

Ħal Qormi Local Council

Annual Audit Report
for the year ended 31 December 2022

Prepared by GCS Accounting Malta Limited

Contents

	Page
Statement of Local Council Members' and Executive Secretary's Responsibilities	1
Statement of Comprehensive Income	2
Statement of Financial Position	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 26
Report of the Independent Local Government Auditor to the Auditor General	27 - 29

**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 the Local Council's comprehensive income for the period, and of the Local Council's retained funds at the end of period. 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 period and its retained funds as at the period 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 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 Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on **6 June 2023** and signed on its behalf by:

Dr. Josef Christian Masini Vento
Mayor

Karen Camilleri
Executive Secretary

**Statement of comprehensive income
For the year ended 31 December 2022**

	Notes	2022 €	2021 €
Revenue			
Funds received from Central Government	3	1,344,440	1,409,592
Income raised under Local Council Bye-Laws	4	4,289	2,075
Income raised under Local Enforcement System	5	19,203	21,028
EU Funding	6	-	(16,779)
General income	7	185,310	74,523
		<u>1,553,242</u>	<u>1,490,439</u>
Expenditure			
Personal emoluments	8	(276,981)	(269,904)
Operations and maintenance	9	(802,705)	(825,441)
Administration and other expenditure	10	(366,544)	(300,742)
		<u>(1,446,230)</u>	<u>(1,396,087)</u>
Operating profit for the year		107,012	94,352
Finance income	11	505	246
Finance costs	12	(7,003)	(7,157)
Loss on assets written off	8	-	(156)
Profit for the year	8	<u>100,514</u>	<u>87,285</u>
Total comprehensive income for the year		<u>100,514</u>	<u>87,285</u>

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

**Statement of financial position
As at 31 December 2022**

	Notes	2022 €	2021 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	14	1,870,704	1,518,343
Intangible assets	13	-	112
		1,870,704	1,518,455
Current Assets			
Inventories	15	-	2,620
Receivables	16	285,023	292,244
Cash at bank and in hand	17	959,480	1,187,533
		1,244,503	1,482,397
Total Assets		3,115,207	3,000,852
 RESERVES			
Retained earnings		2,459,276	2,358,762
Total Reserves		2,459,276	2,358,762
 Non-Current Liabilities			
Long-term borrowings	19	80,379	105,749
		80,379	105,749
 Current Liabilities			
Payables	18	550,086	427,413
Short-term borrowings	19	25,466	108,928
		575,552	536,341
Total Liabilities		655,931	642,090
Total Reserves and Liabilities		3,115,207	3,000,852

These financial statements were approved by the Local Council on 6 June 2023 and signed on its behalf by:

Dr. Josef Christian Masini Vento
Mayor

Karen Camilleri
Executive Secretary

The notes on pages 6 to 26 form an integral part of these financial statements.

**Statement of changes in equity
for the year ended 31 December 2022**

	Retained Earnings €
At 1 January 2021	2,271,477
Profit for the year	<u>87,285</u>
At 31 December 2021	<u><u>2,358,762</u></u>
At 1 January 2022	2,358,762
Profit for the year	<u>100,514</u>
At 31 December 2022	<u><u>2,459,276</u></u>

Statement of cash flows

	Year ended 31 December			
	2022		2021	
	€	€	€	€
Cash flow from operating activities				
Net profit for the year	100,514		87,285	
Reconciliation to cash generated from operations:				
Depreciation and amortization	147,204		170,869	
Loss on disposal of property, plant, and equipment	-		156	
Movement in provision for doubtful accounts	-		(5,584)	
Interest income	(505)		(246)	
Interest expense	7,003		7,157	
Operating profit before working capital changes	254,216		259,637	
Increase/decrease in inventories	2,620		-	
Increase/(Decrease) in receivables	16,716		425,094	
(Increase)/Decrease in other receivables	(9,495)		171,500	
Decrease in payables	(13,226)		(195,862)	
Increase/(Decrease) in other payables	119,549		(42,727)	
Cash generated from operating activities		370,380		617,642
Cash flow from investing activities				
Interest received	505		246	
Purchase of property, plant & equipment	(483,103)		(417,617)	
Receipt of grant	-		128,493	
Cash used in investing activities		(482,598)		(288,878)
Cash flow from financing activities				
Bank interest paid	(7,003)		(7,157)	
Repayment of short-term bank borrowings	(23,955)		(23,129)	
(Decrease)/Increase in overdrawn bank current account	(84,877)		77,586	
Cash (used in) generated from financing activities		(115,835)		47,300
Net (decrease)/increase in cash during the year		(228,053)		376,064
Cash at bank and in hand at beginning of year		1,187,533		811,469
Cash at bank and in hand at end of year		959,480		1,187,533

Notes to the financial statements

1. General information

The Qormi Local Council (the "Local Council") is a local authority of Malta set up in accordance with the Local Councils Act(1993). The office of the Local Council is situated at 392, Victory Street, Qormi. These financial statements were approved for issue by the Council Members on 7 February 2023. The Local Council's presentation as well as functional currency are denominated in Euro (€).

2. Accounting policies and reporting procedures

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

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 standards adopted as at 1 January 2022

Some accounting pronouncements which have become effective from 1 January 2022 and have therefore been adopted do not have a significant impact on the Local Council's financial results or position. Accordingly, the Local Council has made no changes to its accounting policies in 2022. Other standards and amendments that are effective for the first time in 2022 and could be applicable to the Local Council are:

- Reference to the Conceptual Framework (Amendments to IFRS 3)
- COVID-19 – Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)
- Property, Plant and Equipment: Proceeds Before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements (2018-2020 Cycle):
 - Subsidiary as a First-time Adopter (Amendments to IFRS 1)
 - Fees in the '10 per cent' Test for Derecognition of Liabilities (Amendments to IFRS 9)
 - Lease Incentives (Amendments to IFRS 16)
 - Taxation in Fair Value Measurements (Amendments to IAS 41).

These amendments do not have a significant impact on these financial statements and therefore no additional disclosures have been made.

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

At the date of authorisation of these financial statements, several new, but not yet effective, standards and amendments to existing standards, and interpretations have been published by the International Accounting Standards Board (IASB). None of these standards or amendments to existing standards have been adopted early by the Local Council.

Other standards and amendments that are not yet effective and have not been adopted early by the Local Council include:

- IFRS 17 Insurance Contracts
- Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Deferred Tax related to Assets and Liabilities from a Single Transaction
- Disclosure of Accounting Policies (Amendments to IAS 1)
- Definition of Accounting Estimates (Amendments to IAS 8)

These amendments are not expected to have a significant impact on the financial statements in the period of initial application and therefore no disclosures have been made.

The Councilors anticipate that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Local Council's financial statements.

Intangible Fixed Assets

Computer Software

Computer software is stated at cost less accumulated amortization and impairment losses to date. Amortization to write off the cost is calculated monthly using the straight-line method, at a rate calculated to write off the cost less residual value of each asset over its useful life, at 25% per annum.

Property, plant, and equipment

Property, plant, and equipment are stated at cost less accumulated depreciation and impairment losses to date. Depreciation is calculated monthly using the straight-line method at rates calculated to write off the cost less residual value 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
Streetlights	100

Assets not yet capitalised represents Special Programmes of the Local Council and is stated at cost. Costs included under assets not yet capitalised will be transferred to Special Programmes upon completion. The account is not

depreciated until such time that the asset is completed and available for use.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are considered in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each Statement of Financial Position date. 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 recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Local Council 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 non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is calculated as the present value of the expected future cash flows, discounted at the original effective interest rate inherent in the assets. The recoverable amount of the assets is the greater of their net selling price and value in use.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

Inventories

Inventories are valued at the lower of cost and net realizable value.

Related parties

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

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost, any difference between the proceeds and the redemption value is recognized in the income and expenditure account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Local Council has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Revenue

Revenue is recognized when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognized in the statement of comprehensive income as it accrues.

Income from central government is not recognized until there is reasonable assurance that the Local Council will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross and any deductions made for noncompliance are to be disclosed separately with expenses.

Local Enforcement System Income

Local Enforcement System income represents the income as it accrues from contraventions as controlled by the Local Enforcement System (L.E.S).

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.

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 Local 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.

Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred.

Profits and losses

Only profits that were realized at the date of the statement of financial position are recognized 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 cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and balances held with banks.

Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Executive Secretary, the accounting estimates and judgements made in the preparation of the Financial Statements are not difficult, subjective, or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS1 (revised) - 'Presentation of Financial Statements'.

Capital Management

The Local Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objectives are to ensure:

- that the Local Council's ability to continue as a going concern is still valid and
- that the Local Council maintains a positive working capital ratio.

To achieve the above, the Local Council carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was positive at the reporting date and has not changed significantly from the previous year. The Local Council also uses budgets and business plans to set its strategy to optimize its use of available funds and implement its commitments to the locality.

Financial Instruments

Recognition and derecognition

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

Financial assets are derecognized 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 derecognized when it is extinguished, discharged, cancelled, or expires.

Classification and initial measurement of financial assets

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

Financial assets are classified into the following categories:

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

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

The classification is determined by both:

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

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

Subsequent measurement of financial assets

Financial assets at amortized cost

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

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

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

Impairment of financial assets.

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

Recognition of credit losses is no longer dependent on the Local Council first identifying a credit loss event. Instead, the Local Council considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

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

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

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

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

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

Classification and measurement of financial liabilities

The Local Council's financial liabilities include trade and other payables and lease liabilities. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Local Council designates a financial liability at fair value through profit or loss.

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

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

3. Funds received from central government

	2022 €	2021 €
In terms of section 55 of the Local Councils Act	1,315,740	1,292,062
Supplementary government income	-	(1,336)
Other government income	<u>28,700</u>	<u>118,866</u>
	<u>1,344,440</u>	<u>1,409,592</u>

4. Income raised from Bye-Laws

	2022 €	2021 €
Bye-Law - Advertising on Street Furniture	<u>4,289</u>	<u>2,075</u>
	<u>4,289</u>	<u>2,075</u>

5. Local Enforcement System

	2022 €	2021 €
Administrative charges to Regional Committees	<u>19,203</u>	<u>21,028</u>
	<u>19,203</u>	<u>21,028</u>

6. EU Funding

	2022 €	2021 €
EU Funding	<u>-</u>	<u>(16,779)</u>
	<u>-</u>	<u>(16,779)</u>

7.	General income	2022	2021
		€	€
	Community services	655	235
	General income	71	-
	Tender documents/info charges	15	15
	Donations	-	501
	Refund of expenses	117,183	3,774
	Income from permits	67,386	69,998
		185,310	74,523

8.	Profit for the year	2022	2021
		€	€
	Profit for the year is stated after charging:		
	Staff salaries	276,981	269,904
	Amortization of intangible assets	112	289
	Depreciation of property, plant and equipment	147,092	170,580
	Loss on disposal of property, plant and equipment	-	156

Staff salaries			
		2022	2021
		€	€
	Mayor's remuneration	14,748	19,968
	Councilors allowances	18,850	27,400
	Executive Secretary salary and allowances	36,000	37,440
	Employees' salaries	189,645	166,648
	Social security contributions	17,738	18,448
		276,981	269,904

Average number of people employed			
	Employees	11	11
	Mayor and councilors	11	11

9. Operations and maintenance

	2022 €	2021 €
<i>Repairs and upkeep:</i>		
Road/street pavements	27,913	59,567
Signs	15,607	8,909
Road markings	24,064	27,925
Office furniture and equipment	944	4,332
Other repairs and upkeep	6,508	25,163
Council property	10,554	127
	85,590	126,023
 <i>Contractual services:</i>		
Waste disposal	109,315	125,260
Refuse collection	228,835	214,397
Bulky refuse collection	43,504	22,996
Bring-in sites	1,227	6,596
Cleaning services	13,120	2,486
Road and street cleaning	92,474	78,646
Cleaning and maintenance of non-urban areas	11,119	26,893
Cleaning -public conveniences	23,690	19,301
Cleaning - council premises	2,956	578
Other contractual services	11,553	17,904
Cleaning and maintenance of soft areas	120,407	116,194
Street lighting	52,975	54,353
Experts	2,384	1,193
Studies and consultations	2,713	8,580
Local enforcement expenses	843	4,041
	717,115	699,418
 Total operations and maintenance costs	802,705	825,441

10. Administration and other expenditure

	2022	2021
	€	€
Utilities	20,190	21,399
Other repairs and upkeep	8,967	4,264
Rent	1,528	553
National and international membership	7	-
Office services	12,983	11,684
Transport	6,765	7,989
Information services	22,085	12,376
Insurance coverage	8,958	6,576
Bank charges	1,086	738
Penalties – Department of Local Councils	-	52
Professional services	47,319	39,089
Training	-	4,550
Conference expenses	696	-
Other hospitality costs	1,260	1,379
Annual general meeting	-	309
Social events	78,583	9,441
Cultural events	8,000	14,510
Sundry minor expenses	913	548
Increase/(Decrease) in provision for doubtful debtors	-	(5,584)
Depreciation and amortization	147,204	170,869
	366,544	300,742

11. Finance income

	2022	2021
	€	€
Bank interest receivable	505	246
	505	246

12. Finance costs

	2022	2021
	€	€
Interest on bank loan	7,003	7,157
	7,003	7,157

13. Intangible fixed assets

	Computer Software €
Cost	
At 1 January 2021	1,153
Additions	-
	-
At 31 December 2021	1,153
Amortization	
At 1 January 2021	752
Charge for the year	289
	1,041
At 31 December 2021	1,041
Net book values	
At 31 December 2021	112
Cost	
At 1 January 2022	1,153
Additions	-
	-
At 31 December 2022	1,153
Amortization	
At 1 January 2022	1,041
Charge for the year	112
	1,153
At 31 December 2022	1,153
Net book values	
At 31 December 2022	-

14. Property, plant, and equipment

	Property	Assets under construction	New street Signs	Urban Improvements & Construction	Plant, machinery & equipment	Office furniture & Fittings	Motor Vehicles	Special Programmes	Total
	€	€	€	€	€	€	€	€	€
Cost									
At 1 January 2021	769,307	119,805	70,658	4,206,866	144,084	120,460	15,500	3,989,705	9,436,385
Additions	-	77,691	-	122,414	6,640	2,242	-	208,630	417,617
Disposals	-	-	-	-	(486)	-	(2,544)	-	(3,030)
At 31 December 2021	<u>769,307</u>	<u>197,496</u>	<u>70,658</u>	<u>4,329,280</u>	<u>150,238</u>	<u>122,702</u>	<u>12,956</u>	<u>4,198,335</u>	<u>9,850,972</u>
Depreciation									
At 1 January 2021	49,316	-	70,658	2,302,677	117,854	101,329	13,992	2,315,845	4,971,671
Charge for the year	4,954	-	-	88,521	6,938	3,882	1,497	64,788	170,580
Released on disposal	-	-	-	-	(330)	-	(2,544)	-	(2,874)
At 31 December 2021	<u>54,270</u>	<u>-</u>	<u>70,658</u>	<u>2,391,198</u>	<u>124,462</u>	<u>105,211</u>	<u>12,945</u>	<u>2,380,633</u>	<u>5,139,377</u>
Grants									
At 1 January 2021	-	57,870	-	1,410,186	13,613	-	-	1,437,221	2,918,890
Grants allocated to PPE during the year	-	274,362	-	-	-	-	-	-	274,362
	-	332,232	-	1,410,186	13,613	-	-	1,437,221	3,193,252
Net book values									
As at 31 December 2021	<u>715,037</u>	<u>(134,736)</u>	<u>-</u>	<u>527,896</u>	<u>12,163</u>	<u>17,491</u>	<u>11</u>	<u>380,481</u>	<u>1,518,343</u>

14. Property, plant and equipment

	Property	Assets under construction	New street Signs	Urban Improvements & Construction	Plant, machinery & equipment	Office furniture & Fittings	Motor Vehicles	Special Programmes	Total
	€	€	€	€	€	€	€	€	€
Cost	769,307	197,496	70,658	4,329,280	150,238	122,702	12,956	4,198,335	9,850,972
At 1 January 2022									
Additions	-	310,580	-	121,115	3,998	490	25,000	21,920	483,103
Disposals	-	-	-	-	-	-	-	-	-
At 31 December 2022	769,307	508,076	70,658	4,450,395	154,236	123,192	37,956	4,220,255	10,334,075
Depreciation									
At 1 January 2022	54,270	-	70,658	2,391,198	124,462	105,211	12,945	2,380,633	5,139,377
Charge for the year	4,954	-	-	76,030	6,049	3,747	-	56,312	147,092
At 31 December 2022	59,224	-	70,658	2,467,228	130,511	108,958	12,945	2,436,945	5,286,469
Grants									
At 1 January 2022	-	332,232	-	1,410,186	13,613	-	-	1,437,221	3,193,252
Grants allocated to PPE during the year	-	-	-	(16,350)	-	-	-	-	(16,350)
	-	332,232	-	1,393,836	13,613	-	-	1,437,221	3,176,902
Net book values As at 31 December 2022	710,083	175,844	-	589,331	10,112	14,234	25,011	346,089	1,870,704

15. Inventories

	2022	2021
	€	€
Souvenirs and similar merchandise	-	2,620
	-	2,620
	-	2,620

16. Receivables

	2022	2021
	€	€
Receivables	58,543	75,259
Other receivables	-	2,246
Accrued income	145,006	164, 699
Financial assets	203,549	242,204
Other receivables	78,514	45,392
Prepayments	2,960	4,648
	285,023	292,244
	285,023	292,244

Receivables

General receivables are analysed as follows:

	2022	2021
	€	€
Within credit period	1,477	23,832
Exceeded credit period but not impaired	64,413	68,608
Impaired and provided for	7,349	11,486
Provision for doubtful debts	(7,349)	(11,486)
	65,890	92,440
	65,890	92,440

Included in the receivables are debtors with Local Council a carrying amount of €64,413 (2021 : €68,608) which are past due at the reporting date for which the council has not provided as there has not been significant change in credit quality and the amounts are still considered recoverable. The age of financial assets past due but not impaired is as follows:

	2022	2021
	€	€
Not more than 3 months	37,744	36,106
More than 3 months but not more than 6 months	-	-
More than 6 months	26,669	32,502
	64,413	68,608
	64,413	68,608

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

	2022	2021
	€	€
Balance at 1 January	591,904	597,488
Bad debts written off for general receivables	(4,137)	-
Decrease in provision for LES debtors	-	(5,914)
Increase in provision for general receivables	-	330
	587,767	591,904
Balance at 31 December	587,767	591,904

Local Enforcement System (LES) Debtors

LES Debtors are stated after a specific provision for doubtful debts amounting to €578,489 (2021 - €580,417).

17. Cash and cash equivalents

	2022	2021
	€	€
Bank balances	956,871	1,186,769
Cash in hand	2,609	764
	959,480	1,187,533
	959,480	1,187,533

18. Payables	2022	2021
	€	€
Payables	281,730	294,956
Other creditors	7,044	9,241
Accruals	27,826	102,667
	<hr/>	<hr/>
Financial liabilities	316,600	406,864
Other taxes and social security costs	6,038	5,588
Deferred income government grants	-	14,016
Other deferred income	227,448	945
	<hr/>	<hr/>
	550,086	427,413
	<hr/>	<hr/>

19. Borrowings	2022	2021
	€	€
Non-current		
Bank borrowings	80,379	105,749
	<hr/>	<hr/>
Current		
Overdrawn current bank balances	-	84,877
Bank borrowings	25,466	24,051
	<hr/>	<hr/>
	25,466	108,928
	<hr/>	<hr/>
Borrowings		
Repayable between one and two years	26,970	25,472
Repayable between two and five years	53,409	80,277
	<hr/>	<hr/>
	80,379	105,749
	<hr/>	<hr/>

Overdrawn current bank balances

The overdrawn balance is the result of accounting transactions for issued cheques not yet presented at year end and have been cashed on presentation after year end.

Bank borrowings

The bank borrowings are secured by a First General and Special Privilege Hypothec over garage 140, St Edward Street, Qormi and other pledges on insurance policies. The loan bears interest at 5.75% per annum and is repayable by November 2026 by monthly instalments of €2,574.

20. Capital commitments

	2022	2021
	€	€
Details of capital commitments at the accounting date are as follows:		
(i) Approved but not yet contracted for:		
Office furniture and fittings	-	18,500
Urban improvement and construction	717,793	1,585,464
Plant, machinery, and equipment	-	8,800
	717,793	1,612,764
(ii) Contracted for but not provided in the financial statements:		
Urban improvements and construction	209,000	1,016,000
Plant, machinery, and equipment	-	6,463
	209,000	1,022,463
Government grants allocated to capital commitments:		
Office furniture and fittings	-	8,177
Urban improvements and construction	797,793	868,007
	797,793	876,184

21. Contingent liabilities

As of 31 December 2022, the council had contingent liabilities in respect of four claims against it. The local council can quantify the contingent liability of two claims.

One of the claims amounts to €453,123 (2021: €453,123), while the other is quantified as €180,975 (2021: €180,975). As regards the second claim, the Local Council has dismissed from legal proceedings, but an appeal has been lodged by the aggrieved person. Both claims are being covered by insurance policies.

As at approval date of these financial statements, the Local Council cannot quantify the contingent liability of the other two claims, however it is restricting such claims and no provision has been made in these financial statements in respect of these actions.

22. Related party transactions

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Councils	Significant control
Central Joint Committee (Local Enforcement)	Joint Control
Northern Harbour District Joint Committee	No control
South Regional Committee	No control
Gozo Regional Committee	No control
North Regional Committee	No control
South Eastern Regional Committee	No control
Central Regional Committee	No control
Police General Head Quarters	No control
Local Councils' Association	No control
Local Enforcement System Agency	No control
Central Bank of Malta	No control
Planning Authority	No control
Malta Communications Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Department of Inland Revenue	No control
Department of Information	No control
Department for Elderly and Community Care	No control
Commissioner for Data Protection	No control
Wasteserv Malta Limited	No control
Malta Information Technology Agency	No control
Tech.mt	No control
ARMS Ltd	No control
Ministry of Finance	No control
GAL - Foundation Local Action Group	No control
Maltapost plc	No control
Transport Malta	No control
Ministry of Transport and Infrastructure	No control
Malta Tourism Authority	No control
Malta Gaming Authority	No control
Malta Council for Science and Technology	No control
Infrastructure Malta	No control
Local Council Marsa	No control
Local Council H'Attard	No control
Local Council Haz-Zebbug	No control

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

	2022	2021
	€	€
Annual Financial Allocation	1,315,740	1,292,062

Key management compensation

	2022	2021
	€	€
Salaries	69,597	84,808

The Local Council considers the Mayor, Councilors, and the Executive Secretary to be Key Management Personnel. Remuneration to Key Management Personnel is disclosed in note 8.

23. Financial Risk Management

The Local Council's activities expose it to a variety of financial risks such as market risk, credit risk, liquidity risk and interest rate risk. The Local Council's overall risk management programmed focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Local Council's financial performance.

Credit risk

Financial assets which potentially subject the Local Council to concentrations of credit risk consist principally of cash at bank and debtors. The Local Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution.

The receivable balances of the Local Council are mainly composed of balances with government-related entities. Given the low risk associated with such entities, the default risk is insignificant. Given the fact that this will not result in material misstatement, the Local Council did not calculate and account for this 'expected credit loss'.

The Local Council's exposure to credit risk is limited to the carrying amount of financial assets recognized at the end of the reporting period and is summarized as follows:

	2022	2021
	€	€
Classes of financial assets - carrying amounts		
Trade and other receivables	203,549	242,204
Cash and cash equivalents	959,480	1,187,533
	1,163,029	1,429,737

Liquidity risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Local Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short-term commitments. The Local Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact, at year end, the Local Council has as cash and cash equivalents amounting to € 959,480 (2021 - € 1,187,533). This should ensure an ongoing working capital of the Local Council for the next 12 months. The Local Council also maintains a positive net asset position of € 2,459,276 (2021 - € 2,358,762) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

At 31 December 2022 the Local Council's financial liabilities have contractual maturities which are summarized below:

31 December 2022

	Current within	Non-current	
	1 year	1 to 5 years	Later than 5 years
	€	€	€
Payables	281,730	-	-
Other creditors	7,044	-	-
Accruals	27,826	-	-
Bank Loan	25,466	80,379	-

This compares to the maturity of the Local Council's financial liabilities in the previous reporting period as follows:

31 December 2021

	Current within	Non-current	
	1 year	1 to 5 years	Later than 5 years
	€	€	€
Payables	294,956	-	-
Other creditors	9,241	-	-
Accruals	102,667	-	-
Bank Loan	24,051	105,749	-

Foreign currency risk

Foreign currency transactions arise when the Local Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Local Council does not trade in any foreign currencies.

Interest rate risk

Interest rate risk mainly arises through interest bearing liabilities and assets. The objective of interest rate risk management is to optimize the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense.

24. Summary of financial assets and liabilities

The carrying amounts of the Local Council's financial assets and liabilities as recognized at the reporting dates under review are categorized as follows.

	2022	2021
	€	€
Current assets		
Financial assets measured at amortized cost:		
Trade and other receivables	203,549	242,204
Cash and cash equivalents	959,480	1,187,533
	1,163,029	1,429,737
Non-current Liabilities		
Financial liabilities measured at amortized cost:		
Borrowings	80,379	105,749
Current Liabilities		
Financial liabilities measured at amortized cost:		
Borrowings	25,466	24,051
Payables	281,730	294,956
Other creditors	7,044	9,241
Accruals	27,826	102,667
	342,066	430,915

25. 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.

26. Going Concern

The statement of financial position on page 3 and the notes thereto, with special reference to capital commitments, suggest that the going concern assumption used in the preparation of these financial statements is dependent on further sources of funds other than the annual financial allocation by Central Government, on the collection of debts due to the Local Council and on the continued support of the Local Council's creditors. Any adverse change in either of these assumptions above, would not let the Local Council able to meet its financial obligations as they fall due without curtailing its future commitment.