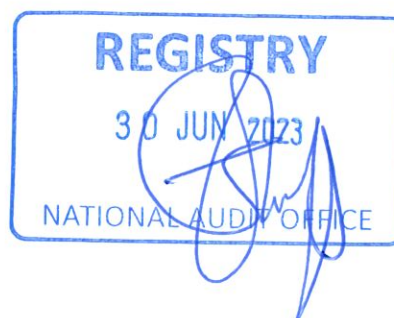


Local Council Zurrieq
Annual Audit Report
for the year ended 31 December 2022

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Contents

	Page
Statement of Local Council Members' and Executive Secretary's Responsibilities	1
Statement of Profit or Loss and Other Comprehensive Income	2
Statement of Financial Position	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 27
Report of the Local Government Auditors to Auditor General	28 - 30

**Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2022**

The Local Government (Financial) Regulations, 1993 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 Government (Financial) Regulations, 1993 and the Local Government (Financial) Procedures, 1996 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 Government (Financial) Regulations 1993, and the Local Government (Financial) Procedures 1996. 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 14 June 2023 and signed on its behalf by:



Rita Grima
Mayor



Josianne Cilia Mumford
Executive Secretary

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2022

	Notes	2022 €	2021 €
Revenue			
Funds received from Central Government	3	993,977	993,938
Income raised under Local Enforcement System	4	6,864	4,882
General Income	6	49,282	46,743
		<u>1,050,123</u>	<u>1,045,563</u>
Expenditure			
Personal Emoluments	7	(177,804)	(155,067)
Operations and maintenance	8	(508,256)	(544,788)
Administration and other expenditure	9	(294,542)	(266,082)
		<u>(980,602)</u>	<u>(965,937)</u>
Operating surplus for the year		69,521	79,626
Finance income	5	211	67
		<u>69,732</u>	<u>79,693</u>
Total comprehensive income for the year	7	<u>69,732</u>	<u>79,693</u>

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

	Notes	2022 €	2021 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	10	547,198	623,333
		<u>547,198</u>	<u>623,333</u>
Current Assets			
Receivables	11	61,693	69,995
Cash and cash equivalents	12	1,613,913	1,367,495
Total Current Assets		<u>1,675,606</u>	<u>1,437,490</u>
Total Assets		<u><u>2,222,804</u></u>	<u><u>2,060,823</u></u>
RESERVES AND LIABILITIES			
Reserves			
Retained fund		1,966,789	1,897,057
Total reserves		<u>1,966,789</u>	<u>1,897,057</u>
Current Liabilities			
Trade and other payables	13	256,015	163,766
Total Liabilities		<u>256,015</u>	<u>163,766</u>
Total reserves and liabilities		<u><u>2,222,804</u></u>	<u><u>2,060,823</u></u>

These financial statements were approved by the Local Council on 14th June 2023 and signed on its behalf by:


Rita Grima
Mayor


Josianne Cilia Mumford
Executive Secretary

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

**Statement of Changes in Equity
for the year ended 31 December 2022**

	Retained Fund €	Total €
At 1 January 2021	1,817,364	1,817,364
Total comprehensive Income for the year	79,693	79,693
At 31 December 2021	1,897,057	1,897,057
At 1 January 2022	1,897,057	1,897,057
Total comprehensive Income for the year	69,734	69,734
At 31 December 2022	1,966,791	1,966,791

Statement of Cash Flows
for the year ended 31 December 2022

	2022		2021	
	€	€	€	€
Total Comprehensive Income for the year	69,734		79,693	
Reconciliation to cash generated from operations:				
Depreciation of property, plant and equipment	136,073		156,365	
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)	
Interest receivable	(211)		(67)	
Operating surplus before working capital changes :	205,596		233,656	
(Increase)/decrease in receivables	(13,918)		59,767	
Decrease/(increase) in other receivables	22,219		(3,593)	
(Decrease) in payables	6,174		(6,837)	
Increase in other payables	86,074		4,793	
Cash generated from operating activities		306,145		287,786
Cash flow from investing activities				
Interest received	211		67	
Purchase of property, plant and equipment	(25,745)		(62,664)	
Grants retrieved	(34,193)		28,094	
Net cash (used in) investing activities		(59,727)		(34,503)
Net increase in cash and cash equivalents in the year		246,418		253,283
Cash and cash equivalents at beginning of year		1,367,495		1,112,488
Cash and cash equivalents at end of year	Note 12	1,613,913		1,365,771

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

1. General Information

The Zurrieq Local Council is the local authority of Malta set up in accordance with the Local Government 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 14 June 2023. 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 Government (Financial) Procedures 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards, as adopted by the EU.

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

Standards, amendments and interpretations to existing standards

The new and revised standards that became effective for annual periods beginning on or after 1 January 2022 made several minor amendments to a number of IFRSs. None of the changes to IFRSs and interpretations has had, or is expected to have, a material impact on the council's financial statements.

New and amended standards adopted by the Council

Information on new standards, amendments and interpretations that are relevant to the Council's financial statements is provided below. Certain other new standards and interpretations not listed below have been issued but are not relevant and therefore are not expected to have any impact on the Council's financial statements.

The Council started to adopt the new accounting pronouncements which have become effective this year, and are as follows:

Onerous Contract - Cost of Fulfilling a Contract (Amendments to IAS 37)

This pronouncement amended IFRS 37 'Provisions, Contingent Liabilities and Contingent Assets' and clarifies that when assessing if a contract is onerous, the cost of fulfilling it includes all costs related directly to the contract. Such costs include both:

- the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract, like direct labor and materials); and
- an allocation of other costs that relate directly to fulfilling the contract (e.g. contract management and supervision, or depreciation of equipment used in fulfilling it).

Proceeds before Intended Use (Amendments to IAS 16)

The amendments introduce new guidance to IAS16 'Property, Plant and Equipment', which prohibit entities from deducting from the costs of PPE amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognise such sales proceeds and related costs in profit and loss.

These amendments do not have a significant impact on these financial statements and therefore the disclosures have not been made.

New Standards, amendments and interpretations to existing standards that are not yet effective.

At the date of authorisation of these financial statements, several new, but not effective Standards and amendments to existing standards, and Interpretations have been published by the IASB. None of these standards or amendments to existing standards have been adopted early by the Local Council. These are the following:

On 23 January 2020, the IASB issued 'Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place of the reporting date. The amendments are effective for annual reporting periods beginning on or after 1 January 2024

On 18 May 2017, the IASB issued IFRS 17 'Insurance Contracts' that require insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 as is effective for annual reporting periods beginning on or after from 1 January 2023

On 12 February 2021, the IASB issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2), that require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

On 12 February 2021, the IASB issued amendments to IAS 8, replacing the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

On 31 October 2023, the IASB issued amendments to IAS 1, that clarifies how conditions with which an entity must comply within twelve months after the reporting period effect the classification of a liability. The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

The Councillors and Executive Secretary anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Local Council 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.

Receivables

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amounts of the asset in the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

Payables

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

Amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the council.

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

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

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

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

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

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.

Depreciation will be accounted on the resulting cost less grants.

Surplus and deficit

Only surplus and deficit 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 and procedures

The council's capital consists of its net assets, including working capital, presented by its retained funds. The Council's management objective are to ensure that the Council's ability to continue as a going concern is still valid and that the Council maintains a positive working capital ratio. To achieve this, the Council carries out a quarterly review of the working capital ratio (Financial Situation Indicator). This ratio was positive at the reporting date. The council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

3. Funds received from Central Government

	2022	2021
	€	€
In terms of section 55 of the Local Council Act	919,436	900,416
Other Government Income	74,541	93,522
	<u>993,977</u>	<u>993,938</u>

4. Local Enforcement Income

	2022	2021
	€	€
Contraventions and other fines	733	(2,058)
Income from LES administration fees	6,864	6,940
	<u>7,597</u>	<u>4,882</u>

5. Investment Income	2022	2021
	€	€
Bank Interest	211	67
	<u>211</u>	<u>67</u>
	<u><u>211</u></u>	<u><u>67</u></u>
6. General Income	2022	2021
	€	€
Community Services	6,428	3,491
General Income	530	144
Insurance Claims	677	-
Income from Permits	41,647	43,108
	<u>49,282</u>	<u>46,743</u>
	<u><u>49,282</u></u>	<u><u>46,743</u></u>
7. Profit for the year	2022	2021
	€	€
Profit for the year is stated after charging:		
Staff salaries	177,804	155,067
Depreciation of property, plant and equipment	136,073	156,365
Write off of property plant and equipment	118	1,425
Loss on disposal of property plant and equipment	-	1,724
	<u>-</u>	<u>1,724</u>
	<u><u>-</u></u>	<u><u>1,724</u></u>
<i>Personal Emoluments</i>		
	2022	2021
	€	€
Mayor's Allowance	15,516	15,270
Councillors' Allowance	22,598	22,619
Executive Secretary Salary and Allowances	52,973	37,168
Employees' Salaries	77,024	70,952
Social Security Contributions	9,693	9,058
	<u>177,804</u>	<u>155,067</u>
	<u><u>177,804</u></u>	<u><u>155,067</u></u>

8. Operations and Maintenance

	2022	2021
	€	€
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	72,885	67,940
Road Markings	35,925	34,512
Road & Street Patching	13,222	25,718
Other repairs and Upkeep	29,724	54,060
Council Property	30	-
	<u>151,786</u>	<u>182,230</u>
<i>Contractual Services:</i>		
Refuse Collection	192,084	176,877
Bulky Refuse Collection	54,117	57,041
Road & Street Cleaning	37,422	43,937
Cleaning - Public Conveniences	11,240	9,602
Cleaning - Council Premises	1,544	1,731
Cleaning & Maintenance Parks & Gardens	37,741	48,679
Clean & Maint. Country - Non Urban	2,067	-
Street Lighting	17,131	21,382
Studies & Consultations	2,765	2,092
Local Enforcement Expenses	359	1,217
	<u>356,470</u>	<u>362,558</u>
	<u>508,256</u>	<u>544,788</u>

9. Administration and other expenditure

	2022	2021
	€	€
Utilities	16,657	13,692
Uniforms	-	2,275
Sundry materials & supplies	2,534	614
Rent	4,168	3,965
Participation fees - Int. Mtg	359	1,284
Membership - Local Organisations	15	-
Printing	-	2,138
Stationery	2,336	1,977
Postages	2,779	956
Other Office Services	2,825	6,106
Transport	2,718	3,433
Travel	649	638
Information Services	9,266	8,861
Insurance Coverage	5,578	5,029
Bank Charges	1,888	1,314
IT Development Services	5,481	7,508
Legal services	1,556	632
Accountancy services	4,921	4,519
Architect fees	3,726	2,621
Other support services	4,879	4,952
Training	-	236
Other Hospitality Costs	5,042	9,850
Community Services	80,265	28,084
Sundry Minor Expenses	827	-
Provision for receivables	-	(3,760)
Bad debts written off	-	1,069
Loss on write off of property, plant and equipment	-	1,724
Depreciation of property, plant and equipment	136,073	156,365
	<u>294,542</u>	<u>266,082</u>

Notes to the Financial Statements
for the year ended 31. December 2022

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 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)	-	-	(17,380)
Write off	-	-	-	-	-	-	-	-	-	(1,425)	(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

**Notes to the Financial Statements
for the year ended 31 December 2022**

Property, plant and equipment	Trees	Property	Construction Works	New Street Signs	Urban Improvements	Plant and machinery	Office and Computer Equipment	Office Furniture & fittings	Special Programmes	Assets under construction	Total
	€	€	€	€	€	€	€	€	€	€	€
Cost											
At 1 January 2022	16,070	115,304	453,311	11,615	549,658	5,613	137,827	61,769	3,023,033	59,760	4,433,960
Additions	-	-	-	-	10,811	342	9,005	625	-	6,251	27,034
Write off	-	-	-	-	-	-	-	-	-	(118)	(118)
At 31 December 2022	16,070	115,304	453,311	11,615	560,469	5,955	146,832	62,394	3,023,033	65,893	4,460,876
Grants											
At 1 January 2022	4,081	-	-	-	37,629	-	29,207	826	1,300,411	-	1,372,154
Grants received	-	-	-	-	-	-	1,171	-	-	-	1,171
Grants returned	-	-	-	-	-	-	-	-	(34,193)	-	(34,193)
At 31 December 2022	4,081	-	-	-	37,629	-	30,378	826	1,266,218	-	1,339,132
Depreciation											
At 1 January 2022	-	21,297	433,470	11,615	473,390	5,211	101,707	49,420	1,342,363	-	2,438,473
Charge for the year	-	1,175	7,102	-	19,418	211	4,050	1,908	102,209	-	136,073
At 31 December 2022	-	22,472	440,572	11,615	492,808	5,422	105,757	51,328	1,444,572	-	2,574,546
Net book values											
At 31 December 2022	11,989	92,832	12,739	-	30,032	533	10,697	10,240	312,243	65,893	547,198

11. Receivables

	2022	2021
	€	€
Receivables	28,506	14,588
Other receivables	119	10,800
Accrued income	15,212	28,300
Financial assets at amortised cost	<u>43,837</u>	<u>53,688</u>
Prepayments	17,856	16,307
	<u>61,693</u>	<u>69,995</u>

Receivables

General receivables are analysed as follows:

	2022	2021
	€	€
Within credit period	8,898	4,284
Exceeded credit period but not impaired	19,608	10,304
	<u>28,506</u>	<u>14,588</u>

LES Debtors

LES debtors are stated after a specific provision for doubtful debts amounting to € 262,550 (2021: € 295,970). During the year under review, movement of € 29,880 was reflected as a bad debt write off with the corresponding decrease in provision for doubtful debts of the same amount.

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

	2022	2021
	€	€
Balance at 1 January	292,430	295,970
Decrease in provision for LES Debtors	(29,880)	(3,540)
Balance at 31 December	<u>262,550</u>	<u>292,430</u>

Other debtors

Other debtors are stated after a specific provision for doubtful debts amounting to € 402 (2021: € 402).

12. Cash and equivalents

	2022	2021
	€	€
Cash in Bank	1,612,154	1,367,218
Cash in Hand	1,759	277
Cash and cash equivalents	<u>1,613,913</u>	<u>1,367,495</u>

13. Trade and other payables

	2022	2021
	€	€
Trade payables	46,191	40,017
Other payables	26,618	25,086
Accruals	34,565	40,523
Financial Liabilities at amortised cost	<u>107,374</u>	<u>105,626</u>
Deferred income	8,215	8,145
Grants not yet utilised	140,426	49,995
	<u>256,015</u>	<u>163,766</u>

14. Capital commitments

	2022 €	2021 €
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	<u>717,222</u>	<u>595,222</u>
These could be analysed as follows:		
<i>(i) Approved but not yet contracted for:</i>		
Construction	146,500	542,722
Urban Improvements	560,722	44,000
Office equipment	10,000	4,000
Plant & machinery	-	3,000
Trees	-	1,500
	<u>717,222</u>	<u>595,222</u>

These commitments will be partly financed from grants receivable by the Local Council amounting to € 293,352.

15. 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:

	2022	2021
	€	€
Annual Financial Allocation	919,436	900,416

The ultimate controlling party of the Local Council is Central Government since the Council's main revenue is from the Government allocation received every quarter. Apart from the normal funds received from Government, Councils also receive funds relating to specific projects as well as other funds for the improvement and betterment of the locality.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Local Council, directly or indirectly. The main key management personnel are the Major, Councillors and the Executive Secretary.

The significant transactions carried out with key management personnel are:

	2022	2021
	€	€
Personal emoluments include, inter alia:		
Mayor's Allowance	15,516	15,270
Councillors' Allowance	22,598	22,619
Executive Secretary salary and allowances	52,973	37,168
	91,087	75,057

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 2022, trade receivables of € 8,898 (2021: € 10,304) 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 2022, 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 € 1,419,592 (2021: € 1,273,724) 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 2022 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 withing 1 & 2 years	Payable within 2 & 5 years	Payable after more than 5 years	
	€	€	€	€	€
31 December 2022					
Payables	46,191	-	-	-	46,191
Other payables	26,618	-	-	-	26,618
Accruals	34,565	-	-	-	34,565
	<u>107,374</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,374</u>
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>

With respect to the maturity of the Council's financial liabilities as at 31 December 2022, the Council disclose that the trade and other payables are entirely repayable within one year from the end of the respective reporting period.

Interest rate risk

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 12), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

Capital risk management

The 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 a service to the residents of the Local Council by maintaining an optimal capital structure to reduce cost of capital.

The Council's equity, as disclosed in the statement of financial position, constitutes its capital. The Council's capital structure is monitored by the Executive Secretary and the Council with appropriate reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Council's activities, the capital level as at the end of the reporting period is deemed adequate by the Council.

17. Fair values estimation

At 31 December 2022 and 31 December 2021, the nominal values less estimated credit adjustments of cash at bank, other financial assets, receivables and payables are reasonable estimates in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

18. 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.

ZURRIEQ LOCAL COUNCIL

INDEPENDENT AUDITORS' REPORT

To the Auditor General

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Zurrieq Local Council, set out on pages 2 to 27 which comprise the statement of financial position as at 31 December 2022, the statement of comprehensive income, 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 Local Council as at 31 December 2022, and of its financial performance and cashflows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

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

Other matter

The financial statements of Zurrieq Local Council for the year ended 31 December 2021, were audited by another auditor who expressed an unmodified opinion on those statements on 11 May 2022. We had to place a certain degree of reliance on balances brought forward.

Responsibilities of those charged with governance for the financial statements

As described on page 1, the Executive Summary and the members of the Local Council are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS as adopted by the EU, 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.

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ZURRIEQ LOCAL COUNCIL

INDEPENDENT AUDITORS' REPORT

Responsibilities of those charged with governance for the financial statements (continued)

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

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

Auditors' 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 auditors' 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 ISAs, we exercise professional judgment 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 Local Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the 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 Local Council's ability to continue as a going concern.

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ZURRIEQ LOCAL COUNCIL

INDEPENDENT AUDITORS' REPORT

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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 Local 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 principal authorised to sign on behalf of Parker Russell Turner on the audit resulting in this independent auditors' report is Mr. Arthur Douglas Turner.



Arthur Douglas Turner – Partner
On behalf of Parker Russell Turner

“Parker Russell Turner”,
13, Curate Fenech Street,
Birzebbugia
Malta

15 June 2023

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