



L-Imnsida Local Council

Annual Report and Financial Statements  
31 December 2021

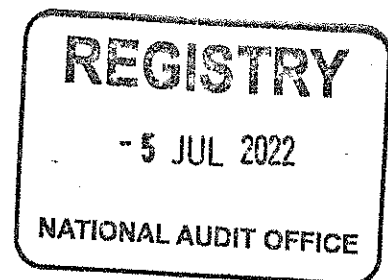


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**Statement of Local Council Members' and Executive Secretary's Responsibilities**

The Local Councils (Financial) Regulations 1993 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 Council's retained funds at the end of the 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 year and its retained funds as at the year end, and that they comply with the Act, the Local Council (Financial) Regulations, 1993 and the Local Council (Financial) Procedures, 1996.

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 1993, and the Local Council (Financial) Procedures 1996. The Executive Secretary is also responsible for safeguarding the assets of the Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Local Council on the 28 June 2022 and signed on its behalf by:



Margaret Baldacchino Cefai  
Mayor



Alan Vella  
Executive Secretary

**Statement of Profit or Loss and Other Comprehensive Income**

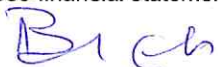
	Notes	2021	2020
		€	€
<b>Income</b>			
Funds received from central government	3	775,112	763,815
Income raised under Local Enforcement System	4	14,258	8,793
General income	7	19,301	23,877
Income from Bye Law	8	46,905	44,497
		<u>855,576</u>	<u>840,982</u>
<b>Expenditure</b>			
Personal emoluments	9	180,029	175,653
Operations and maintenance	10	479,566	449,313
Administrative and other expenditures	11	126,474	138,163
		<u>786,069</u>	<u>763,129</u>
<b>Operating surplus for the year</b>		<b>69,507</b>	<b>77,853</b>
Finance cost	5	(3,373)	(4,515)
Finance income	6	-	9
		<u>66,134</u>	<u>73,347</u>
<b>Surplus for the year</b>		<b>66,134</b>	<b>73,347</b>

The notes on pages 6 to 31 form an integral part of these financial statements

**Statement of Financial Position**

	Notes	2021	2020
		€	€
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible asset	12	4,186	2,468
Property, plant and equipment	13	401,365	430,964
Right of use asset	24	49,528	52,624
		<u>455,079</u>	<u>486,056</u>
<b>Current assets</b>			
Receivables	14	68,449	186,671
Cash and cash equivalents	15	493,111	379,621
		<u>561,560</u>	<u>566,292</u>
<b>Total Assets</b>		<u>1,016,639</u>	<u>1,052,348</u>
<b>Reserves</b>			
Retained earnings		825,524	759,390
<b>Non-current liabilities</b>			
Long-term borrowings	16	-	34,924
Deferred income	17	31,170	31,170
Payables	18	47,780	50,143
		<u>78,950</u>	<u>116,237</u>
<b>Current liabilities</b>			
Short-term borrowings	16	-	21,771
Payables	18	112,165	154,950
		<u>112,165</u>	<u>176,721</u>
<b>Total Liabilities</b>		<u>191,115</u>	<u>292,958</u>
<b>Total Reserves and Liabilities</b>		<u>1,016,639</u>	<u>1,052,348</u>

These financial statements were approved by the Local Council on the 28 June 2022 and are signed on its behalf by:

  
Margaret Baldacchino Cefai  
Mayor

  
Alan Vella  
Executive Secretary

The notes on pages 6 to 31 form an integral part of these financial statements

**Statement of Changes in Equity**

	<b>Retained earnings €</b>
<b>Balance at 1 January 2020</b>	686,043
Total comprehensive income for the year	73,347
<b>Balance at 31 December 2020</b>	<u>759,390</u>
Balance at 1 January 2021	759,390
Total comprehensive income for the year	66,134
<b>Balance at 31 December 2021</b>	<u>825,524</u>

The notes on pages 6 to 31 form an integral part of these financial statements

**Statement of Cash Flows**

	Notes	2021	2020
		€	€
<b>Cash flows from operating activities</b>			
<b>Surplus for the year</b>		66,134	73,347
Adjustments for:			
Depreciation on property, plant and equipment		60,514	65,313
Depreciation on right of use asset		3,096	3,095
Amortisation on intangible asset		1,763	1,038
Loss on disposal		1,167	-
Finance income		-	(9)
Finance cost		3,373	4,515
<b>Surplus for the year before working capital movements</b>		136,047	147,299
Decrease/(Increase) in receivables		111,314	(48,121)
(Decrease)/Increase in payables		(34,498)	29,204
Bank interest receivable		-	9
Bank interest payable		(1,460)	(2,521)
<b>Net cash generated from operating activities</b>		210,953	125,870
<b>Cash flows used in investing activities</b>			
Payments to acquire property, plant and equipment		(73,726)	(52,548)
Payments to acquire intangible asset		(3,481)	-
<b>Net cash used in investing activities</b>		(77,207)	(52,548)
<b>Cash flows used in financing activities</b>			
Grants received		42,545	-
Lease repayments		(4,193)	(4,193)
Repayments of bank borrowings		(56,695)	(21,029)
Interest on lease liabilities		(1,913)	(1,994)
<b>Net cash used in financing activities</b>		(20,256)	(27,216)
<b>Movement in cash and cash equivalents</b>		113,490	46,106
<b>Cash and cash equivalents at the beginning of the year</b>		379,621	333,515
<b>Cash and cash equivalents at the end of the year</b>	15	493,111	379,621

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**Notes to the Financial Statements**  
**For the year ended 31 December 2021****1. Statutory Information**

L-Imsida Local Council (the "Local Council") is the local authority of L-Imsida setup in accordance with the Local Councils Act. The office of the Local Council is situated at Civic Centre, Pjazza Menqa, L-Imsida. These financial statements were approved for issue by the Local Council members on 28 June 2022. The Local Council's presentation as well as functional currency is denominated in Eur (€).

**2. Accounting policies**

The principal accounting policies adopted 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.

**a. Basis of preparation**

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). The financial statements are prepared under the historical cost convention, as modified to include fair values stated in the accounting policies below.

These financial statements are prepared in accordance with the requirements of International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

**b. Use of estimates and judgements**

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.



**2. Accounting policies - continued****c. New or revised standards or interpretations****New standards adopted as at 1 January 2021**

Some accounting pronouncements which have become effective from 1 January 2021 and have therefore been adopted do not have a significant impact on the Local Council's financial results or position.

**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, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Local Council.

Management anticipates that all of the relevant pronouncements will be adopted in the Local Council's accounting policies for the first period beginning after the effective date of the pronouncement. No new standards, amendments and interpretations are expected to be relevant to the Local Council's financial statements.

**d. Standards, amendments and interpretations to published standards that are not yet endorsed by the EU**

- IFRS 17 – Insurance contracts (effective for financial years beginning on or after 1 January 2023)
- Amendment to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, Annual Improvements 2018 – 2020 (effective for financial years beginning on or after 1 January 2022)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current and Non-Current – Deferral of Effective Date (effective for financial years beginning on or after 1 January 2022)

The principal accounting policies and reporting procedures used by the Local Council are as follows:

**e. Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Imsida Local Council and the revenue can be reliably measured, regardless of when the payment is received.

Revenue is recognised upon transfer of funds from the Central Government when there are no significant uncertainties concerning the derivation of consideration or associated costs.

Interest income is recognised in profit or loss as it accrued under finance income.

**2. Accounting policies - continued****f. Functional and presentation currency**

Items included in the Local Council's financial statements are measured using the currency of the primary economic environment in which the entity operates. The Local Council's financial statements are presented in Euro, which is the Local Council's functional currency.

**g. Local Enforcement System**

The Local Council forms part of the Central Regional Council. On 1<sup>st</sup> September 2011, all LES funds were diverted to five regions. With effect from 1<sup>st</sup> September 2011, the only income attributable to the Local Council is commission income based on the value of contraventions paid at the Local Council. In line with Memo issued from the Department for Local Government dated 30<sup>th</sup> September 2015, the LES operations started gradually being phased out from the Regional Committee towards the Local Enforcement System Agency (LESA) with effect from 1<sup>st</sup> October 2015, until December 2015.

Prior to 1<sup>st</sup> September 2011, the Local Council formed part of the Central Joint Committee. The amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the Joint Committee after deducting the related expenses, which is accounted for on a cash basis, and the administrative charges to Regional Committees.

**h. Intangible assets**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

*Computer Software*

Computer software is valued at cost less accumulated amortisation and impairment losses to date. Amortisation to write off the cost is calculated on a monthly basis using the straight-line method. Due to the change in accounting policy relating to the depreciation method, the estimated useful life ranges between one to four years.

**2. Accounting policies - continued****i. Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated on a monthly basis using the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives as follows:

• Land	0%
• Trees	0%
• Buildings	1%
• Office furniture and fittings	7.5%-100%
• Construction works	10%-100%
• Urban Improvements (Street Furniture)	10%-100%
• Special Projects	10%-100%
• Office Equipment	20%-100%
• Motor Vehicles	20%-46%
• Plant and Machinery	20%-100%
• Plants	100%
• Computer Equipment	25%-100%
• Litter Bins	Replacement Basis
• Traffic and Road Signs	Replacement Basis
• Street Mirrors	Replacement Basis
• Street Lights	100%
• Playground Furniture	100%

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the 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 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 Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit or Loss and Other Comprehensive Income during the financial year in which they are incurred.

**j. Impairment of assets***Impairment of property, plant and equipment*

The carrying amounts of the Local Council's property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

**2. Accounting policies - continued****j. Impairment of assets - continued**

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**k. Receivables**

Receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Receivables are carried at original invoice amount less provisions made for impairment of these receivables. A provision for impairment of receivables is established when there is objective evidence that the Local Council will not be able to collect all amounts due according to the set original terms. The amount of provision is recognised in the Statement of Profit or loss and Other Comprehensive Income. Bad debts are written off during the year in which they are identified.

**l. Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at face value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and cash in bank.

**m. 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.

**n. Payables**

Payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material in which case, payables are measured at amortised cost using the effective interest method.

**2. Accounting policies - continued****o. Provisions**

Provisions are recognised when the Local Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

**p. Leases****The Local Council as a lessee**

For contracts entered into, the council considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

**Measurement and recognition of leases as a lessee**

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

The Local Council depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Local Council also assesses the right-of-use asset for impairment when such indicators exist.

At lease commencement date, the Local Council measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Local Council's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

**2. Accounting policies - continued****q. Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Profit or Loss and Other Comprehensive Income 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 from the end of the reporting period.

**r. 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'). The Local Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

**s. Financial instruments****Recognition and derecognition**

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

**Classification and initial measurement of financial assets**

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

Financial assets are classified into the following categories:

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

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

**2. Accounting policies - continued****s. Financial instruments – continued**

The classification is determined by both:

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

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

**Subsequent measurement of financial assets**

Financial assets at amortised cost

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

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

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

**Impairment of financial assets**

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

The Local Council considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

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

**2. Accounting policies - continued****s. Financial instruments – continued**

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
  - financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.
- '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.
- Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

**Classification and measurement of financial liabilities**

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

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

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

**t. Related parties**

Related parties are those persons or bodies of persons having relationships with the Local Council as defined in IAS 24.

**u. 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. Government grants that are related specifically to non-capital expenditures are recognised immediately in the Statement of Profit or Loss and Other Comprehensive Income.



**3. Funds Received from Central Government**

	2021 €	2020 €
In terms of Section 55 of the Local Councils Act (Cap 363)	682,828	664,357
Other supplementary income	-	10,445
Other government income	92,284	89,013
	<u>775,112</u>	<u>763,815</u>

**4. Income raised under Local Enforcement System**

	2021 €	2020 €
Administrative charges to Regional Committees	10,091	7,603
Contraventions	4,167	1,190
	<u>14,258</u>	<u>8,793</u>

**5. Finance cost**

	2021 €	2020 €
Bank interest payable	1,460	2,521
Interest on lease liabilities	1,913	1,994
	<u>3,373</u>	<u>4,515</u>

**6. Finance income**

	2021 €	2020 €
Bank interest receivable	-	9
	<u>-</u>	<u>9</u>

**7. General income**

	2021 €	2020 €
Advertising	(1,855)	-
Rental income	20,000	20,000
Income from Administrative Committee	-	262
Other income	1,156	3,615
	<u>19,301</u>	<u>23,877</u>



# 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 Msida Local Council set out on pages 6 to 31 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 matter 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 Local 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

Up to 31 August 2011, all income and expenditure from the Local Enforcement System (LES) were centralised through the Central Joint Committee of which Msida Local Council formed part. The Joint Committee ceased operations on that date. The most recent audited financial statements of the Joint Committee that were made available to us are those for the year ended 31 December 2010. Those financial statements show that the Committee had accumulated reserves amounting to €43,207. Due to the uncertainty as to whether the Council will receive further amounts from the Committee, the Council has not recognised any receivable from the Committee. In the absence of more recent audited financial statements, we are unable to determine whether the Council is entitled to receive any further income from the Joint Committee.

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 Local 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 Local 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 blue ink, appearing to be "Mark Bugeja", written over a faint horizontal line.

Mark Bugeja (Partner) for and on behalf of

**GRANT THORNTON**  
Certified Public Accountants

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Central Business District,  
Birkirkara CBD 1050  
Malta

28 June 2022

