

Local Council Marsaskala
Annual Audit Report
for the year ended 31 December 2021

Prepared by:
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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 15 February 2022 and signed on its behalf by:



Mario Calleja
Mayor



Josef Grech
Executive Secretary



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**Statement of Comprehensive Income
for the year ended 31 December 2021**

	Notes	2021 €	2020 €
Revenue			
Funds received from Central Government	3	1,177,173	1,115,243
Income raised under Local Enforcement System	4	10,451	3,806
General Income	6	74,774	71,023
		<u>1,262,398</u>	<u>1,190,072</u>
Expenditure			
Personal Emoluments	7	(241,588)	(218,466)
Operations and maintenance	8	(546,808)	(609,588)
Administration and other expenditure	9	(286,587)	(259,898)
		<u>(1,074,983)</u>	<u>(1,087,952)</u>
Operating profit for the year		187,415	102,120
Finance income	5	660	1,014
		<u>188,075</u>	<u>103,134</u>
Profit for the year		<u>188,075</u>	<u>103,134</u>

The notes on pages 8 to 27 form an integral part of these financial statements.



	Notes	2021 €	2020 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	11	1,060,617	587,752
Intangible assets	10	6,811	647
		<u>1,067,428</u>	<u>588,399</u>
Current Assets			
Receivables	12	427,495	99,924
Cash and cash equivalents	13	1,125,238	1,004,910
		<u>1,552,733</u>	<u>1,104,834</u>
Total Assets		<u><u>2,620,161</u></u>	<u><u>1,693,233</u></u>
RESERVES			
Retained earnings		1,688,732	1,500,657
Total reserves		<u>1,688,732</u>	<u>1,500,657</u>
Current Liabilities			
Trade and other payables	14	931,429	192,576
		<u>931,429</u>	<u>192,576</u>
Total Liabilities		<u>931,429</u>	<u>192,576</u>
Total reserves and liabilities		<u><u>2,620,161</u></u>	<u><u>1,693,233</u></u>

These financial statements were approved by the Local Council on 15th February 2022 and signed on its behalf by:



Mario Calleja
Mayor



Josef Grech
Executive Secretary

The notes on pages 8 to 27 form an integral part of these financial statements.

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

	Retained Funds	Total
	€	€
At 1 January 2020	1,397,523	1,397,523
Profit for the year	103,134	103,134
At 31 December 2020	<u>1,500,657</u>	<u>1,500,657</u>
At 1 January 2021	1,500,657	1,500,657
Profit for the year	188,075	188,075
At 31 December 2021	<u>1,688,732</u>	<u>1,688,732</u>



Statement of Cash Flows
for the year ended 31 December 2021

	2021		2020	
	€	€	€	€
Net profit for the year	188,075		103,134	
Reconciliation to cash generated from operations:				
Amortisation and Depreciation	86,249		78,157	
Movement in Provision for Doubtful Debts	(1,106)		(753)	
Interest receivable	(660)		(1,014)	
Operating surplus before working capital changes	<u>272,558</u>		<u>179,524</u>	
Decrease /(increase) in receivables	57,058		(46,884)	
(Increase)/decrease in other receivables	(383,523)		178,519	
(Decrease) in payables	(68,051)		(15,273)	
Increase/(decrease) in other payables	<u>806,904</u>		<u>146,230</u>	
Cash generated from operating activities		684,946		149,656
Cash flow from investing activities				
Interest received	660		1,014	
Purchase of property, plant & equipment	(1,105,848)		(412,800)	
Grants received	<u>540,570</u>		<u>138,750</u>	
Cash (used in) investing activities		(564,618)		(273,036)
Net increase in cash in the year		<u>120,328</u>		<u>(123,380)</u>
Cash and equivalents at beginning of year		<u>1,004,910</u>		<u>1,128,290</u>
Cash and equivalents at end of year	Note 13	<u><u>1,125,238</u></u>		<u><u>1,004,910</u></u>

1. General Information

The Marsaskala 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 228, Triq is-Salini, Marsaskala. These financial statements were approved for issue by the Council Members on 15 February 2022. The Local Council's company's presentation as well as functional currency is €.

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 and amended standards adopted by the Local Council

In the current year the Council has applied the below new and revised IFRS issued by IASB that is mandatory effective for financial year beginning 1st January 2021.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (phase 2) - amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after 1 January 2021.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2021, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Local Council.

Amendments to IAS 37 - amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

Annual Improvements to IFRS Standards 2018–2020. The pronouncement contains amendments to four International Financial Reporting Standards (IFRSs) as result of the IASB's annual improvements project. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

Amendments to IAS 16, regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

Amendments to IAS 37, amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether contract is onerous. The amendments are effective for annual reporting periods on or after 1 January 2022.

Amendments to IAS 8 - to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023.

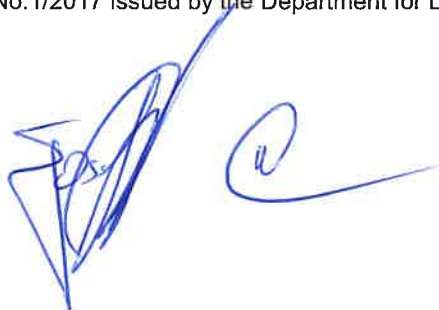
Amendments to IAS 1 and IFRS Practice Statement 2 - amendment that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2023.

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

Intangible Fixed Assets

Computer software is valued at cost less accumulated amortisation and impairment losses to date. Depreciation to write off the cost is calculated on a monthly basis using the straight line method at 25% - 100% per annum.

Up to the year ended 31st December 2017, depreciation was calculated on a monthly basis using the reducing balance method at rates calculated to write off the cost less residual value of each asset over its expected useful life according to IAS 16 Property, Plant and Equipment. On 1st January 2018, the straight line method in line with IAS 16, has been adopted, in line with the Directive No.1/2017 issued by the Department for Local Government.



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

Up to the year ended 31st December 2017, depreciation was calculated on a monthly basis using the reducing balance method at rates calculated to write off the cost less residual value of each asset over its expected useful life according to IAS 16 Property, Plant and Equipment. On 1st January 2018, the straight line method in line with IAS 16, has been adopted, in line with the Directive No.1/2017 issued by the Department for Local Government.

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 trade and other receivables

Trade and other assets are measured at fair value, with changes in fair value subsequently recognised in profit and loss. The Council applies the simplified approach for all trade receivables and contract assets. 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.

Impairment of cash and cash equivalents

Cash and cash equivalents are demand deposits, a 1-day probability of default has been applied, based on the respective external ratings of the counterparty banks and an adequate loss given default rate to the carrying amount at the measurement date.

The Council banks with local financial institutions with high quality standing and rating and management consider the probability of default to be close to zero.

Related parties

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

Revenue

Revenue is recognised 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 Local Enforcement System in its locality and used to receive all the income generated from the fines. As from 1 September 2011, the Council started to form part of the Southern Region, which took over the management of Local Enforcement System and the Council is receiving a 10 % administration fee on every fine paid at the Council. As from October 2015 LESA took over the administration of the Local Enforcement System.



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.

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.



Financial instruments

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

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

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

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

Financial assets

Trade and other assets are measured at fair value, with changes in fair value subsequently recognised in profit and loss. Details of impairment policies and the calculation of the loss allowance as per above.

Financial liabilities

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

All interest-related charges are included with 'bank charges'.

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 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 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 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 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	1,028,168	1,007,701
Supplementary Government Income	7,000	34,269
Other Government Income	142,005	73,273
	<u>1,177,173</u>	<u>1,115,243</u>
	<u><u>1,177,173</u></u>	<u><u>1,115,243</u></u>
4. Local Enforcement Income	2021	2020
	€	€
Income from LES administration fees	9,482	4,028
Contraventions & other fines	969	(222)
	<u>10,451</u>	<u>3,806</u>
	<u><u>10,451</u></u>	<u><u>3,806</u></u>
5. Investment Income	2021	2020
	€	€
Bank Interest	660	1,014
	<u>660</u>	<u>1,014</u>
	<u><u>660</u></u>	<u><u>1,014</u></u>
6. General Income	2021	2020
	€	€
General Income	52	125
Media Advertising	58	1,589
Donations	4,023	250
Contributions	161	-
Income from Permits	70,480	69,059
	<u>74,774</u>	<u>71,023</u>
	<u><u>74,774</u></u>	<u><u>71,023</u></u>

7. Personal Emoluments

	2021	2020
	€	€
Mayor's Allowance	15,269	15,027
Councillors' Allowance	22,600	22,600
Executive Secretary Salary and Allowances	37,289	36,577
Employees' Salaries	150,527	130,730
Social Security Contributions	15,903	13,532
	<u>241,588</u>	<u>218,466</u>

8. Operations and Maintenance

	2021	2020
	€	€
<i>Repairs and Upkeep:</i>		
Public Property	7,125	3,631
Road/Street Pavements	14,175	122,237
Road Markings	17,614	13,270
Road & Street Patching	2,154	-
Office Furniture and Equipment	2,331	3,016
Plant & Equipment	356	931
Other repairs and Upkeep	24,010	21,042
Council Property	45	45
	<u>67,810</u>	<u>164,172</u>
<i>Contractual Services:</i>		
Waste Disposal	134,163	120,958
Refuse Collection	96,183	92,756
Bulky Refuse Collection	32,970	32,758
Hiring of Skips - Bins on Wheels	32,296	24,851
Road & Street Cleaning	88,964	60,709
Cleaning & Maintenance Non-Urban Roads	-	5,242
Cleaning - Public Conveniences	20,930	21,565
Cleaning - Council Premises	513	692
Cleaning & Maintenance Parks & Gardens	50,000	59,994
Street Lighting	22,772	25,701
Local Enforcement Expenses	207	190
	<u>478,998</u>	<u>445,416</u>
	<u>546,808</u>	<u>609,588</u>



9. Administration and other expenditure

	2021	2020
	€	€
Utilities	21,317	13,955
Uniforms	2,682	955
Cleaning materials & supplies	83	-
Sundry materials & supplies	26,649	31,190
Rent	24,695	25,320
Participation fee - Nat. Mtg.	-	88
Membership - Local Organisations	-	900
Printing	5,577	6,040
Stationery	545	1,454
Subscriptions	535	4,281
Postages	168	289
Other Office Services	723	-
Transport	5,067	4,158
Travel	1,985	185
Information Services	3,209	4,298
Insurance Coverage	4,891	3,788
Bank Charges	524	431
IT Development Services	10,996	6,781
Legal services	94	883
Accountancy services	9,255	8,359
Professional services	355	3,185
Contracts' manager	25,960	17,308
Medical services	-	3,185
Other support services	30,307	16,160
Entertainment	-	1,599
Other Hospitality Costs	2,119	2,200
Social Events	-	14,566
Community Services	22,659	9,000
Sundry Minor Expenses	372	367
Provision for LES receivables	(1,106)	(753)
Penalty	173	1,350
Twinning expenses	504	219
Amortisation and Depreciation	86,249	78,157
	<u>286,587</u>	<u>259,898</u>




10. Intangible fixed assets

	Computer Software €	Total €
Cost		
At 1 January 2020	7,843	7,843
Additions	118	118
Reclassification	47	47
At 31 December 2020	<u>8,008</u>	<u>8,008</u>
Amortisation		
At 1 January 2020	6,949	6,949
Charge for year	412	412
At 31 December 2020	<u>7,361</u>	<u>7,361</u>
Net book values		
At 31 December 2020	<u>647</u>	<u>647</u>
Cost		
At 1 January 2021	8,008	8,008
Additions	7,704	7,704
Reclassification	(47)	(47)
At 31 December 2021	<u>15,665</u>	<u>15,665</u>
Amortisation		
At 1 January 2021	7,361	7,361
Charge for year	1,493	1,493
At 31 December 2021	<u>8,854</u>	<u>8,854</u>
Net book values		
At 31 December 2021	<u>6,811</u>	<u>6,811</u>

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

11. Property, plant and equipment

	Trees	Construction Works	New Street Signs	Urban Improvements	Plant, machinery & equipment	Office Furniture & fittings	Motor vehicles	Assets under construction	Total
	€	€	€	€	€	€	€	€	€
Cost									
At 1 January 2020	57,219	2,193,895	59,544	1,308,679	47,893	23,172	15,906	26,505	3,732,813
Additions	-	56,551	-	14,725	2,618	109	-	338,679	412,682
Disposals	-	-	-	-	-	(760)	-	-	(760)
Reclassification	-	744	-	(745)	(47)	-	-	-	(48)
At 31 December 2020	57,219	2,251,190	59,544	1,322,659	50,464	22,521	15,906	365,184	4,144,687
Grants									
At 1 January 2020	14,122	602,466	-	961,998	16,766	-	-	-	1,595,352
Grants for the year	-	-	-	-	-	-	-	138,750	138,750
Deduction of grant	-	-	-	44,291	-	-	-	-	44,291
At 31 December 2020	14,122	602,466	-	917,707	16,766	-	-	138,750	1,689,811
Depreciation									
At 1 January 2020	-	1,407,084	59,544	278,332	20,096	12,744	11,578	-	1,789,378
Reclassification	-	746	-	(744)	(2)	-	-	-	-
Charge for the year	-	53,138	-	18,847	3,378	1,403	980	-	77,746
At 31 December 2020	-	1,460,968	59,544	296,435	23,472	14,147	12,558	-	1,867,124
Net book values									
At 31 December 2020	43,097	187,756	-	108,517	10,226	8,374	3,348	226,434	587,752

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

1.1. Property, plant and equipment	Trees		Construction Works		New Street Signs		Urban Improvements		Plant, machinery & equipment		Office Furniture & fittings		Motor vehicles		Assets under construction		Total		
	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	
Cost																			
At 1 January 2021	57,219	2,251,190	59,544	1,322,659	50,464	22,521	15,906	365,184	4,144,687										
Additions	-	-	-	7,442	5,232	-	-	-	1,085,470										
Reclassification	-	-	-	-	47	-	-	-	-										
At 31 December 2021	57,219	2,251,190	59,544	1,330,101	55,743	22,521	15,906	1,450,654	5,242,878										
Grants																			
At 1 January 2021	14,122	602,466	-	917,707	16,766	-	-	138,750	1,689,811										
Grants for the year	-	-	-	-	-	-	-	-	540,570										
	14,122	602,466	-	917,707	16,766	-	-	679,320	2,230,381										
Depreciation																			
At 1 January 2021	-	1,460,968	59,544	296,435	23,472	14,147	12,558	-	1,867,124										
Charge for the year	-	44,288	-	33,886	4,299	1,303	980	-	84,756										
At 31 December 2021	-	1,505,256	59,544	330,321	27,771	15,450	13,538	-	1,951,880										
Net book values																			
At 31 December 2021	43,097	143,468	-	82,073	11,206	7,071	2,368	771,334	1,060,617										

12. Receivables

	2021	2020
	€	€
Receivables	26,925	84,251
Other receivables	5,200	2,283
Accrued income	390,360	5,600
Financial assets	<u>422,485</u>	<u>92,134</u>
Prepayments	5,010	7,790
	<u>427,495</u>	<u>99,924</u>

Receivables

General receivables are analysed as follows:

	2021	2020
	€	€
Within credit period	4,315	9,769
Exceeded credit period but not impaired	22,610	74,482
	<u>26,925</u>	<u>84,251</u>

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

LES Debtors

LES debtors are stated after a specific provision for doubtful debts amounting to € 328,947 (2020: € 330,089).

Other receivables

	2021	2020
	€	€
Exceeded credit period but not impaired	<u>5,199</u>	<u>2,282</u>

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

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

	2021	2020
	€	€
Balance at 1 January	330,089	330,842
(Decrease) in provision for LES Debtors	(1,142)	(753)
Balance at 31 December	<u>328,947</u>	<u>330,089</u>

13. Cash and equivalents

	2021	2020
	€	€
Bank Balances	1,124,737	1,004,511
Cash in Hand	501	399
	<u>1,125,238</u>	<u>1,004,910</u>

14. Payables

	2021	2020
	€	€
Payables	53,638	121,689
Other payables	3,061	1,093
Accruals	833,094	54,847
Financial Liabilities	<u>889,793</u>	<u>177,629</u>
Deferred income	41,636	14,947
	<u>931,429</u>	<u>192,576</u>



15. Capital commitments

	2021	2020
	€	€
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	62,000	629,000
Contracted for but not provided in the financial statements	-	234,556
These could be analysed as follows:		
<i>(i) Approved but not yet contracted for:</i>		
Office equipment	-	302,000
Motor Vehicle	62,000	20,000
Office furniture & fittings	-	307,000
	<u>62,000</u>	<u>629,000</u>
<i>(ii) Contracted for but not provided in the Financial Statements:</i>		
Construction	-	234,556

16. Related party transactions

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
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 Council with related parties having significant control:

	2021	2020
	€	€
Annual Financial Allocation	<u>1,028,168</u>	<u>1,007,701</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.

<i>Categories of financial instruments</i>	2021	2020
<i>Financial assets</i>	€	€
<i>Loans and Receivables</i>		
Cash and bank balances	1,125,238	1,004,910
Receivables	422,484	92,134
	<u>1,547,722</u>	<u>1,097,044</u>
<i>Financial liabilities</i>		
Trade payables and other payables	889,793	177,629
	<u>889,793</u>	<u>177,629</u>

The Council is exposed to credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Council is not exposed to any market risk. The Council's risk management is coordinated by the 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 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 and 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 € 22,610 (2020 : € 74,482) 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.

Previous accounting policy for impairment of trade and other receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment has been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

The Council considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Cash and cash equivalents

The Council banks only with local financial institution with high quality standing or rating. At 31 December 2021, cash and cash equivalents are held with counterparty with a credit rating of BBB and are callable on demand. Council consider the probability of default to be close to zero as the counterparty has a strong capacity to meet its 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 € 621,304 (2020: € 912,258) 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 withing 1 & 2 years	Payable within 2 & 5 years	Payable after more than 5 years	
	€	€	€	€	€
31 December 2021					
Payables	53,638	-	-	-	53,638
Other payables	3,061	-	-	-	3,061
Accruals	833,094	-	-	-	833,094
	<u>889,793</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>889,793</u>
31 December 2020					
Payables	121,689	-	-	-	121,689
Other payables	1,093	-	-	-	1,093
Accruals	54,847	-	-	-	54,847
	<u>177,629</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>177,629</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.