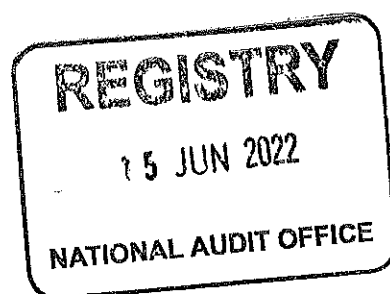


Local Council Zurrieg

Annual Audit Report

for the year ended 31 December 2021.

Prepared by:
Ms Doreen Mintoff
B.Accountancy(Honours) AIA, DIP. IFR CPA, Reg Auditor



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**Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2021**

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

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Council (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on 11 May 2022 and signed on its behalf by:



Rita Grima
Mayor



Josianne Cilia Mumford
Executive Secretary

Report of the Local Government Auditor

To the Auditor General

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Zurrieq Local Council (“the Council”) set out on pages 4 to 25 which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Council as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act, the Local Councils (Financial) Procedures 1996 (the “Legislation”).

Basis for opinion

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

Responsibilities of those charged with governance for the financial statements

As described on page 1 the Executive Secretary and the members of the Council are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Legislation, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Secretary and the members of the Council are responsible for assessing the Council’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is the intention to liquidate the Council or to cease operations, or have no realistic alternative but to do so.

The Executive Secretary and the members of the Council are responsible for overseeing the Council’s financial reporting process.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

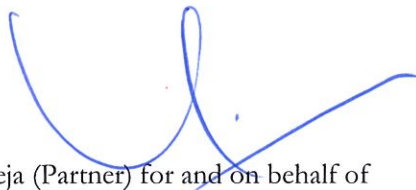
Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Mark Bugeja.



Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

Fort Business Centre
Triq l-Intornjatur, Zone 1
Central Business District,
Birkirkara CBD 1050
Malta

11 May 2022

**Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2021**

	Notes	2021 €	2020 €
Revenue			
Funds received from Central Government	3	993,938	955,797
Income raised under Local Enforcement System	4	4,882	4,882
General Income	6	46,743	40,909
		<u>1,045,563</u>	<u>1,001,588</u>
Expenditure			
Personal Emoluments	7	(155,067)	(150,390)
Operations and maintenance	8	(544,788)	(513,592)
Administration and other expenditure	9	(266,082)	(259,526)
		<u>(965,937)</u>	<u>(923,508)</u>
Operating profit for the year		79,626	78,080
Finance income	5	67	63
		<u>79,693</u>	<u>78,143</u>
Profit for the year	7	<u>79,693</u>	<u>78,143</u>

The notes on pages 8 to 25 form an integral part of these financial statements.

Statement of Financial Position
as at 31 December 2021

	Notes	2021 €	2020 €
Non-Current Assets			
Property, plant and equipment	10	623,333	748,277
		<u>623,333</u>	<u>748,277</u>
Current Assets			
Receivables	11	69,995	122,409
Cash and cash equivalents	12	1,367,495	1,112,488
Total Current Assets		<u>1,437,490</u>	<u>1,234,897</u>
Total Assets		<u>2,060,823</u>	<u>1,983,174</u>
Reserves			
Retained earnings		<u>1,897,057</u>	<u>1,817,364</u>
Total reserves		<u>1,897,057</u>	<u>1,817,364</u>
Current Liabilities			
Trade and other payables	13	163,766	165,810
		<u>163,766</u>	<u>165,810</u>
Total Liabilities		<u>163,766</u>	<u>165,810</u>
Total reserves and liabilities		<u>2,060,823</u>	<u>1,983,174</u>

These financial statements were approved by the Local Council on 11th May 2022 and signed on its behalf by:



Rita Grima
Mayor



Josianne Cilia Mumford
Executive Secretary

The notes on pages 8 to 25 form an integral part of these financial statements.

**Statement of Changes In Equity
for the year ended 31. December 2021.**

	Retained Earnings	Total
	€	€
At 1. January 2020	1,739,221	1,739,221
Profit for the year	78,143	78,143
At 31. December 2020	<u>1,817,364</u>	<u>1,817,364</u>
At 1. January 2021	1,817,364	1,817,364
Profit for the year	79,693	79,693
At 31. December 2021.	<u>1,897,057</u>	<u>1,897,057</u>

**Statement of Cash Flows
for the year ended 31 December 2021**

	2021		2020	
	€	€	€	€
Profit for the year	79,693		78,143	
Reconciliation to cash generated from operations:				
Depreciation of property, plant and equipment	156,365		154,443	
Write off of property, plant and equipment	1,425		-	
Loss on disposal of property, plant and equipment	1,724			
Movement in Provision for Doubtful Debts	(3,760)		(675)	
Interest receivable	(67)		(63)	
	<u>233,656</u>		<u>231,848</u>	
Operating surplus before working capital changes :				
Decrease/(Increase) in receivables	59,767		(53,295)	
(Increase) in other receivables	(3,593)		(9,792)	
(Decrease) in payables	(6,837)		(6,464)	
Increase/(Decrease) in other payables	4,793		(48,274)	
	<u>287,786</u>		<u>114,023</u>	
Cash generated from operating activities		287,786		114,023
Cash flow from investing activities				
Interest received	67		63	
Purchase of property, plant and equipment	(62,664)		(104,872)	
Grants received	28,094		28,766	
	<u>(34,503)</u>		<u>(76,043)</u>	
Net cash (used in) investing activities		(34,503)		(76,043)
		<u>253,283</u>		<u>37,980</u>
Net Increase in cash and cash equivalents in the year		253,283		37,980
Cash and cash equivalents at beginning of year		<u>1,112,488</u>		<u>1,074,508</u>
Cash and cash equivalents at end of year Note 12		<u><u>1,365,771</u></u>		<u><u>1,112,488</u></u>

1. General Information

The Zurrieq Local Council is the local authority of Malta set up in accordance with the Local Councils Act (1993). The office of the Local Council is situated at Centru tal-Komunita' Joe Cassar, Triq Pietru Pawl Saydon, Zurrieq ZRQ 1030. These financial statements were approved for issue by the Council Members on 11 May 2022. The Local Council's company's presentation as well as functional currency is Euro (€).

2. Accounting Policies and Reporting Procedures

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

Accounting convention

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

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

*New or revised standards or interpretations**New standards adopted as at 1 January 2021*

Some accounting pronouncements which have become effective from 1 January 2021 and have therefore been adopted do not have a significant impact on the Local Council's financial results or position.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Local Council

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Local Council.

Management anticipates that all of the relevant pronouncements will be adopted in the Local Council's accounting policies for the first period beginning after the effective date of the pronouncement. No new standards, amendments and interpretations are expected to be relevant to the Local Council's financial statements.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses to date. Depreciation is calculated on a monthly basis using the straight line method at rates calculated to write off the cost of each asset over its expected useful life as follows:

	%
Land	0
Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	Replacement Basis
Playground Furniture	100
Traffic Signs	Replacement Basis
Road Signs	Replacement Basis
Street Mirrors	Replacement Basis
Street Lights	100

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

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Impairment of property, plant and equipment

The carrying amounts of the Local Council's property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

*Financial instruments**Recognition and derecognition*

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

The Local Council does not have any financial assets categorised as FVTPL and FVOCI in the periods presented.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within 'finance costs', 'finance income' or 'other financial items'.

*Subsequent measurement of financial assets**Financial assets at amortised cost*

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Local Council's cash and cash equivalents, and trade and most receivables fall into this category of financial instruments.

Impairment of financial assets

FRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the requirements include loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Local Council considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Classification and measurement of financial liabilities

The Local Council's financial liabilities include trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Local Council designates a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'finance costs' or 'finance income'.

Related parties

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

Revenue

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the profit or loss as it accrues.

Local Enforcement System

Up till August 2011, the Council used to manage the the Local Enforcement System in its locality and used to receive all the income generated from the fines. As from 1 September 2011, the Southern Region has taken over the Local Enforcement System function and the Council receives 10% administrative reimbursements on fines collected. Subsequently, as from 1st October 2015, the Local Enforcement System Authority is now responsible for the overall management and control of the Local Enforcement System.

Leases

Leases, in which significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight line basis over the period of the lease.

Government grants

Government grants relating to operating expenditure are recognized in the Statement of Comprehensive Income in the same period that the related expenditure is incurred.

Government grants relating to the purchase of property, plant and equipment are accounted for using the capital approach, and are thus deducted from the carrying amount of the relative non-current asset.

Up to the year ended 31st December 2017, government grants were accounted for using the income approach according to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. On 1st January 2018, the capital approach, according to IAS 20, has been adopted, in line with the Directive No 1/2017 issued by the Department for Local Government. This is a change in accounting policy, and according to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, it has been accounted for retrospectively.

Profits and losses

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

Cash and equivalents

Cash and Cash Equivalents are carried in the statement of financial position. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and balances held with banks.

Critical Accounting Estimates and Judgements

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

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

Capital management policies

The Local Council's objectives when managing capital are:

- to safeguard the council's ability to continue as a going concern, so that it can continue to provide services and benefits to its local community.

The Local Council sets the amount of capital in proportion to risk. The Council manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The Local Council monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt ÷ adjusted capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Adjusted capital comprises of retained earnings.

3. Funds received from Central Government	2021	2020
	€	€
In terms of section 55 of the Local Council Act	900,416	881,522
Other Government Income	93,522	74,275
	<u>993,938</u>	<u>955,797</u>
4. Local Enforcement Income	2021	2020
	€	€
Contraventions and other fines	(2,058)	(369)
Income from LES administration fees	6,940	5,251
	<u>4,882</u>	<u>4,882</u>
5. Investment Income	2021	2020
	€	€
Bank Interest	67	63
	<u>67</u>	<u>63</u>
6. General Income	2021	2020
	€	€
Community Services	3,491	3,468
General Income	144	94
Insurance Claims	-	1,379
Income from Permits	43,108	35,968
	<u>46,743</u>	<u>40,909</u>
7. Profit for the year	2021	2020
	€	€
Profit for the year is stated after charging:		
Staff salaries	155,067	150,390
Depreciation of property, plant and equipment	156,365	154,443
Write off of property plant and equipment	1,425	-
Loss on disposal of property plant and equipment	1,724	-
	<u>467,581</u>	<u>459,276</u>

Personal Emoluments

	2021	2020
	€	€
Mayor's Allowance	15,270	15,035
Councillors' Allowance	22,619	22,600
Executive Secretary Salary and Allowances	37,168	36,280
Employees' Salaries	70,952	67,737
Social Security Contributions	9,058	8,738
	<u>155,067</u>	<u>150,390</u>

8. Operations and Maintenance

	2021	2020
	€	€
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	67,940	84,186
Road Markings	34,512	35,079
Road & Street Patching	25,718	26,804
Office Furniture and Equipment	-	396
Plant & Equipment	-	2,078
Other repairs and Upkeep	54,060	55,283
	<u>182,230</u>	<u>203,826</u>
 <i>Contractual Services:</i>		
Refuse Collection	176,877	176,981
Bulky Refuse Collection	57,041	22,773
Road & Street Cleaning	43,937	44,216
Cleaning - Public Conveniences	9,602	9,136
Cleaning - Council Premises	1,731	1,437
Cleaning & Maintenance Parks & Gardens	48,679	29,471
Street Lighting	21,382	16,525
Studies & Consultations	2,092	9,163
Local Enforcement Expenses	1,217	64
	<u>362,558</u>	<u>309,766</u>
	<u>544,788</u>	<u>513,592</u>

9. Administration and other expenditure

	2021	2020
	€	€
Utilities	13,692	13,417
Uniforms	2,275	-
Operating materials & supplies	614	-
Sundry materials & supplies	-	5,727
Rent	3,965	2,923
Participation fees - Int. Mtg	1,284	86
Membership - Local Organisations	-	900
Printing	2,138	-
Stationery	1,977	2,757
Subscriptions	-	208
Postages	956	881
Other Office Services	6,106	3,918
Transport	3,433	3,038
Travel	638	-
Information Services	8,861	6,085
Insurance Coverage	5,029	4,468
Bank Charges	1,314	1,039
IT Development Services	7,508	5,113
Legal services	632	1,201
Accountancy services	4,519	4,413
Architect fees	2,621	4,736
Other support services	4,952	4,190
Training	236	-
Other Hospitality Costs	9,850	17,433
Social Events	-	5,980
Cultural Events	-	16,210
Community Services	28,084	880
Sundry Minor Expenses	-	155
Provision for receivables	(3,760)	(675)
Bad debts written off	1,069	-
Loss on write off of property, plant and equipment	1,724	-
Depreciation of property, plant and equipment	156,365	154,443
	<u>266,082</u>	<u>259,526</u>

Notes to the Financial Statements
for the year ended 31 December 2021

10. Property, plant and equipment	Trees	Property	Construction Works	New Street Signs	Urban Improvements	Plant and Machinery	Office Equipment	Office Furniture & fittings	Special Programmes	Assets under construction	Total
Cost	€	€	€	€	€	€	€	€	€	€	€
At 1 January 2020	11,143	115,304	453,311	11,615	515,392	5,613	128,461	70,434	2,951,175	22,781	4,285,229
Additions	2,959	-	-	-	18,201	-	7,746	803	69,113	6,050	104,872
Reclassification	-	-	-	-	-	-	-	-	2,745	(2,745)	-
At 31 December 2020	14,102	115,304	453,311	11,615	533,593	5,613	136,207	71,237	3,023,033	26,086	4,390,101
Grants											
At 1 January 2020	1,696	-	-	-	20,028	-	18,469	-	1,275,101	-	1,315,294
Grants received	2,385	-	-	-	9,436	-	6,273	-	10,672	-	28,766
At 31 December 2020	4,081	-	-	-	29,464	-	24,742	-	1,285,773	-	1,344,060
Depreciation											
At 1 January 2020	-	18,947	419,266	11,615	439,531	4,881	98,903	54,199	1,095,979	-	2,143,321
Charge for the year	-	1,175	7,102	-	16,934	165	4,313	2,424	122,330	-	154,443
At 31 December 2020	-	20,122	426,368	11,615	456,465	5,046	103,216	56,623	1,218,309	-	2,297,764
Net book values											
At 31 December 2020	10,021	95,182	26,943	-	47,664	567	8,249	14,614	518,951	26,086	748,277

Notes to the Financial Statements
for the year ended 31 December 2021

Property, plant and equipment	€											Total
	Trees	Property	Construction Works	New Street Signs	Urban Improvements	Plant and machinery	Office & Computer Equipment	Office Furniture & fittings	Special Programmes	Assets under construction		
Cost												
At 1 January 2021	14,102	115,304	453,311	11,615	533,593	5,613	136,207	71,237	3,023,033	26,086		4,390,101
Additions	1,968	-	-	-	16,065	-	7,516	2,016	-	35,099		62,664
Disposal	-	-	-	-	-	-	(5,896)	(11,484)	-	(1,425)		(17,380)
Write off	-	-	-	-	-	-	-	-	-	-		(1,425)
At 31 December 2021	16,070	115,304	453,311	11,615	549,658	5,613	137,827	61,769	3,023,033	59,760		4,433,960
Grants												
At 1 January 2021	4,081	-	-	-	29,464	-	24,742	-	1,285,773	-		1,344,060
Grants received	-	-	-	-	8,165	-	4,465	826	14,638	-		28,094
At 31 December 2021	4,081	-	-	-	37,629	-	29,207	826	1,300,411	-		1,372,154
Depreciation												
At 1 January 2021	-	20,122	426,368	11,615	456,465	5,046	103,216	56,623	1,218,309	-		2,297,764
Reclassification	-	-	-	-	(105)	-	-	105	-	-		-
Released on disposal	-	-	-	-	-	-	(5,773)	(9,883)	-	-		(15,656)
Charge for the year	-	1,175	7,102	-	17,030	165	4,264	2,575	124,054	-		156,365
At 31 December 2021	-	21,297	433,470	11,615	473,390	5,211	101,707	49,420	1,342,363	-		2,438,473
Net book values												
At 31 December 2021	11,989	94,007	19,841	-	38,639	402	6,913	11,523	380,259	59,760		623,333

11. Receivables

	2021	2020
	€	€
Receivables	14,588	73,806
Other receivables	10,800	10,917
Accrued income	28,300	24,091
Financial assets at amortised cost	<u>53,688</u>	<u>108,814</u>
Prepayments	16,307	13,595
	<u>69,995</u>	<u>122,409</u>

Receivables

General receivables are analysed as follows:

	2021	2020
	€	€
Within credit period	4,284	4,284
Exceeded credit period but not impaired	10,304	69,522
	<u>14,588</u>	<u>73,806</u>

Receivables are stated after a specific provision for doubtful debts amounting to € 0 (2020: € 622).

LES Debtors

LES debtors are stated after a specific provision for doubtful debts amounting to € 292,430 (2020: € 295,970).

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

	2021	2020
	€	€
Balance at 1 January	295,970	296,645
Decrease in provision for LES Debtors	(3,540)	(675)
Balance at 31 December	<u>292,430</u>	<u>295,970</u>

Other debtors

Other debtors are stated after a specific provision for doubtful debts amounting to € 402 (2020: € 0).

12. Cash and equivalents

	2021	2020
	€	€
Cash in Bank	1,367,218	1,112,203
Cash in Hand	277	285
Cash and cash equivalents	<u>1,367,495</u>	<u>1,112,488</u>

13. Trade and other payables

	2021	2020
	€	€
Trade payables	40,017	50,462
Other payables	25,086	25,057
Accruals	40,523	32,486
Financial Liabilities at amortised cost	<u>105,626</u>	<u>108,005</u>
Deferred income	8,145	7,810
Grants not yet utilised	49,995	49,995
	<u>163,766</u>	<u>165,810</u>

14. Capital commitments

	2021	2020
	€	€
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	<u>595,222</u>	<u>726,975</u>
These could be analysed as follows:		
<i>(i) Approved but not yet contracted for:</i>		
Construction	542,722	-
Urban Improvements	44,000	722,019
Office equipment	4,000	4,956
Plant & machinery	3,000	-
Trees	1,500	-
	<u>595,222</u>	<u>726,975</u>

15. Contingent liabilities

The Council had a case in front of the Small Claims Tribunal. The Local Council needs to pay € 5,057 (2020: € 5,057) to the outgoing contractor. The amount has been provided for.

Included as other receivables the Council an amount of € 10,370 (2020 : € 10,370) deposited in Court.

16. Related party transactions

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Government	Significant control
Regional Committee (Local Enforcement)	Joint control
Fgura Joint Committee (Local Enforcement)	Joint control
Local Enforcement System Agency	No control
Gozo Regional Committee	No control
North Regional Committee	No control
South Regional Committee	No control
South Eastern Regional Committee	No control
Central Regional Committee	No control
Public General Head Quarters	No control
Local Councils' Association	No control
Malta Information Technology Agency	No control
Malta Communication Authority	No control
Malta Tourism Authority	No control
Malta Transport Authority	No control
Department of Lands	No control
Department of Inland Revenue	No control
Permanent Secretary - Ministry of Education	No control
Permanent Secretary - Ministry for Family & Social Solidarity	No control
Bank of Valletta plc	No control
Airmalta plc	No control
Jobs plus	No control
Arms Limited	No control
Planning Authority	No control
Environment and Resources Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Cleansing Services Department	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Commissioner for Data Protection	No control

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

	2021	2020
	€	€
Annual Financial Allocation	<u>900,416</u>	<u>881,522</u>

Key management compensation

Transactions with key management personnel are disclosed in note 7.

17. Financial Risk Management

The exposure to risk and the way risks arise, together with the Local Council's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below.

The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development.

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

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

	2021	2020
	€	€
<i>Financial assets</i>		
<i>Financial assets at amortised cost</i>		
Cash and cash equivalents	1,367,495	1,112,488
Receivables	53,688	108,814
	<u>1,421,183</u>	<u>1,221,302</u>
<i>Financial liabilities</i>		
Trade payables and other payables	105,626	108,005
	<u>105,626</u>	<u>108,005</u>

The Local Council is exposed to credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Local Council is not exposed to any market risk. The Council's risk management is coordinated by the Local Council members and focuses on actively securing the Council's short to medium term cash flows by minimising the exposure to financial risks.

The most significant financial risks to which the Council is exposed are described below.

Credit risk

Financial assets which potentially subject the Council to concentration of credit risk are principally made up of cash at bank and debtors. The Council's cash is placed with quality financial institutions.

The Council applies the simplified approach for all trade receivables and contract assets which uses a lifetime expected allowance. Accordingly, the assessment to determine whether there is a significant increase in credit risk is not applicable for such financial assets.

Where the Council does not have reasonable and supportable information that is available without undue cost or effort to measure life time expected credit loss on an individual instrument basis and in order to ensure the life time expected credit losses are recognised before an asset becomes credit-impaired or an actual default occurs, life time expected credit losses on the remaining financial assets are measured on a collective basis. In such instances and where appropriate, the financial instruments are grouped on the basis of shared credit risk characteristics and the life time expected credit losses are estimated using a provision matrix based on actual credit loss experience over past years, which is adjusted to reflect current conditions and the Council's view of economic conditions over the expected lives of the receivables.

Such adjustments are based on factors that are specific to the debtors and economic and industry indicators such as GDP, unemployment rates and/or industry projections, where applicable, unless the effect is considered to be immaterial.

The Council's trade receivables are of a short-term nature as they are based on credit terms of less than one year and, thus, do not include a significant financing component.

For the purpose of the provision matrix, loss rates are calculated using a 'roll rate' method based on the probability a receivable progressing through successive stages of delinquency over a selected period, taking into consideration the applicable credit terms for such debtors and the past due status. Unless the effect is immaterial, for receivables after 360 days, the loss rate was adjusted to take into consideration the proportion of actual recoveries over the selected period.

As at 31 December 2021, trade receivables of € 10,304 (2020: € 69,522) were past due but not impaired. The ageing of these past due trade receivables was over 1 month. These mainly related to a number of government entities for whom there is no recent history of default and exposure is very limited. Whilst a number of customers account for a certain percentage of the Council's past due trade debts, management has not identified any major concerns with respect to concentration of credit risk. Categorisation of trade receivables as past due is determined by the Council on the basis of the nature of the credit terms in place and credit arrangements actually utilised in managing exposures with customers. Exposure is immaterial.

Cash and cash equivalents

The Council banks only with local financial institutions with high quality standing or rating. At 31 December 2021, cash and cash equivalents are held with counterparties with a credit rating of A+ and BBB and are callable on demand. Council consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Council.

Liquidity risk

The Council is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise trade and other payables. Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the Council's obligations.

Management monitors liquidity risk by reviewing expected cash flows and ensures that no additional financing facilities are expected to be required over the coming year. The Council manages its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. At the end of the reporting period, the Local Council's net current asset position amounted to € 1,273,724 (2020: € 1,069,087) view of the matching of cash inflows and outflows arising from expected maturities of financial instruments. In this respect management does not consider liquidity risk to the Council as significant taking into account the liquidity management process referred to above.

The following table analyses the Council's financial liabilities into relevant maturity groupings based on the remaining period at 31 December 2021 to the contractual maturity date. The amounts disclosed below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Current		Non-Current		Total
	Payable within 1 year	Payable within 1 & 2 years	Payable within 2 & 5 years	Payable after more than 5 years	
31 December 2021.	€	€	€	€	€
Payables	40,017	-	-	-	40,017

Other payables	25,086	-	-	-	25,086
Accruals	40,523	-	-	-	40,523
	<u>105,626</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,626</u>
31 December 2020					
Payables	50,462	-	-	-	50,462
Other payables	32,486	-	-	-	32,486
Accruals	25,057	-	-	-	25,057
	<u>108,005</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,005</u>

With respect to the maturity of the Council's financial liabilities as at 31 December 2021, the Council disclose that the trade and other payables are entirely repayable within one year from the end of the respective reporting period.

18. Fair values estimation

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

19. Events after the reporting date

No adjusting or significant non adjusting events have occurred between the reporting date and the date of approval of the financial statements by the Local Council members.