

Local Council Marsaskala

Annual Audit Report

for the year ended 31 December 2022

Prepared by:

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B.Accountancy(Honours) AIA, DIP.IFR CPA, Reg Auditor

Local Council Marsaskala

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

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 13 February 2023 and signed on its behalf by:

Mario Calleja
Mayor

Josef Grech
Executive Secretary

**Statement of Comprehensive Income
for the year ended 31. December 2022**

	Notes	2022 €	2021 €
Revenue			
Funds received from Central Government	3	1,167,810	1,177,173
Income raised under Local Enforcement System	4	(21,390)	10,451
General Income	6	67,437	74,774
		<u>1,213,857</u>	<u>1,262,398</u>
Expenditure			
Personnel Emoluments	7	(271,433)	(241,588)
Operations and maintenance	8	(692,260)	(546,808)
Administration and other expenditure	9	(332,146)	(286,587)
		<u>(1,295,839)</u>	<u>(1,074,983)</u>
Operating (loss)/profit for the year		(81,982)	187,415
Finance income	5	108	660
		<u>(81,874)</u>	<u>188,075</u>
Asset impairment losses		(977)	-
(Loss)/profit for the year		<u>(82,851)</u>	<u>188,075</u>

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

	Notes	2022 €	2021 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	11	1,124,555	1,060,617
Intangible assets	10	1,679	6,811
		<u>1,126,234</u>	<u>1,067,428</u>
Current Assets			
Receivables	12	79,498	427,495
Cash and cash equivalents	13	672,455	1,125,238
		<u>751,953</u>	<u>1,552,733</u>
Total Assets		<u><u>1,878,187</u></u>	<u><u>2,620,161</u></u>
RESERVES			
Retained earnings		1,605,881	1,688,732
Total reserves		<u>1,605,881</u>	<u>1,688,732</u>
Current Liabilities			
Trade and other payables	14	272,306	931,429
		<u>272,306</u>	<u>931,429</u>
Total Liabilities		<u><u>272,306</u></u>	<u><u>931,429</u></u>
Total reserves and liabilities		<u><u>1,878,187</u></u>	<u><u>2,620,161</u></u>

These financial statements were approved by the Local Council on 13th February 2023 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 2022**

	Retained Funds	Total
	€	€
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>
At 1 January 2022	1,688,732	1,688,732
(Loss) for the year	(82,851)	(82,851)
At 31 December 2022	<u>1,605,881</u>	<u>1,605,881</u>

Statement of Cash Flows
for the year ended 31 December 2022

	2022		2021	
	€	€	€	€
Net (loss)/profit for the year	(82,851)		188,075	
Reconciliation to cash generated from operations:				
Amortisation and Depreciation	135,114		86,249	
Loss on disposal of property, plant and equipment	977		-	
Loss on write offs of property, plant and equipment	15,001		-	
Movement in Provision for Doubtful Debts	(27,689)		(1,106)	
Interest receivable	(108)		(660)	
Operating surplus before working capital changes	40,444		272,558	
(Increase) /decrease in receivables	(12,973)		57,058	
Decrease/(increase) in other receivables	386,121		(383,523)	
Increase/(decrease) in payables	16,316		(68,051)	
(Decrease)/increase in other payables	(675,439)		806,904	
Cash used in/generated from operating activities		(245,531)		684,946
Cash flow from investing activities				
Interest received	108		660	
Purchase of property, plant & equipment	(218,310)		(1,105,848)	
Grants received	10,950		540,570	
Cash (used in) investing activities		(207,252)		(564,618)
Net (decrease)/increase in cash in the year		(452,783)		120,328
Cash and equivalents at beginning of year		1,125,238		1,004,910
Cash and equivalents at end of year	Note 13	672,455		1,125,238

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 Triq Santa Tereza, Marsaskala. These financial statements were approved for issue by the Council Members on 13 February 2023. 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 2022.

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 Improvement 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.

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 2022, 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 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	%
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

	2022	2021
	€	€
In terms of section 55 of the Local Council Act	1,048,852	1,028,168
Supplementary Government Income	7,000	7,000
Other Government Income	111,958	142,005
	<u>1,167,810</u>	<u>1,177,173</u>

4. Local Enforcement Income

	2022	2021
	€	€
Income from LES administration fees	5,332	9,482
Contraventions & other fines	(26,722)	969
	<u>(21,390)</u>	<u>10,451</u>

5. Investment Income

	2022	2021
	€	€
Bank Interest	108	660
	<u>108</u>	<u>660</u>

6. General Income

	2022	2021
	€	€
Cultural Events	1,250	-
General Income	-	52
Media Advertising	-	58
Donations	1,650	4,023
Contributions	470	161
Income from Permits	64,067	70,480
	<u>67,437</u>	<u>74,774</u>

7. Personnel Emoluments

	2022	2021
	€	€
Mayor's Allowance	15,516	15,269
Councillors' Allowance	22,600	22,600
Executive Secretary Salary and Allowances	53,092	37,289
Employees' Salaries	163,698	150,527
Social Security Contributions	16,527	15,903
	<u>271,433</u>	<u>241,588</u>

8. Operations and Maintenance

	2022	2021
	€	€
<i>Repairs and Upkeep:</i>		
Public Property	5,678	7,125
Road/Street Pavements	47,751	14,175
Road Markings	10,854	17,614
Road & Street Patching	61,083	2,154
Office Furniture and Equipment	2,114	2,331
Plant & Equipment	500	356
Other repairs and Upkeep	22,485	24,010
Council Property	188	45
	<u>150,653</u>	<u>67,810</u>
<i>Contractual Services:</i>		
Waste Disposal	169,034	134,163
Refuse Collection	96,490	96,183
Bulky Refuse Collection	27,171	32,970
Hiring of Skips - Bins on Wheels	33,524	32,296
Road & Street Cleaning	84,779	88,964
Cleaning & Maintenance Non-Urban Roads	11,553	-
Cleaning - Public Conveniences	21,191	20,930
Cleaning - Council Premises	1,699	513
Cleaning & Maintenance Parks & Gardens	70,165	50,000
Street Lighting	25,733	22,772
Local Enforcement Expenses	268	207
	<u>541,607</u>	<u>478,998</u>
	<u>692,260</u>	<u>546,808</u>

9. Administration and other expenditure

	2022	2021
	€	€
Utilities	13,051	21,317
Uniforms	637	2,682
Cleaning materials & supplies	-	83
Sundry materials & supplies	22,418	26,649
Rent	10,573	24,695
European Organisations	350	-
Participation fee - Nat. Mtg.	320	-
Printing	6,170	5,577
Stationery	2,610	545
Subscriptions	13	535
Postages	425	168
Other Office Services	130	723
Transport	3,937	5,067
Travel	1,738	1,985
Information Services	7,246	3,209
Insurance Coverage	5,678	4,891
Bank Charges	774	524
IT Development Services	10,784	10,996
Legal services	4,354	94
Accountancy services	10,936	9,255
Professional services	237	355
Contracts' manager	25,960	25,960
Other support services	14,734	30,307
Other Hospitality Costs	3,307	2,119
Community Services	75,727	22,659
Sundry Minor Expenses	2,161	372
Provision for LES receivables	(27,689)	(1,106)
Penalty	-	173
Twinning expenses	451	504
Amortisation and Depreciation	135,114	86,249
	<u>332,146</u>	<u>286,587</u>

10. Intangible fixed assets

	Computer Software	Total
	€	€
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>
Cost		
At 1 January 2022	15,665	15,665
Additions	401	401
At 31 December 2022	<u>16,066</u>	<u>16,066</u>
Grants		
At 1 January 2022	-	-
Grants for the year	5,345	5,345
At 31 December 2022	<u>5,345</u>	<u>5,345</u>
Amortisation		
At 1 January 2022	8,854	8,854
Charge for year	188	188
At 31 December 2022	<u>9,042</u>	<u>9,042</u>
Net book values		
At 31 December 2022	<u>1,679</u>	<u>1,679</u>

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 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	1,098,144
Reclassification	-	-	-	-	47	-	-	-	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	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

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 2022	57,219	2,251,190	59,544	1,330,101	55,743	22,521	15,906	1,450,654	5,242,878
Additions	-	-	-	43,686	3,985	27,876	-	142,362	217,909
Reclassification	5,480	669,196	-	168,100	75,481	483,013	-	(1,401,270)	-
Written off	-	-	-	-	-	-	-	(15,001)	(15,001)
Disposals	-	-	-	-	(3,873)	(3,941)	-	-	(7,814)
At 31 December 2022	62,699	2,920,386	59,544	1,541,887	131,336	529,469	15,906	176,745	5,437,972
Grants									
At 1 January 2022	14,122	602,466	-	917,707	16,766	-	-	679,320	2,230,381
Grants for the year	-	-	-	5,605	-	-	-	-	5,605
Written off to p/l	-	-	-	-	-	-	-	(2,538)	(2,538)
Reclassification	4,027	545,247	-	31,579	13,590	82,339	-	(676,782)	-
At 31 December 2022	18,149	1,147,713	-	954,891	30,356	82,339	-	-	2,233,448
Depreciation									
At 1 January 2022	-	1,505,256	59,544	330,321	27,771	15,450	13,538	-	1,951,880
On disposals	-	-	-	-	(3,692)	(3,145)	-	-	(6,837)
Charge for the year	-	27,973	-	56,318	16,970	32,685	980	-	134,926
At 31 December 2022	-	1,533,229	59,544	386,639	41,049	44,990	14,518	-	2,079,969
Net book values									
At 31 December 2022	44,550	239,444	-	200,357	59,931	402,140	1,388	176,745	1,124,555

12. Receivables

	2022	2021
	€	€
Receivables	39,898	26,925
Other receivables	3,147	5,200
Accrued income	28,291	390,360
Financial assets	71,336	422,485
Prepayments	8,162	5,010
	<u>79,498</u>	<u>427,495</u>

Receivables

General receivables are analysed as follows:

	2022	2021
	€	€
Within credit period	5,397	4,315
Exceeded credit period but not impaired	34,501	22,610
	<u>39,898</u>	<u>26,925</u>

Receivables are stated after a specific provision for bad debts amounting to € 2,040 (2021 : € 0).

LES Debtors

LES debtors are stated after a specific provision for doubtful debts amounting to € 301,259 (2021: € 328,947).

Other receivables

	2022	2021
	€	€
Exceeded credit period but not impaired	<u>3,147</u>	<u>5,200</u>

Other receivables are stated after a provision for doubtful debts amounting to € 0 (2021 : € 0).

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

	2022	2021
	€	€
Balance at 1 January	328,947	330,089
(Decrease) in provision for LES Debtors	(27,688)	(1,142)
Balance at 31 December	<u>301,259</u>	<u>328,947</u>

13. Cash and equivalents

	2022	2021
	€	€
Bank Balances	672,057	1,124,737
Cash in Hand	398	501
	<u>672,455</u>	<u>1,125,238</u>

14. Payables

	2022	2021
	€	€
Payables	69,954	53,638
Other payables	1,824	3,061
Accruals	162,039	833,094
Financial Liabilities	<u>233,817</u>	<u>889,793</u>
Deferred income	38,489	41,636
	<u>272,306</u>	<u>931,429</u>

15. Capital commitments

	2022	2021
	€	€
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	62,382	62,000
Contracted for but not provided in the financial statements	35,877	-
These could be analysed as follows:		
<i>(i) Approved but not yet contracted for:</i>		
Urban Improvements	62,382	-
Motor Vehicle	-	62,000
	<u>62,382</u>	<u>62,000</u>
<i>(ii) Contracted for but not provided in the Financial Statements:</i>		
Motor Vehicle	<u>35,877</u>	<u>-</u>

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:

	2022	2021
	€	€
Annual Financial Allocation	<u>1,048,852</u>	<u>1,028,168</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>	2022	2021
<i>Financial assets</i>	€	€
Cash and bank balances	672,455	1,125,238
Receivables	71,336	422,485
	<u>743,791</u>	<u>1,547,723</u>
<i>Financial liabilities</i>		
Trade payables and other payables	223,817	889,793
	<u>223,817</u>	<u>889,793</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 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 2022, trade receivables of € 34,501 (2021 : € 22,610) 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 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 € 479,647 (2021: € 621,304) 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 with the 2nd & 3rd years	Payable than 5 years	
	€	€	€	€	€
31 December 2022					
Payables	69,954	-	-	-	69,954
Other payables	1,824	-	-	-	1,824
Accruals	162,039	-	-	-	162,039
	<u>233,817</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>233,817</u>
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>

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.

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.