measure short term payables at the original invoice amount if the effect of discounting is immaterial.

IPSAS 45.1 stipulates that TRADE AND OTHER PAYABLE should be identified between exchange or non-exchange transaction and should also be disclosed within the Financial Liabilities under the Current Liabilities.
Also Carrying amount of each categories of financial liabilities to be disclosed in the notes or the Statement of Financial position as per IPAS 30.11.
Long term payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2019

1.8.14 Prepayments

Prepayments are recognized as financial liabilities when payment for goods or services has been made in advance by clients or suppliers of obtaining a right to access those goods or services.
The Local authority recognizes prepayments in relation to the following: rent, goods, services.
Deposit by clients namely for Morcellement Deposit. These deposits are released after the clients terminate the contract or undertakings within the term of the agreement, otherwise if the clause of agreement are defaulted and/or infringed then the Deposit is confiscated to make good the impact of the defaults clause.

1.8.15 Taxes

(i) Tax deduction at source

Professional and service providers undertake contractual services for local authorities under an exchange transaction. Therefore, under the prevailing income Tax Act the Local authorities should retain a percentage of tax levied on the service cost (depending upon the service provision like consultancy, rental service, etc) and remit same to Mauritius Revenue Authority (MRA) on behalf of the service provider.This retention during the cut off period should be treated as financial liability.
(ii) Local authorities are not entities which manage and maintain a value added tax dealing with input and output tax.
Therefore, all its services provided to the general public, whether exchange and non-exchange do not attract output tax, but Local authorities pay VAT to suppliers in exchange of services received in financial assets or non-financial assets so the VAT is considered as the invoice value.

Inventories

As per IPSAS 12, Inventories are measured at the lower of cost and net realisable value. Inventory received free or at nominal cost in a non-exchange transaction is recognized at fair value at the date of acquisition.

☐ Raw materials are accounted for at purchase cost and issues are accounted on a First in First Out Basis

☐ The valuation of inventories is currently on a weighted average.

☐ Work-in-progress are accounted at cost of direct materials plus labor cost and a proportion of overheads based on normal operating capacity, but excludes borrowing cost. (This type of work in progress refer to inventories for resale and therefore not applicable to local authorities)

1.9.1 Initial Recognition

After initial recognition, inventory is measured at the lower of cost and net realisable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.Net realizable value is the estimated selling price or the market price less the estimated costs of completion of the sale, exchange or distribution.
Inventories are currently measured at weighted average value but should always follow the FIFO basis for issuing purposes.
Value for the item of stock is the cost charged by supplier plus any direct related cost. The Council practices the first in first out basis (FIFO) for the issue of stock items. Inventories are recognized as an expense when issued for utilization and consumption in **the provision of services and administration of the Council.**
Inventories written off is recognized as an expense and is reported in general expenses and amount of inventory recognised as expense during the period has to be disclosed (IPSAS 12.47(d)).

1.10 Cash and Cash Equivalents

Cash and cash equivalents comprise of cash at bank net of overdraft, cash in hand, short term deposits with a financial institutions and highly liquid investment with a maturity period not exceeding three months which is readily convertible into cash and is not subject tosignificant risk of change in value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value. The council should also disclose the composition of cash at bank which are scheduled to be used for capital projects. Local authorities are required to reconcile the (deficit)/surplus with the net cash flow from operating activities.

In line with IPSAS 2.29, Entities should disclose, together with a commentary by management in the notes to the financial statements, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the economic entity.

1.11 Provisions

Provisions are recognized when the Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefit or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties required to settle the present obligation. When the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.
The expense relating to any provision is presented in the statement of financial performance net of any reimbursement, for example under an insurance contract.

1.12 Contingent Liabilities

Currently the Council does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources is remote.
The legal advisors, on instruction, shall assess the probability of the outcome of any litigation in term of financial resources.
If there is a high probability that there will be a liability, then the full amount is included as contingency.

1.13 Contingent Assets

The Council does not recognize a contingent asset, but discloses details of any possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Council in the notes to the financial statements.
Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the consolidated financial statements of the period in which the change occurs.

1.14 Employee Benefits

1.14.1 Retirement Benefit Costs

(i) State Plan

The Council contributes 6 % of the gross emoluments for part-time employees and employees who are not on a permanent and pensionable establishment to the National Pension Fund. The Council also contributes 2.5% of the gross emoluments of all employees to the National Savings Fund. The above contributions are charged to statement of profit or loss in the year they are due.

(i) Defined Contribution Plan

Defined contribution plans are post-employment benefit plans under which the District Council pays fixed contributions (12% of gross emoluments) into another entity, the State Investment Company of Mauritius Limited ("SICOM Ltd") for new full-time employees who joined the Local Authorities from 1 January 2013 onwards. The district council has no further payment obligations once the contributions have been paid. These contributions are charged to statement of profit or loss in the year they are due.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2019

(ii) Retirement Pension to Retirees Before 1 July 2008

The Council pays retirement pension to those employees who retired before 1 July 2008. However, the total pension liabilities should be recognized in the statement of Financial Position even for those before June 2008, where there was no contribution by employee and employers to meet the foreseeable liabilities of the employee.
The obligation has been calculated by independent actuaries from SICOM Ltd and the accounting policy is as per the defined benefit plan.

(iii) Compassionate Allowance

In accordance with the Local Authority Employees (Allowance) Regulations 1964 (GN 159 of 1964) the Council also pays Compassionate Allowance to part time employees who have been in service for more than 5 years on their retirement. This has been computed based on the number of year of services up to the year end, average annual wage for the last 5 years.

(iv) Defined Benefit Plan

The Council operates a defined benefit plan, administered by and invested with SICOM Ltd. The pension plan is funded by payment of contribution to the fund (Council: 12% of gross emoluments and employee: 6% of gross emoluments) taking account of the recommendations of the Pay Research Bureau (PRB) report.
Defined benefit plans are post-employment benefit pension plans other than defined contribution plans. Defined benefit plans typically define the amount of benefit that an employee will receive on or after retirement, dependent on factors such as years of service and compensation.
The liability recognized in the balance sheet in respect of a defined benefit pension plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognized past-service costs.
The defined benefit obligation has been calculated by independent actuaries from SICOM Ltd using the projected unit credit method.
The present value of thedefined benefit obligation is determined by discounting the estimated future cash outflows using market yields on bonds.Actuarial gains and losses arising from changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period when they arise.
Past service costs are recognized immediately in profit or loss.

(v) Bank of Sick Leave

Bank of sick leave are expensed in the period the employee renders the service and a liability is recognized in respect of amount not paid at the end of the financial year.
Local authorities shall compute all potential liabilities in respect of unutilized vacation leave as it consists of the employee entitlements.

(vi) Unutilized Vacation Leave

Vacation leaves are expensed in the period the employee renders the service and a liability is recognized in respect of amount not paid at the end of the financial year.
Local authorities shall compute all potential liabilities in respect of unutilized vacation leave as it consists of the employee entitlements.

(v) Termination Benefits

Termination benefits result from either the Authorities' decision to terminate the employment or an employee's decision to accept an entity's offer of benefits in exchange for termination of employment.
The difference between the benefit provided for termination of employment at the request of the employee and a higher benefit provided at the request of the entity is a termination benefit.

A liability in relation to termination benefits are recognized at the earlier of:

☐ When the entity can no longer withdraw the offer of those benefits and

☐ When the entity recognizes costs for a restructuring that is within the scope of IPSAS 19 and involves the payment of termination benefits.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2019

Termination benefits are measured on initial recognition and subsequent changes are recognized in accordance with the nature of employeebenefit, provided that, in cases where the termination benefits are an enhancement to post-employee benefits, the requirements for post-employment benefits are applied.
Termination benefits settled within 12 months are reported at the amount expected to be paid, otherwise they are reported as the present value of the estimated future cash outflows.

1.15 Nature and Purpose of Reserves

The Council creates maintains reserves in terms of specific requirements.
The council shall disclose the nature and purpose of each reserves as per IPSAS 1.95 (c).

1.15.1 Pension Fund

Enacted under section 81 of the Local Government Act 2011, a pension fund has been established by Council with a monthly contribution, in line with the Pay Research Bureau (PRB) recommendation. The retirement benefit is paid out of it to retired employees of the Council. These include payment of retirement benefits to employees transferred from another local authority, public service, statutory body orfrom any other institution. Actuarial report is carried out to determine the pension liability and adjustment is made accordingly to the surplus or deficitin the statement of financial performance and statement of financial position.
The pension fund is managed by the State Investment Company and therefore it is not included in the statement of changes in net asset.

1.15.2 Passage Fund

Enacted under Section 81 of the Local Government Act 2011, a passage fund has been created by the Council to finance the payment of passage benefit to officers in local authorities transferred from other Local Authorities, from the public service, from a statutory body or from any other institution.
Income derived from investment of the unutilized passage benefit payable to employees of the Council is considered as surplus in the statement of Performance
The financial liabilities should be recognized under both current and non-current assets and any funds invested for passage obligation payments are considered as investments.
Interest income generated from investment of the Passage Fund is not accounted as a reporting income on the statement of performance, in compliance with Section 81(5) (b) of the Local Government Act 2011.

1.16 Events after the reporting Date

The Local authorities should adjust its financial statements for adjusting events after the reporting date (30th June) up to the authorized date for issue under the provision of the LGA 2011. The Local authorities should disclose only non-adjusting events.
Adjusting events that provide evidence of conditions that existed at the balance date namely trade debtors trade creditors other receivable and payables, deposit refunded etc. The Financial statements should be adjusted to reflect those events.
Non-adjusting events are indicative of conditions that arose after the reporting date.
Therefore, the Financial Statements are not adjusted, but however should be disclosed as notes to account (the changes in fair

value of the assets and the condition did not exist at the reporting date). The following disclosure is needed subject to its materiality

- Nature of the event
- Estimates of the financial impact or a statement that such an estimate cannot be made

1.17 Related Parties

Related parties are entities that control or have significant influence over the reporting entity. However key management personal, district councilors, Mayors, City mayor, parent ministry and the Ministry of Finance and Economic Development (MOFED) are considered as relatedparties as a result of their significant influence on the reporting entity.

Transactions between these related parties and the Public Sector is disclosed in these consolidated financial statements except for transactions that would occur within a normal supplier or client/recipient relationship on terms and conditions no more or less favorable than those which it is reasonable to expect the Public Sector would have adopted when dealing with that individual or entity at arm's lengthin the same circumstances.

1.18 Budget Information

Budget information of local authorities are required to be made readily available for public inspection under section 85(e) of the Local Government Act 2011.

Disclosure should be by way of disclosure note (IPSAS 24.29 (a)) or in a report issued before, at the same time as, or in conjunction with the financial statements.

Comparison of final budget with actual financial insights:

☐ The approved budgets items and explanation of any material variances.

☐ The disclosure of any entities where grants are provided and/order any other bodies (all name of village councils with their respective grants allocated.)

☐ Period of approved budget estimates for local authorities should be disclosed.

1.19 Critical Accounting Estimates, Assumptions and Judgement in Applying Accounting Policies and Estimates

The preparation of the financial statements in conformity with IPSAS requires the local authorities to make certain accounting estimates and judgements that have an impact on the policies and the finance insights reported in the financial statements. Estimates and judgements are continually evaluated and based on historical experiences and other factors, including expectations of future events that are believed to be reasonable at the time such estimates and judgements are made, although actual experience may vary from these estimates.The estimates and assumptions that have a significant risk of causing adjustment to carrying amounts of assets and liabilities are discussed below:

1.19.1 Provisions

Provisions are measured at the management's best estimates of the potential financial obligational based on the information available at the reporting date.

1.19.2 Provision for Bad debts

Provision is made when there is objective evidence that the Council will not be able to collect certain debts. This is based on detailed analysis and historical experience.
However, no claim for arrears of revenue shall be abandoned and no loss of revenue shall be written off except with the approval of the Minister under Section 145 of the Local Government Act 2011.
The Local authorities shall ensure that all avenues for the recovery of the revenue has been explored before submission for abandonment of revenue to the Minister.

1.19.3 Useful Economic Life and Residual Values

The economic useful life and its residual value is assessed based on the nature of the asset, its susceptibility and adaptability to changes in technology and process; the environment where the asset is deployed; expert advice; financial capacity to replace the asset ; and change in the market in relation to the asset.
The economic useful life and its residual value is assessed based on the condition of the asset based on the assessment of experts employed by the Public Sector.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2019

1.19.4 Fair Value Estimation

Financial assets and financial liabilities recognized in the statement of financial position cannot be derived from the active market based on the market price. In the absence of an active market, the fair value is determined using valuation techniques such as discounted cash flow model and adjusted net asset method. The inputs to the models are obtained from the market, where possible, otherwise judgment is required in establishing fair value. Judgement includes the consideration of inputs like liquidity risk, credit risk, and volatility. Any change invalue of assumptions may affect the fair the assets and liabilities.

1.19.5 Factors determining Defined Benefit Obligations

The present value of the post-employment pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions such as discount rate, expected salary increase and mortality. Any change in these assumptions will impact on the carrying amount of pension obligations.

1.19.6 Change in Accounting Policies

Any effect of change in accounting policies is applied retrospectively. The effect of changes in accounting policy are applied prospectively if retrospective application is impractical.
The Council has the right to change its accounting policies only if required by an IPSAS or if the change results into the financial statement providing faithfully representative, and more relevant information.

- **Impairment of Non-Financial Assets - Cash-Generating Assets**

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change, which may then impact management's estimations and require a material adjustment to the carrying value of non-financial assets.
The Public Sector reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.
Cash-generating assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates of expected future cash flows are prepared for each group of assets. Expected future cash flows used to determine the value in use of nonfinancial assets are inherently uncertain and could materially change over time.

The Public Sector reviews and tests the carrying value of non-cash-generating assets when events or changes in circumstances suggest that there may be a reduction in asset. Where indicators of possible impairment are present, the Public Sector undertakes impairment tests, which require the determination of the fair value of the asset and its recoverable service amount. The estimation of these inputs into the calculation relies on the use estimates and assumptions.
Any subsequent changes to the factors supporting these estimates and assumptions may have an impact on the reported carrying amount of the related asset.

- **Inventories**

The Public Sector estimates the net realizable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices or future service potential.

1.20 Financial Risk Management

The Council is exposed to interest rate, credit and liquidity risks. Management of the Council should be focused on the mitigation of financial, liquidity and credit risks resulting in minimizing potential adverse effects on the financial performance and service delivery of the Council. Description of the risk is required and should be supported with figures together with simulation and sensitivity analysis.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2019

1.20.1 Credit Risk

Credit risk arises from credit exposures to customers. The Council does not consider the need to have an independent rating of its customers. In fact, no trade fee receipt is issued on credit.

1.20.2 Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of credit facilities. The Council has appropriate management policy in place to ensure that there is sufficient cash to meet its financial obligations. The Financial Management Manual (FMM) as a tool also recommend a proper, adequate and sound liquidity management.

1.20.3 Interest rate risk

Interest rate risk is associated with the fair value of the future cash flow of a financial instrument will fluctuate as a result of volatile financial market influencing the interest instrument will fluctuate as a result of volatile financial market influencing the interest rate.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2018-19	2017-18
Taxes	3	**MUR**	MUR
Taxes(General Rates)		**120,302,321**	**129,398,203**

An annual local rate may be levied on the owner of any immovable property situate in the rating area of a Municipal City

Council or Municipal Town Council.No local rate shall be levied in respect of immovable properties specified in Part A of the

Tenth Schedule.A newly proclaimed Municipal Town Council shall not levy rates until the fourth financial year after its creation

Fees, fines and penalties	4	**2018-19**	2017-18
		MUR	MUR
Trade Fees	**4.1**	58,009,685	93,746,400.00
Advertising And Publicity Fees	**4.2**	1,925,995	1,900,865.00
Fines	**4.3**	45,176	122,661
		59,980,856	95,769,926

Fines	**4.3**	**2018-19**	2017-18
		MUR	MUR
Fines Books		45,176	122,661
		45,176	122,661

Public Contributions And Donations	**5**	**2018-19**	2017-18
		MUR	MUR
Public Contributions And Donations		10,842,310	-
		10,842,310	-

Government Grant	**6**	2018-19	2017-18
		MUR	MUR
Government Grant in Aid		607,037,070	580,311,863
Other Grants	**6.1**	95,199,882	-
		702,236,952	580,311,863.03

Other Grants	**6.1**	
National Development Projects		25,540,857
Local Development Projects		26,735,114
Special Grants:-		
National Environment Fund		9,151,952
Relocation of Hawkers		13,300,130
Renovation of Theatre-Lotto Fund		20,000,000
E-waste		427,700
Allowances		44,129
		95,199,882

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2019

Grant in Aid may be in term of capital expenditure and revenue expenditure.The GIA reprresenting revenue expenditure is recognized directly to the statement of performance .Where as the GIA for capital expenditure, in principle is also recognized in statement of performance. But in circumtances where there is conditional attached to the capital Grant namely management of the assets and if the grant is not used should be refunded to the grantor ,then the Grant is treated as a deferred income over the useful

Other Revenue Non Exchange Transaction	**7**	**2018-19**	2017-18
		MUR	MUR
Stale Cheques		372,244	-
Insurance workmen Compensation		253,233	248,952
Fees Burial		362,047	275,440
Legal Fees		128,975	214,256
Decrease in Provisions	**7.1**	17,178,140	0
Advances pensioners		500	1,022
Others Miscellaneous Revenue		294,371	290,492
Amortisation		-	9,882,755
		18,589,509	10,912,916

Decrease in Provisions	**7.1**	**2018-19**
		MUR
Trade Fees		1,968,775
Sick Leaves		1,077,985
Passages		3,904,256
Vacation Leaves		10,227,124
		17,178,140

Building and Land Use Permit Fees(BLUP)	**8**	**2018-19**	2017-18
		MUR	MUR
Building and Land Use Permit Fees		12,679,494	4,281,799
		12,679,494	4,281,799

Rent and Royalties	**9**	**2018-19**	2017-18
		MUR	MUR
Markets and Fairs		23,223,234	21,150,437
Buildings(Offices/Housing etc)		12,195,274	13,729,498
Halls		1,318,005	645,500
Municipal Buses		162,500	248,500
Lighting of Sports Ground		185,560	303,080
Fees Swimming Pool		756,510	904,330
Advertising Panel		13,000	-
Bus Toll Fees		7,336,498	6,834,275
		45,190,581	43,815,620

Financial Income	**10**	**2018-19**	2017-18
		MUR	MUR
Interest on Investment and Deposits		6,257,417	-
		6,257,417	-

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2019

Other Revenue Exchange Transaction	11	2018-19	2017-18
		MUR	MUR
Reinstatement Fees		584,835	181,500
Fees Enclosures /Obtructions		3,654,235	1,913,790
Fees Electrical Appliances		65,250	276,334
Fees Trade and Industrial Refuse		168,600	154,800
Books lost by Subscribers		5,444	-
Printing Services		1,190	23,117
Internet Use		3,030	29,452
Membership Cards		11,640	0
Photocopy Services		119	245
Sale of Store		207,410	0
Wayleave Building Colonade		1,078,750	386,250
Non Refundable Deposit Tender		15,500	76,200
		5,796,003	3,041,688

Compensation Of Employees	12	2018-19	2017-18
		MUR	MUR
Basic Salary		321,418,280	325,867,100
Extra Remuneration		15,989,743	6,031,764
Acting Allowance		1,567,935	677,938
Other Allowance		611,068	549,724
Cash In Lieu of sick Leave		15,934,675	15,220,175
End of year Bonus		33,755,062	34,827,988
Uniform Allowance		8,634,436	7,377,459
Travelling and Transport		32,450,144	30,164,536
Fees for Training		118,793	48,994
Staff Welfare Sports & Leisure		649,957	747,800
Contribution to the National Savings Fundand National Pension Fund		6,749,744	6,596,811
Contribution to Pension fund		39,565,640	38,764,730
Passage Benefit		13,021,551	13,010,066
Gratuities		113,218,462	118,694,999
Acturial review Pension Fund Charges		116,924,835	-
		751,993,950	634,295,716

Remunaratiion of Councilors	13	2018-19	2017-18
		MUR	MUR
Allowance to Lord Mayor and Councillors		5,732,055	5,210,464
End Year Bonus		441,489	412,123
Travelling		220,976	223,809
		6,394,519	5,846,396

Related Party trasactions **14**

All transactions between related party at the level of the City Council of Port Louis should be disclosed under IPSAS 20. Therefore compensation of keys management personels include the Chief executive,Councillors and executive management team. It is the amount recognised as expenses in the performance statement Keys managements do not received any remunerations or compensation other ythan in their capacity as key mamangement personel IPSAS 20(34)(b)(i).

The Council do not provide any compensation at non-arm's length to close familymembers of key management personel during the year under review .

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2019

	No	2018-19 MUR	2017-18 MUR
Councillors	**30**	5,319,694	4,889,176
Lord Mayor	**1**	753,551	674,260
Deputy Lord Mayor	**1**	321,274	282,960
Chief Executive	**1**	1,986,644	1,837,988
Deputy Chief Executive	**1**	1,016,348	904,885
Head Public Infrastructure	**1**	725,385	647,685
Chief Health Inspector	**1**	1,119,560	1,006,610
Head Land Use Planning	**1**	1,021,220	909,015
Chief Welfare Officer	**1**	844,355	831,410
		13,108,031	11,983,989

Supplies and consumables	**15**	**2018-19 MUR**	2017-18 MUR
Utilities Cost	**15.1**	64,923,754	64,188,667
Motor Vehicle Expenses	**15.2**	12,774,977	13,046,960
Repairs And Maintenance	**15.3**	22,882,557	20,887,273
Cleaning and Security Services and other related costs	**15.4**	87,346,260	78,369,950
Hosting of events running costs	**15.5**	8,502,811	10,211,443
		196,430,360	186,704,293

Utilities Cost	**15.1**	**2018-19 MUR**	2017-18 MUR
Electricity and Gas charges		50,841,293	52,142,440
Telephone Charges		2,231,289	1,963,280
Water Charges		11,851,172	10,082,946
		64,923,754	64,188,667

Motor Vehicle Expenses	**15.2**	**2018-19 MUR**	2017-18 MUR
Fuel & Oil		7,374,260	7,484,671
Repairs and Maintenance		3,660,443	3,834,121
Insurance		942,218	897,993
Road Tax		798,056	830,175
		12,774,977	13,046,960

Repairs And Maintenance	**15.3**	**2018-19 MUR**	2017-18 MUR
Maintenance of Road		7,086,197	7,164,145
Maintenance of Buildings		4,933,247	4,181,731
Maintenance of Other structures- Plant and Machinery		3,093,461	2,718,637
Maintenance of Incinerators		246,212	205,052
Maintenance of Cemeteries/Cremation		583,952	510,294
Materials		2,030,855	2,217,165
		22,882,557	20,887,273

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2019

Cleaning and Security Services and other related costs	15.4	2018-19	2017-18
		MUR	MUR
Contracted Maintenance Services		79,628,565	71,694,551
Environment		2,382,269	1,688,588
Maintenance and Cleaning of lavatories		5,069,363	4,167,370
Material Scavenging		209,022	425,018
Rodent Control		57,041	394,424
		87,346,260	78,369,950

Hosting of events running costs	15.5	2018-19	2017-18
		MUR	MUR
National Day Celebration		233,166	1,429,557
Cultural Activities		6,024,678	5,449,579
Religious & National Festivals		263,083	305,262
Sports Activities		1,981,883	3,027,044
		8,502,811	10,211,443

Professional and Legal Fees	16	2018-19	2017-18
		MUR	MUR
Legal & Professional Fees		2,068,275	4,147,737
Inspection and Audit Fees		525,000	475,000
		2,593,275	4,622,737

Grants And Subsidies	17	2018-19	2017-18
		MUR	MUR
Sports Regionalisation		1,675,000	1,600,000
Grants to Social and Religious organisations		1,936,356	2,108,341
Donation to Distress Cases & Poverty Alleviation		290,000	193,000
		3,901,356	3,901,341

Depreciation/Amortisation	18	2018-19
		MUR
Depreciation		
Building		**141,427**
Public Infrastructure		**5,028,969**
Vehicles		**2,328,456**
Machinery & Equipment		**2,166,372**
Furniture, Fittings and Fixtures		**636,615**
Computer & IT Equipment		**1,119,945**
		11,421,783

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2019

Other Expenses	**19**	**2018-19**		2017-18
		MUR		MUR
Postage		1,057,105		889,485
Office Sundries/office expenses		2,829,702		13,225,789
Printing and Stationery		2,352,725		2,729,934
Books and Periodicals		812,565		762,738
Overseas Travel		556,245		369,747
Entertainment		810,030		883,683
General Insurance		529,078		409,245
Police Assistance		266,375		210,438
Maintenance of IT Equipment		2,841,406		2,613,561
Repairs /Renewal of Furniture and Fittings		490,576		11,069
		13,374,352		22,780,802

Cash and Cash Equivalents	**20**	**2018-19**		2017-18
		MUR		MUR
State Bank of Mauritius Current Account		(13,639,308)		(13,477,760)
Mauritius Commercial Bank Current Account		543,459		(8,661,257)
MAU BANK- Current Account		1,431		1,431
SBM Renovation of Theatre Current Account		33,630,116		8,019,995
SBM Online Account		763,301		46,608
SBM Call Deposit Account		35,690,074		19,382,964
Cash In Hand		240,787		5,000
Cash In Transit		388,435		7,217,494
		57,618,295		12,534,476

Receivables From Exchange Transactions	**21**	**2018-19**		2017-18
		MUR		MUR
Current Receivables				
Bank Interest Receivable		12,007,472		10,300,294
		12,007,472		10,300,294
Non Current receivables				
Markets and Fairs	10,423,797		17,738,655	
Less Provisons	(13,312,359)	(2,888,562)	(13,312,359)	4,426,296
Rent		3,895,244		4,342,724
		1,006,682		8,769,020

The receivable form Exchange transactions are derived mostly from the rental receivable from the stalls holders in the market space or slot provided to clients .They are disclosed below amongst other per markets Receivables From Exchange Transactions are non interest bearings and are generally payable within one Year.

The local authority is empowered under the Local Government Act to recover outstandings rates ,fees and the council need to provide for impairment with the consent of council and approval by the Minister under section 145 of the Local Government Act 2011,after ensuring that all avenue has been exhausted.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2019

Receivables From Non-Exchange Transaction	**22**	**2018-19**		2017-18
		MUR		MUR
Current Receivables				
Debtors Grants		1,186,290		-
		1,186,290		0
Non Current receivables				
Local Rates	123,633,030		124,311,803	
Less Provisions	(23,962,072)	99,670,958	(22,609,680)	101,702,123
Trade Fees	111,298,071		117,416,008	
Less Provisions	(94,988,458)	16,309,613	(96,957,233)	20,458,775
		115,980,571		122,160,898

Loans & Advances-Current	**23**	**2018-19**	2017-18
		MUR	MUR
Advance Councillors Allowance		25,060	25,060
		25,060	25,060

Inventories	**25**	**2018-19**	2017-18
		MUR	MUR
Opening on 1 July		**9,125,951**	11,807,658
Add Receipts		**55,994,911**	53,938,529
Less Issues		**(57,911,862)**	(56,620,235)
Closing 30 June		**7,208,999**	9,125,951

Current Investments	**26**	**2018-19**	2017-18
		MUR	MUR
Investments -			
ABC Banking Corporation		80,000,000	55,200,000
Banyan Tree Bank Limited		47,250,000	-
Barclays Bank Mauritius Ltd		76,700,000	81,500,000
Mau Bank Ltd		-	67,250,000
SBM City Council of Port Louis Theatre Fund (Fixed Deposit)		-	39,406,800
		203,950,000	**243,356,800**

Nature and Purpose of Investment	**26.1**	
Provision Pension Fund		97,000,000
Passage Fund		39,700,000
Provision Sick Leaves		15,000,000
Capital Projects		52,250,000
		203,950,000

Available-for-sale investments	**27**	**2018-19**	2017-18
		MUR	MUR
Investment DBM		50,000,000	50,000,000
		50,000,000	**50,000,000**

Loans & Advances-Non Current	**28**	**2018-19**	2017-18
		MUR	MUR
Car Loans to Employees		9,067,531	11,545,306
		9,067,531	11,545,306

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2019

Property ,Plant and Equipment **29**

	Land	Buildings	Public Infrastructure	Vehicles	Machinery & Equipment	Furniture, Fittings and Fixtures
Cost	MUR	MUR	MUR	MUR	MUR	MUR
At 01July 2018	443,877,549	266,276,531	564,932,757	41,896,839	18,150,185	7,547,705
Transfer		12,844,208				
Adjustments at 30 June 2019		359,145,919	3,830,328,494			
Additions		7,071,327	49,103,402	103,500	2,297,454	264,927
At 30 June 2019	**443,877,549**	**645,337,985**	**4,444,364,653**	**42,000,339**	**20,447,638**	**7,812,632**
Depreciation and Impairement						
At 01July 2018	-	(519,689)	(23,333)	(4,905,572)	(6,136,006)	(1,446,479)
Depreciation for the year		(141,427)	(5,028,969)	(2,328,456)	(2,166,372)	(636,615)
Disposal						
Transfer/Adjustments		519,689				
At 30 June 2019	**-**	**(141,427)**	**(5,052,303)**	**(7,234,028)**	**(8,302,378)**	**(2,083,095)**
Net Book Value						
At 30 June 2019	**443,877,549**	**645,196,558**	**4,439,312,350**	**34,766,311**	**12,145,260**	**5,729,538**
At 01 July 2018	**443,877,549**	**265,756,842**	**564,909,424**	**36,991,267**	**12,014,179**	**6,101,226**

Payables From Exchange transactions	**30**	**2018-19**	2017-18
		MUR	MUR
Creditors-Suppliers		14,222,027	5,229,353
		14,222,027	**5,229,353**

Payables From Non Exchange transactions	**31**	**2018-19**	2017-18
		MUR	MUR
Other Creditors		8,443,745	6,184,782
		8,443,745	**6,184,782**

Trade Payables are non-interest bearing are are normally settled within three or four weeks or depending upon the term of constractual agreement.

Deposits	**32**	**2018-19**	2017-18
		MUR	MUR
Trade Fees- Exempted		8,036,349	9,815,849
Halls/Sundries		4,269,537	4,016,982
Lanterns		79,962	432,000
Deposit from CEB Fee		101,250	20,625
Deposit from CWA Fee		146,050	26,450
Deposit from WMA fee		312,000	28,500
		12,945,149	**14,340,407**

Deferred Income	**33**	**2018-19**	2017-18
		MUR	MUR
Opening on 01 July		64,476,763	-
Charge for the year		-	64,476,763
Transfer to Reseves		(64,476,763)	-
Closing on 30 June		-	**64,476,763**

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2019

Borrowings	**34**	**2018-19**	2017-18
		MUR	MUR
Advance Grant In Aid 17/18		19,890,140	19,890,140
		19,890,140	**19,890,140**

An additional Grant of Rs19.8m in the form of an advance was extended to the Council in year 17/18 to meet its recurrent expenditure.
The advance from the Ministry of Finance and Economic Development provides for a moratorium up to year 2019.

Provisions	**35**	**2018-19**	2017-18
		MUR	MUR
Opening on 01 July		42,851,815	34,758,621
Payments during the year		(25,418,228)	(17,794,400)
Charge for the year		28,730,655	25,887,594
Closing on 30 June		**46,164,242**	**42,851,815**

Employee Benefit Obligations	**36**	**2018-19**	2017-18
		MUR	MUR
Current Employment Beneifits Obligations	**36.1**	208,039,072	210,460,641
Non-current Employee Benefit Obligations	**36.2**	1,408,395,939	1,580,680,114
		1,616,435,012	**1,791,140,755**

Current Employment Beneifits Obligations	**36.1**	**2018-19**	2017-18
		MUR	MUR
Sick Leaves		15,934,675	15,220,175
Vacation Leaves		3,036,365	3,608,185
Passage Benefits		34,191,675	36,755,924
Pensions		154,876,357	154,876,357
		208,039,072	**210,460,641**

Non-current Employee Benefit Obligations	**36.2**	**2018-19**	2017-18
		MUR	MUR
Sick Leaves		87,060,637	90,183,952
Vacation Leaves		104,723,554	116,324,344
Pensions		1,216,611,748	1,374,171,819
		1,408,395,939	**1,580,680,114**

IPSAS 39 For year ending 30 June 2019

	Year ending 30 June 2019	Year ending 30 June 2018
Amounts recognised in balance sheet at end of period:	Rs	Rs
Defined benefit obligation	1,986,920,927	2,074,193,636
Fair value of plan assets	-615,432,822	-545,145,460
Liability recognised in balance sheet at end of period	**1,371,488,105**	**1,529,048,176**
Amounts recognised in income statement:		
Service cost:		
Current service cost	40,811,794	41,827,156
Past service cost	0	
(Employee contributions)	-17,438,106	-17,611,800
Fund Expenses	1,331,153	939,503
Net Interest expense/(income)	92,219,994	95,175,595
P&L Charge	116,924,835	120,330,454
Remeasurement		
Liability (gain)/loss	-125,299,644	-16,210,927
Assets (gain)/loss	-1,491,544	16,210,927
Net Assets/Equity (NAE)	-126,791,188	0
Total	**-9,866,353**	**120,330,454**
Movements in liability recognised in balance sheet:		
At start of year	1,529,048,176	1,551,750,356
Amount recognised in P&L	116,924,835	120,330,454
(Actuarial reserves transferred in)	0	0
(Employer Contributions)	-34,876,212	-29,363,372
(Direct Benefits paid by Employer)	-112,817,506	-113,669,262
Amount recognised in NAE	-126,791,188	0
At end of period	**1,371,488,105**	**1,529,048,176**

The plan is a defined benefit arrangement for the employees and it is only funded for pensionable service as from 01 July 2008. The assets of the funded plan are held and administered independently by The State Insurance Company of Mauritius Ltd.

	Year ending 30 June 2019	Year ending 30 June 2018
Reconciliation of the present value of defined benefit obligation	Rs	Rs
Present value of obligation at start of period	2,074,193,636	2,047,986,912
Current service cost	40,811,794	41,827,156
Interest cost	126,525,812	126,975,189
(Benefits paid)	-129,310,671	-126,384,694
Liability (gain)/loss	-125,299,644	-16,210,927
Present value of obligation at end of period	1,986,920,927	2,074,193,636
Reconciliation of fair value of plan assets		
Fair value of plan assets at start of period	545,145,460	496,236,556
Expected return on plan assets	34,305,818	31,799,594
Employer contributions	34,876,212	29,363,372
Employee Contributions	17,438,106	17,611,800
(Benefits paid + other outgo)	-17,824,318	-13,654,935
Asset gain/(loss)	1,491,544	-16,210,927
Fair value of plan assets at end of period	615,432,822	545,145,460

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2019

Distribution of plan assets at end of period

Percentage of assets at end of period	June 2019	June 2018
Fixed-Interest securities and cash	58.70%	59.50%
Loans	3.40%	3.70%
Local equities	13.10%	14.60%
Overseas bonds and equities	24.20%	21.60%
Property	0.60%	0.60%
Total	100%	100%

Additional disclosure on assets issued or used by the reporting entity

Percentage of assets at end of year	June 19(%)	June 18(%)
Assets held in the entity's own financial instruments	0	0
Property occupied by the entity	0	0
Other assets used by the entity	0	0

Components of the amount recognised in NAE

Year	June 2019	June 2018
Currency	Rs	Rs
Asset experience gain/(loss) during the period	1,491,544	-16,210,927
Liability experience gain/(loss) during the period	125,299,644	16,210,927
	126,791,188	0

	2019/2020
Year	35,918,913
Expected employer contributions	
(Estimate to be reviewed by Municipal City Council of Port Louis)	12 years
Weighted average duration of the defined benefit obligation	
(Calculated as a % change in PV of liabilities for a 1% change in discount rate)	

The plan is exposed to actuarial risks such as : investment risk, interest rate risk, mortality risk, longevity risk and salary risk.

The cost of of providing the benefits is determined using the Projected Unit Method. The principal assumptions used for the purpose of the actuarial valuation were as follows:

	Year ending 30 June 2019	Year ending 30 June 2018
Discount rate	6.10%	6.20%
Future salary increases	4.00%	4.00%
Future pension increases	3.00%	3.00%
Mortality before retirement	A 6770 Ultimate Tables	PA (90) Tables
Mortality in retirement	PA (90) Tables	rated down by 2 years
Retirement age	As per Second Schedule of the Statutory Bodies Pension Funds Act	

The discount rate is determined by reference to market yields on bonds.

Significant actuarial assumptions for determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based reasonably on possible changes of the assumptions occuring at the end of the reporting period.

If the discount rate would be 100 basis points (one percent) higher (lower), the defined benefit obligation would decrease by Rs 207.8M (increase by Rs 253.3M) if all other assumptions were held unchanged.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2019

If the expected salary growth would increase (decrease) by 1%, the defined benefit obligation would increase by Rs 97.3M (decrease by Rs 84.6M) if all assumptions were held unchanged.

If life expectancy would increase (decrease) by one year, the defined benefit obligation would increase by Rs 66M (decrease by Rs 66M) if all assumptions were held unchanged.

In reality one might expect interrelationships between the assumptions, especially between discount rate and expected salary increases, given that both depends to a certain extent on expected inflation rates. The analysis above abstracts from these interdependence between the assumptions.

		2018-19	2017-18
Other liabilities	**37**	**MUR**	MUR
Prepayments	**37.1**	15,943,359	13,750,839
Creditors Grants		31,714,859	31,714,859
		47,658,218	**45,465,698**

Prepayments	**37.1**	-	-
Local Rtaes		14,096,447	12,370,511
Trade Fees		7,500	187,075
Markets and Fairs		1,827,017	1,185,858
Rent		7,395	7,395
Others		5,000	-
		15,938,359	**13,750,839**

Computer & IT Equipment
MUR
5,491,400
366,081
5,857,481
(2,295,278)
(1,119,945)
(3,415,222)
2,442,259
3,196,123