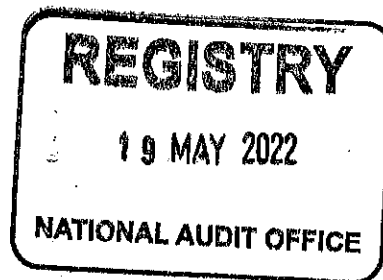


Local Council Birzebbuga

Annual Audit Report

for the year ended 31 December 2021

Prepared by
P & D Consultancy Services



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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 10 May 2022 and signed on its behalf by:



Scott Camilleri
Mayor



Rosalie Mintoff
Executive Secretary

Report of the Local Government Auditor

To the Auditor General

Report on the audit of the financial statements

Qualified opinion

We have audited the financial statements of Birzebbuga Local Council set out on pages 5 to 28 which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basis for qualified opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Council as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Basis for qualified opinion

Included with receivables at balance sheet date is an amount of €67,619 due from Zurrieq Joint Committee for which no supporting documentation was available. Consequently, we could not determine whether the said amount is materially misstated.

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

Responsibilities of those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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



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

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

A handwritten signature in black ink, appearing to be "Mark Bugeja", written over a horizontal line.

Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

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

10 May 2022

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

	Notes	2021 €	2020 €
Revenue			
Funds received from Central Government	3	955,755	905,822
Income raised under Local Council Bye-Laws	4	946	1,467
Income raised under Local Enforcement System	5	5,546	3,811
General Income	7	28,977	26,105
		<u>991,224</u>	<u>937,205</u>
Expenditure			
Personal Emoluments	8	(204,477)	(173,448)
Operations and maintenance	9	(343,198)	(390,645)
Administration and other expenditure	10	(304,891)	(301,249)
		<u>(852,566)</u>	<u>(865,342)</u>
Operating profit for the year		138,658	71,863
Finance income	6	-	32
Profit for the year		<u>138,658</u>	<u>71,895</u>

The notes on pages 9 to 28 form an integral part of these financial statements.

	Notes	2021 €	2020 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	401,795	516,634
Intangible assets	11	3,259	3,138
		<u>405,054</u>	<u>519,772</u>
Current Assets			
Receivables	13	106,713	139,117
Cash at bank and in hand	14	1,348,459	1,092,198
		<u>1,455,172</u>	<u>1,231,315</u>
Total Assets		<u>1,860,226</u>	<u>1,751,087</u>
RESERVES			
Retained earnings		1,375,250	1,236,592
Total reserves		<u>1,375,250</u>	<u>1,236,592</u>
Current Liabilities			
Trade and other payables	15	181,555	211,074
Short-term borrowings	16	303,421	303,421
		<u>484,976</u>	<u>514,495</u>
Total Liabilities		<u>484,976</u>	<u>514,495</u>
Total reserves and liabilities		<u>1,860,226</u>	<u>1,751,087</u>

These financial statements were approved by the Local Council on 10th May 2022 and signed on its behalf by:



Scott Camilleri
Mayor



Rosalie Mintoff
Executive Secretary

The notes on pages 9 to 28 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	1,164,697	1,164,697
Profit for the year	71,895	71,895
At 31 December 2020	<u>1,236,592</u>	<u>1,236,592</u>
At 1 January 2021	1,236,592	1,236,592
Profit for the year	138,658	138,658
At 31 December 2021	<u>1,375,250</u>	<u>1,375,250</u>

Statement of Cash Flows
for the year ended 31 December 2021

	Note	2021		2020	
		€	€	€	€
Net profit for the year		138,658		71,895	
Reconciliation to cash generated from operations:					
Depreciation		181,411		195,658	
Amortisation		1,016		588	
Movement in Provision for Doubtful Debts		(920)		(105)	
Interest receivable		-		(32)	
Operating surplus before working capital changes		320,165		268,004	
Increase/(decrease) in receivables		40,365		(7,860)	
(Decrease) in other receivables		(7,040)		(1,943)	
(Increase) in payables		(37,551)		(60,447)	
Decrease/(Increase) in other payables		8,032		(7,232)	
Cash generated from operating activities			323,971		190,522
Cash flow from Investing activities					
Interest received		-		32	
Purchase of property, plant & equipment		(68,991)		(187,304)	
Purchase of intangible fixed assets		(1,137)		(2,886)	
Grants received		2,418		116,069	
Cash (used in) investing activities			(67,710)		(74,089)
Net Increase in cash in the year			256,261		116,433
Cash and equivalents at beginning of year			1,092,198		975,765
Cash and equivalents at end of year	14		1,348,459		1,092,198

1. General Information

The Birzebbuga 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 Dar Birzebbuga, Triq Santa Marija, Birzebbuga, BBG 1651, Malta. These financial statements were approved for issue by the Council Members on 10 May 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.

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

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. This is a change in accounting estimate, and according to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, it has been accounted for prospectively.

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 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. 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.

Foreign currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the Local Council operates. These financial statements are presented in €, which is the Council's functional and presentation currency.

Transactions denominated in foreign currencies are translated into € at the rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into € at the rates of exchange prevailing at the date of the statement of financial position.

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 all substantial 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

For the purpose of subsequent measurement, financial assets of the Council are classified into loans and receivables upon initial recognition.

Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to loans and receivables are presented within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administration and other expenditure'.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Council's other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risks characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

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 within 'finance costs.'

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	871,712	852,447
Other Government Income	84,043	53,375
	<u>955,755</u>	<u>905,822</u>

4. Income raised from Bye-Laws

	2021	2020
	€	€
Bye-Laws - Activity at the pitch and hall	946	1,467
	<u>946</u>	<u>1,467</u>

5. Local Enforcement Income

	2021	2020
	€	€
Contraventions and other fines	429	(20)
Income from LES administration fees	5,117	3,831
	<u>5,546</u>	<u>3,811</u>

6. Investment Income

	2021	2020
	€	€
Bank Interest	-	32
	<u>-</u>	<u>32</u>

7. General Income

	2021	2020
	€	€
Sponsorships	526	363
General Income	-	89
Income from Permits	28,451	25,653
	<u>28,977</u>	<u>26,105</u>

8. Profit for the year

	2021	2020
	€	€
Profit for the year is stated after charging:		
Staff salaries	204,477	173,448
Amortisation & Depreciation of non-current assets	182,427	196,246
	<u>204,477</u>	<u>196,246</u>

Personal Emoluments

	2021	2020
	€	€
Mayor's Allowance	15,270	15,027
Councillors' Allowance	22,600	22,600
Executive Secretary Salary and Allowances	35,988	27,900
Employees' Salaries	118,405	97,947
Social Security Contributions	12,214	9,974
	<u>204,477</u>	<u>173,448</u>

9. Operations and Maintenance

	2021	2020
	€	€
<i>Repairs and Upkeep:</i>		
Public Property	2,567	9,540
Road/Street Pavements	102	1,570
Signs	4,588	4,254
Road Markings	3,882	5,635
Road & Street Patching	4,081	25,733
Office Furniture and Equipment	114	30
Plant & Equipment	127	55
Other repairs and Upkeep	11,621	8,956
Council Property	1,755	4,303
	<u>28,837</u>	<u>60,076</u>

Contractual Services:

Waste Disposal	59,168	54,527
Refuse Collection	97,547	95,647
Bulky Refuse Collection	8,938	7,379
Cleaning Services	-	238
Road & Street Cleaning	63,106	60,784
Cleaning & Maint. Non-Urban	9,527	9,527
Cleaning - Public Conveniences	27,107	43,166
Cleaning - Council Premises	1,613	2,624
Other Contractual Services	9,597	19,787
Clean. & Maint. Parks & Gardens	23,061	25,080
Street Lighting	14,076	11,420
Experts	297	-
Studies & Consultations	-	380
Local Enforcement Expenses	324	10
	<u>314,361</u>	<u>330,569</u>
	<u>343,198</u>	<u>390,645</u>

10. Administration and other expenditure

	2021	2020
	€	€
Utilities	6,202	5,737
Other repairs and upkeep	3,693	6,975
Rent	4,326	4,061
Participation fee - Nat. Mtg.	-	86
Office Services	11,173	11,704
Transport	24,406	25,917
Information Services	1,944	1,417
Lease of Equipment	590	590
Insurance Coverage	2,725	2,446
Bank Charges	1,341	625
Professional Services	33,414	32,103
Training	236	-
Entertainment	-	814
Other Hospitality Costs	559	1,141
Social Events	3,594	6,487
Cultural Events	25,176	3,770
Community Services	4,005	1,000
General expenses	-	235
Provision for LES receivables	(920)	(105)
Amortisation of intangible asset	1,016	588
Depreciation	181,411	195,658
	<u>304,891</u>	<u>301,249</u>

11. Intangible fixed assets

	Computer Software €	Total €
Cost		
At 1 January 2020	5,185	5,185
Additions	2,886	2,886
At 31 December 2020	<u>8,071</u>	<u>8,071</u>
Grant		
At 1 January 2020	1,003	1,003
	<u>1,003</u>	<u>1,003</u>
Amortisation		
At 1 January 2020	3,342	3,342
Charge for year	588	588
At 31 December 2020	<u>3,930</u>	<u>3,930</u>
Net book values		
At 31 December 2020	<u>3,138</u>	<u>3,138</u>

11. Intangible fixed assets

	Computer Software €	Total €
Cost		
At 1 January 2021	8,071	8,071
Additions	1,137	1,137
At 31 December 2021	<u>9,208</u>	<u>9,208</u>
Grant		
At January 2021	1,003	1,003
At December 2021	<u>1,003</u>	<u>1,003</u>
Amortisation		
At 1 January 2021	3,930	3,930
Charge for year	1,016	1,016
At 31 December 2021	<u>4,946</u>	<u>4,946</u>
Net book values		
At 31 December 2021	<u>3,259</u>	<u>3,259</u>

12. Property, plant and equipment

	Property		Construction		Assets under Construction		New Street Signs		Urban Improvements		Plant, Machinery & equipment		Office Furniture & Fittings		Trees		Special Programmes		Motor Vehicle		Total
	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	
Cost																					
At 1 January 2020	80,751	3,527,123	21,327	7,676	709,323	78,586	49,731	16,275	946,871	16,299	5,453,962										
Additions	-	147,019	6,828	-	15,313	7,446	6,510	4,277	-	-	187,993										
Reclassifications	-	720	(720)	-	-	-	-	-	-	-	-										
Write offs	-	-	(5,861)	-	-	-	-	-	-	-	(5,861)										
Disposal	-	-	-	-	(13,168)	-	-	-	-	-	(13,168)										
At 31 December 2020	80,751	3,674,862	21,574	7,676	711,468	86,032	56,241	20,552	946,871	16,299	5,622,326										
Grants																					
At 1 January 2020	-	490,761	-	-	480,676	11,310	-	13,458	36,404	-	1,032,609										
Grants for the year	-	114,499	-	-	-	154	-	1,416	-	-	116,069										
Grants returned	-	-	-	-	(13,168)	-	-	-	-	-	(13,168)										
At 31 December 2020	-	605,260	-	-	467,508	11,464	-	14,874	36,404	-	1,135,510										
Depreciation																					
At 1 January 2020	14,600	2,527,463	-	7,676	212,177	55,546	42,792	-	910,467	3,803	3,774,524										
Charge for the year	820	174,353	-	-	10,539	5,172	1,514	-	-	3,260	195,658										
At 31 December 2020	15,420	2,701,816	-	7,676	222,716	60,718	44,306	-	910,467	7,063	3,970,182										
Net book values																					
At 31 December 2020	65,331	367,786	21,574	-	21,244	13,850	11,935	5,678	-	9,236	516,634										

12. Property, plant and equipment	Property Construction										Assets under construction	New Street Signs	Urban Improvements	Plant, machinery & equipment	Office Furniture & fittings	Trees	Special Programmes	Motor Vehicle	Total	
	€	€	€	€	€	€	€	€	€	€										€
Cost																				
At 1 January 2021	80,751	3,674,862	21,574	7,676	711,468	86,032	56,241	20,552	946,871	16,299	5,622,326									
Additions	-	-	24,060	-	31,615	10,783	2,533	-	-	-	68,991									
Reallocation	-	(968)	(2,145)	-	2,145	968	-	-	-	-	-									
At 31 December 2021	80,751	3,673,894	43,489	7,676	745,228	97,783	58,774	20,552	946,871	16,299	5,691,317									
Grants																				
At 1 January 2021	-	605,260	-	-	467,508	11,464	-	14,874	36,404	-	1,135,510									
Grants for the year	-	-	-	-	-	2,323	95	-	-	-	2,418									
	-	605,260	-	-	467,508	13,787	95	14,874	36,404	-	1,137,928									
Depreciation																				
At 1 January 2021	15,420	2,701,816	-	7,676	222,716	60,718	44,306	-	910,467	7,063	3,970,182									
Charge for the year	820	160,384	-	-	8,952	6,197	1,799	-	-	3,260	181,412									
At 31 December 2021	16,240	2,862,200	-	7,676	231,668	66,915	46,105	-	910,467	10,323	4,151,594									
Net book values																				
At 31 December 2021	64,511	206,434	43,489	-	46,052	17,081	12,574	5,678	-	5,976	401,795									

13. Receivables

		2021	2020
		€	€
Receivables	<i>Note</i>	10,379	50,744
LES Debtors	<i>Note</i>	67,619	67,619
Other receivables		10,371	11,490
Accrued income		10,726	4,214
Financial assets		<u>99,095</u>	<u>134,067</u>
Prepayments		7,618	5,050
		<u>106,713</u>	<u>139,117</u>

The carrying value of the above receivables is considered a reasonable approximation of fair value.

In determining the recoverability of receivables the Council considers any change in the credit quality of each receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the debtor base being large and unrelated.

Receivables

General receivables are analysed as follows:

	2021	2020
	€	€
Within credit period	4,512	9,461
Exceeded credit period but not impaired	5,867	41,283
	<u>10,379</u>	<u>50,744</u>

Related party balances - LES Debtors

LES debtors are stated after a specific provision for doubtful debts amounting to € 104,564 (2020:€ 105,484). The amount of € 67,619 (2020: € 67,619) exceeded credit period but is not impaired. These amounts are unsecured, interest free and with no fixed date of repayment.

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

	2021	2020
	€	€
Balance at 1 January	105,484	105,589
Decrease in provision for LES debtors	(920)	(105)
Balance at 31 December	<u>104,564</u>	<u>105,484</u>

Other receivables

	2021	2020
	€	€
Within credit period	<u>10,371</u>	<u>11,490</u>

Included in other receivables there is a bank guarantee in favour of third party amounting to € 10,100 (2020 : € 11,490).

14. Cash and equivalents

	2021	2020
	€	€
Bank Balances	1,348,435	1,092,045
Cash in Hand	24	153
Cash at bank and in hand	<u>1,348,459</u>	<u>1,092,198</u>
Cash and cash equivalents	<u>1,348,459</u>	<u>1,092,198</u>

15. Payables

	2021	2020
	€	€
Payables	64,464	102,015
Other payables	23,535	2,146
Accruals	25,871	54,097
Financial liabilities	<u>113,870</u>	<u>158,258</u>
Grants not yet utilised	67,685	52,816
	<u>181,555</u>	<u>211,074</u>

Current financial liabilities are carried at their nominal value which is considered a reasonable approximation of fair value.

16. Borrowings

	2021	2020
	€	€
Current		
Third party borrowings	<i>Note</i> 303,421	303,421
	<u>303,421</u>	<u>303,421</u>

Third party borrowings

Third party borrowings represent dues to the two public private partnership payables. The Council entered into these agreements to carry out road resurfacing works. These amounts are unsecured, interest free and are repayable within 1 year.

17. Capital commitments

	2021	2020
	€	€
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	743,500	540,000
These could be analysed as follows:		
<i>(i) Approved but not yet contracted for:</i>		
Urban Improvements	728,000	535,000
Office furniture & fittings	-	5,000
Plant & Machinery & Equipment	15,500	-
	<u>743,500</u>	<u>540,000</u>

18. Contingent liabilities

The Council has a bank guarantee in favour of third parties amounting to € 10,100 (2020: € 11,491).

The Council has a dispute with two creditors. One relates to a utility bill and amounts to € 2,973 and the other amounts to € 1,652.

19. 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>871,712</u>	<u>852,447</u>

Key management compensation

Transactions with key management personnel are disclosed in note 8.

20. 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	1,348,459	1,092,251
Receivables	99,095	134,067
	<u>1,447,554</u>	<u>1,226,318</u>
<i>Financial liabilities</i>		
Trade payables and other payables	113,870	158,258
Borrowings - current	303,421	303,421
	<u>417,291</u>	<u>461,679</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

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

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

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

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

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

As at 31 December 2021, trade receivables including related parties of € 5,867 (2020: € 41,283) 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 institutions with high quality standing or rating. At 31 December 2021, cash and cash equivalents are held with counterparties with a credit rating of 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 € 970,196 (2020: € 716,820) 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	64,464	-	-	-	64,464
Other payables	23,535	-	-	-	23,535
Accruals	25,871	-	-	-	25,871
Third party borrowings	303,421	-	-	-	303,421
	<u>417,291</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>417,291</u>
31 December 2020					
Payables	102,015	-	-	-	102,015
Accruals	2,146	-	-	-	2,146
Bank balance overdrawn	54,097	-	-	-	54,097
Third party borrowings	303,421	-	-	-	303,421
	<u>461,679</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>461,679</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.

On 11th March 2020, the World Health Organisation declared COVID-19 outbreak a global pandemic. Following this, there were no changes in the local council activities and operations as a result of events arising after the reporting date especially due to the fact that the Local Council obtains its funds mainly from the central government.