L-Imsida Local Council

Annual Report and Financial Statements
31 December 2022

Prepared by Accounting & Management Team Limited

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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 25 April 2023 and signed on its behalf by:

Margaret Baldacchino Cefai
Mayor

Alan Vella
Executive Secretary

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2022	2021
		€	€
Income			
Funds received from central government	3	**827,325**	775,112
Income raised under Local Enforcement System	4	**12,527**	14,258
General income	6	**22,203**	19,301
Income from Bye Law	7	**60,936**	46,905
		922,991	855,576
Expenditure			
Personal emoluments	8	**199,137**	180,029
Operations and maintenance	9	**563,672**	479,566
Administrative and other expenditures	10	**133,781**	126,474
		896,590	786,069
Operating surplus for the year		**26,401**	69,507
Finance cost	5	**(1,830)**	(3,373)
Surplus for the year		**24,571**	66,134

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

Statement of Financial Position

	Notes	2022	2021
		€	€
ASSETS			
Non-current assets			
Intangible asset	11	**2,408**	4,186
Property, plant and equipment	12	**428,737**	401,365
Right of use asset	22	**46,432**	49,528
		477,577	455,079
Current assets			
Receivables	13	**154,984**	68,449
Cash and cash equivalents	14	**573,064**	493,111
		728,048	561,560
Total Assets		**1,205,625**	1,016,639
Reserves			
Retained earnings		**850,095**	825,524
Non-current liabilities			
Deferred income	15	**31,170**	31,170
Non-current lease liability	16	**45,331**	47,780
		76,501	78,950
Current liabilities			
Payables	16	**279,029**	112,165
		279,029	112,165
Total Liabilities		**355,530**	191,115
Total Reserves and Liabilities		**1,205,625**	1,016,639

These financial statements were approved by the Local Council on the 25 April 2023 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

	Retained earnings €
Balance at 1 January 2021	759,390
Total surplus for the year	66,134
Balance at 31 December 2021	825,524
Balance at 1 January 2022	825,524
Total surplus for the year	24,571
Balance at 31 December 2022	**850,095**

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

Statement of Cash Flows

	Notes	2022	2021
		€	€
Cash flows from operating activities			
Surplus for the year		**24,571**	66,134
Adjustments for:			
Depreciation on property, plant and equipment		**43,649**	60,516
Depreciation on right of use asset		**3,096**	3,096
Amortisation on intangible asset		**1,778**	1,763
Increase in Provision for doubtful debts		**785**	-
Loss on disposal		**-**	1,167
Finance cost		**1,830**	3,373
Surplus for the year before working capital movements		**75,709**	136,049
(Increase)/Decrease in receivables		**(87,320)**	118,222
Increase /(Decrease) in payables		**166,864**	(42,699)
Bank interest payable		**-**	(1,460)
Net cash generated from operating activities		**155,253**	210,112
Cash flows used in investing activities			
Payments to acquire property, plant and equipment		**(114,670)**	(73,728)
Payments to acquire intangible asset		**-**	(3,481)
Net cash used in investing activities		**(114,670)**	(77,209)
Cash flows used in financing activities			
Grants received		**43,649**	41,644
Lease repayments		**(2,449)**	(2,449)
Repayments of bank borrowings		**-**	(56,695)
Interest on lease liabilities		**(1,830)**	(1,913)
Net cash gererated from/(used in) financing activities		**39,370**	(19,413)
Movement in cash and cash equivalents		**79,953**	113,490
Cash and cash equivalents at the beginning of the year		**493,111**	379,621
Cash and cash equivalents at the end of the year	14	**573,064**	493,111

Notes to the Financial Statements
For the year ended 31 December 2022

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 31 January 2023. 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 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.

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 1st September 2011, all LES funds were diverted to five regions. With effect from 1st 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 30th September 2015, the LES operations started gradually being phased out from the Regional Committee towards the Local Enforcement System Agency (LESA) with effect from 1st October 2015, until December 2015.

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.

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. The estimated useful life is four years.

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:

2. Accounting policies - continued

i. Property, plant and equipment - continued

• 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%

Assets not yet utilized are reclassified to proper account upon completion of work.

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 initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. 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
The Local Council makes the use of leasing arrangements for its office space. 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. 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.

r. 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

r. 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 equivalents, most receivables and accrued income 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

r. **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 includes payables, accruals 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 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'.

s. **Related parties**

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

t. **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

	2022	2021
	€	€
In terms of Section 55 of the Local Councils Act (Cap 363)	**701,404**	682,828
Other government income	**125,921**	92,284
	827,325	775,112

4. Income raised under Local Enforcement System

	2022	2021
	€	€
Administrative charges to Regional Committees	**8,851**	10,091
Contraventions	**3,676**	4,167
	12,527	14,258

5. Finance cost

	2022	2021
	€	€
Interest on lease liabilities	**1,830**	1,913
Bank interest payable	**-**	1,460
	1,830	3,373

6. General income

	2022	2021
	€	€
Rental income	**20,000**	20,000
Other income	**2,203**	1,156
Advertising	**-**	(1,855)
	22,203	19,301

7. Income from Bye Law

	2022	2021
	€	€
Income from permits	**60,936**	46,905

8. Personal Emoluments

	2022	2021
	€	€
Mayor's allowance	**15,516**	15,270
Executive Secretary salary	**53,393**	36,788
Employees' salaries	**96,439**	94,234
Social security contributions	**11,189**	11,137
Councillors' allowances	**22,600**	22,600
	199,137	180,029

Average number of people employed

	2022	2021
Employees	**6**	5
Mayor and Councillors	**7**	7

9. Operations and Maintenance

	2022	2021
	€	€
Repairs and Upkeep:		
Patching works	**1,793**	3,134
Operating materials and supplies	**1,110**	1,238
Road and street pavements	**8,346**	138
Road signs and markings	**10,941**	14,197
Council property	**1,947**	-
Office furniture and equipment	**3,008**	3,996
Bins	**2,686**	580
Sundry repairs	**9,699**	7,716
	39,530	30,999

9. Operations and Maintenance - continued

	2022	2021
	€	€
Contractual Services:		
Refuse collection (including bins on wheels)	**245,369**	173,845
Waste disposal	**73,848**	66,142
Bulky refuse collection (including open skips)	**27,355**	25,365
Road and street cleaning (mechanical and manual)	**46,643**	43,694
Cleaning and maintenance of public conveniences	**13,049**	8,073
Cleaning and maintenance of parks and gardens	**57,960**	56,638
Cleaning council premises	**10,723**	10,596
LES related expenditure	**1,128**	11,575
Supervisor allowance	**-**	3,894
Contract management services	**12,886**	12,886
Street lighting and security	**33,765**	32,732
Other contractual service	**1,416**	3,127
	524,142	448,567
	536,672	479,566

10. Administrative and other expenditures

	2022	2021
	€	€
Water and electricity	**6,663**	6,449
Telecommunications	**3,304**	3,173
Rent (note 22)	**116**	117
Accountancy services	**4,673**	4,673
Advertising and public relations expenses	**3,670**	10,300
Office services	**161**	73
Transport	**4,115**	2,428
Travel	**3,030**	1,536
Conference and participation expenses	**3,274**	118
Documentation	**175**	40
Insurance	**4,058**	4,474
Engineering services	**2,203**	2,195
Other support service	**6,131**	6,050
Postages	**82**	123
Printing and stationery	**5,203**	6,168
Community services	**36,740**	11,768
Staff training and uniforms	**91**	-
Bank charges	**395**	210
Depreciation on property, plant and equipment (note 12)	**43,649**	60,516
Depreciation on right of use asset (note 22)	**3,096**	3,096
Amortisation on intangible asset (note 11)	**1,778**	1,763
Loss on disposal of assets	**-**	1,167
Provision for doubtful debts (note 13)	**785**	-
Sundry minor expenses	**389**	37
	142,843	126,474

11. Intangible asset

	Computer Software €
At 1 January 2021	
Cost	11,402
Accumulated amortisation	(8,934)
Net book amount	2,468
Movements for the year ended 31 December 2021	
Opening net book amount	2,468
Additions	3,481
Disposals	(4,840)
Amortisation charge	(1,763)
Depreciation released on disposal	4,840
Closing net book amount	4,186
At 31 December 2021	
Cost	10,043
Accumulated amortisation	(5,857)
Net book amount	4,186
Movements for the year ended 31 December 2022	
Opening net book amount	4,186
Amortisation charge	(1,778)
Closing net book amount	2,408
At 31 December 2022	
Cost	10,043
Accumulated amortisation	(7,635)
Net book amount	2,408

Amortisation of €1,778 (2021: €1,763) is included in administrative expenses.

12a. Property, plant and equipment

	Trees €	Office Furniture & Fittings €	Computer & Office Equipment €	Urban Improvements €	Plant & Machinery €	Motor Vehicles €	Street Signs, Mirrors & Lights €	Construction Works €	Building €	Assets not yet utilised €	Total €
Cost											
At 1st January 2022	20,417	87,647	46,783	207,863	2,745	13,860	51,284	2,006,178	472,246	27,334	2,936,355
Additions	-	2,883	-	30,698	430	-	-	99,474	-	9,513	142,998
At 31st December 2022	20,417	90,530	46,783	238,559	3,175	13,860	51,284	2,105,652	472,246	36,847	3,079,353
Grants											
At 1st January 2022	6,690	34,705	4,631	59,431	-	-	-	1,287,220	-	-	1,392,675
Additions	-	2,064	-	23,457	-	-	-	46,456	-	-	71,977
At 31st December 2022	6,690	36,769	4,631	82,887	-	-	-	1,333,675	-	-	1,464,652
Depreciation											
At 1st January 2022	-	37,568	35,431	148,430	1,559	13,860	51,284	662,273	191,910	-	1,142,316
Charge for the year	-	2,363	3,485	3,264	364	-	-	16,561	17,612	-	43,649
At 31st December 2022	-	39,931	38,916	151,695	1,923	13,860	51,284	678,834	209,522	-	1,185,965
Net Book Value											
At 31st December 2022	**13,727**	**13,830**	**3,236**	**3,977**	**1,252**	**-**	**-**	**93,143**	**262,724**	**36,847**	**428,737**

12b. Property, plant and equipment

	Trees €	Office Furniture & Fittings €	Computer & Office Equipment €	Urban Improvements €	Plant & Machinery €	Motor Vehicles €	Street Signs, Mirrors & Lights €	Construction Works €	Building €	Assets not yet utilised €	Total €
Cost											
At 1st January 2021	20,417	85,954	62,339	202,345	3,198	13,860	52,200	1,999,679	472,246	18,767	2,931,005
Additions	-	6,294	4,894	36,536	1,204	-	-	16,233	-	8,567	73,728
Transfers	-	-	-	916	-	-	(916)	-	-	-	-
Disposals	-	(4,601)	(20,450)	(31,934)	(1,657)	-	-	(9,734)	-	-	(68,376)
At 31st December 2021	20,417	87,647	46,783	207,863	2,745	13,860	51,284	2,006,178	472,246	27,334	2,936,357
Grants											
At 1st January 2021	6,690	28,411	2,300	34,273	-	-	-	1,279,359	-	-	1,351,033
Additions	-	6,294	2,331	25,158	-	-	-	8,762	-	-	42,545
Grants released	-	-	-	-	-	-	-	(901)	-	-	(901)
At 31st December 2021	6,690	34,705	4,631	59,431	-	-	-	1,287,220	-	-	1,392,677
Depreciation											
At 1st January 2021	-	39,431	50,283	168,056	2,986	13,860	51,284	648,809	174,299	-	1,149,008
Charge for the year	-	2,785	4,431	12,261	230	-	-	23,198	17,611	-	60,516
Released on disposal	-	(4,648)	(19,283)	(31,887)	(1,657)	-	-	(9,734)	-	-	(67,209)
At 31st December 2021	-	37,568	35,431	145,430	1,559	13,860	51,284	662,273	191,910	-	1,142,315
Net Book Value											
At 31st December 2021	**13,727**	**15,374**	**6,721**	**2**	**1,186**	**-**	**-**	**56,685**	**280,336**	**27,334**	**401,365**

13. Receivables

	2022	2021
	€	€
Receivables	**139,671**	63,691
Other receivables	**1,000**	1,000
Accrued income	**6,632**	-
Financial assets at amortised cost	**147,303**	64,691
Prepayments	**7,681**	3,758
Total receivables	**154,984**	68,449

The total financial assets at amortised cost for the year amounted to €147,303 (2021: €164,691). Receivables are stated net of provision for doubtful debts €785 (2021:Nil)

The average credit period on sales of services is 60 days. Receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the company has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

	2022	2021
	€	€
Age of receivables that are past due but not impaired		
60-90 days	**42,858**	25,608
91-120 days	**25,224**	1,093
More than 120 days	**71,589**	36,990
Total	**139,671**	63,691

In determining the recoverability of a receivable, the Local Council considers any change in the credit quality of the receivable from the date credit was initially granted up to the end of the reporting period. The impairment loss on receivables is included in administrative expenses in the Statement of Profit or Loss and Other Comprehensive Income.

14. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and cash in bank. Cash and cash equivalents included in the Statement of Financial Position and Statement of Cash Flows comprise the following amounts:

	2022	2021
	€	€
Petty cash	**210**	230
Cash on hand	**2,202**	1,517
Bank balances:		
Current	**285,710**	241,335
Savings	**284,942**	250,029
Total cash and cash equivalents	**573,064**	493,111

15. Deferred Income

	2022	2021
	€	€
At beginning of year	**31,170**	31,170
Increase in period	**7,500**	-
	38,670	31,170
Current (note 16)	7,500	-
Non-Current	31,170	31,170
	38,670	31,170

16. Payables

	2022	2021
	€	€
Payables	**157,678**	55,565
Other payables	**12,185**	9,771
Accruals	**34,970**	21,841
Lease liabilities (note 24)	**2,449**	2,363
Financial liabilities measured at amortised cost	**207,282**	89,540
Deferred Income	**7,500**	-
Advance Payment	**63,696**	22,625
Total payables - current	**278,478**	112,165

16. **Payables** - continued

Payables due after more than one year

	2022	2021
	€	€
Lease liabilities (note 22)	**45,331**	47,780
	45,331	47,780

The total financial liabilities measured at amortised cost for the year amounted to €207,282 (2021: €89,540).

17. Contingent liabilities

At 31 December 2022, the Local Council had a guarantee facility of €1,100 and garnishee order of €1,470.84.

18. Related party transactions

During the year, the Local Council had affected transactions with related parties resulting mainly in connection with income and administrative transactions, are disclosed in notes 3 and 10 to these financial statements. The following were the related parties:

Name of Entity	**Nature of relationship**
Department of Local Councils	Significant Control
Gozo Regional Committee	No Control
Central Regional Committee	No Control
North Regional Committee	Joint Control
South Regional Committee	No Control
South Eastern Regional Committee	No Control
Local Enforcement Systems Agency	No Control
ARMS Ltd	No Control
Commissioner of Data Protection	No Control
Department of Information	No Control
Ministry of Finance	No Control
Police General Head Quarters	No Control
Malta Environment and Planning Authority	No Control
Water Services Corporation	No Control
Enemalta Corporation	No Control
Cleansing Directorate	No Control
Department of Lands	No Control
Wasteserv Malta Limited	No Control
Bank of Valletta plc	No Control
Department of Lands	No Control
Local Councils' Association	No Control
Central Bank of Malta	No Control
Department of Inland Revenue	No Control
Ministry for Justice, Culture and Local Government	No Control

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

	2022	2021
	€	€
(a) Funds received from Local Government	**701,404**	682,828

18. Related party transactions – continued

Key management compensation
The Mayor, Councillors and Executive Secretary of the Local Council make up the Key Management Personnel. Total remuneration paid to them amounts to € 94,106 (2021: €77,178).

Ultimate controlling party
The ultimate controlling party of the Local Council is Central Government since the Local Council's main revenue is from the Government allocation received every quarter. Apart from the normal funds received from Government, the Local Council also receives funds relating to specific projects as well as other funds for the improvement of the locality.

19. 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 programme focuses on the unpredictability of financial markets and seeks to minimise 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 Local Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Local Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible, and in this respect, the Local Council has no significant concentration of credit risk.

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

	2022	2021
	€	€
Classes of financial assets – carrying amounts:		
Financial assets at amortised cost		
Receivables	**147,303**	64,691
Cash and cash equivalents	**573,064**	493,111
	720,367	557,802

19. Financial risk management – continued

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 in bank and in hand the amount of €573,075. This should ensure an ongoing working capital of the Local Council for the next 12 months. The Local Council also maintains a positive net current asset position of €449,404 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 summarised below:

At 31 December 2022

	Current Within 1 year	Non-current 1 to 5 years	Later than 5 years
	€	€	€
Payables	158,285	-	-
Other payables	12,129	-	-
Accruals	34,970	-	-
Lease liabilities	4,193	16,771	41,929

19. Financial risk management – continued

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

At 31 December 2021

	Current Within 1 year	Non-current 1 to 5 years	Later than 5 years
	€	€	€
Payables	55,565	-	-
Other payables	9,771	-	-
Accruals	21,841	-	-
Lease liabilities	4,193	16,771	46,122

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 objectives of interest rate risk management is to optimise the balance between minimizing uncertainly caused by fluctuations in interest rates and maximizing the net interest income and expense.

20. Summary of financial assets and liabilities

The carrying amounts of the Local Council's financial assets and liabilities as recognised at the reporting dates under review are categorised as follows:

	2022	2021
	€	€
Current assets		
Financial assets at amortised cost:		
Receivables	**147,303**	64,691
Cash and cash equivalents	**573,064**	493,111
	720,367	557,802
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	**158,285**	55,565
Other payables	**12,129**	9,771
Accruals	**34,970**	21,841
Lease liabilities	**2,449**	2,363
	207,833	89,540
Non-Current liabilities		
Financial liabilities measured at amortised costs:		
Lease liabilities	**45,331**	47,780
	45,331	47,780

21. 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.

22. Leases

Right of use Asset

The Local Council's right of use asset is as follows:

	Office Space
	€
Cost	
At 1 January/31 December 2021	**58,814**
At 1 January/31 December 2022	**58,814**
Accumulated Depreciation	
At 1 January 2021	6,190
Charge for the year	3,096
At 31 December 2021	9,286
At 1 January 2022	9,286
Charge for the year	3,096
At 31 December 2022	**12,382**
Carrying amount as at 31 December 2021	**49,528**
Carrying amount as at 31 December 2022	**46,432**

Lease liabilities

	2022	2021
	€	€
Current	**2,449**	2,363
Non-current	**45,331**	47,780
	47,780	50,143

The Local Council leases its office space from the Commissioner of Lands. The lease is recognised as a right of use asset in the Statement of Financial Position, with the exception of short-term leases (leases with an effected term of 12 months or less) and leases of low-value underlying assets. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and right of use asset.

22. Leases - continued

Right-of-use assets	No of right-of-use asset leased	Remaining term	Average lease term	No of leases with extension options	No of leases with termination options
Office space	1	13 years	17 years	-	-

Future minimum lease payments at 31 December 2022 and 2021 were as follows:

	Not later than one year	Later than one year but not later than five years	Later than five years	Total
	€	€	€	€
31 December 2022				
Lease payments	4,193	16,771	41,929	62,893
Finance charges	(1,744)	(6,049)	(7,320)	(15,113)
Net present values	**2,449**	**10,722**	**34,609**	**47,780**
31 December 2021				
Lease payments	4,193	16,771	46,122	67,086
Finance charges	(1,830)	(6,426)	(8,687)	(16,943)
Net present values	**2,363**	**10,345**	**37,435**	**50,143**

Lease payments not recognised as a liability

The Local Council has elected not to recognise a lease liability for short-term leases (leases with an expected lease term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. The expense related to payments for short-term leases not included in the measurement of lease liability amounted to €116 (2021: €117) and is included in the 'administrative expenses' in Statement of Profit or Loss and Other Comprehensive Income.

23. Capital commitments

Capital expenditure
Commitments for capital expenditure not provided for in these financial statements are as follows:

	2022	2021
	€	€
Authorised but not contracted	**798,230**	577,150

These commitments for capital expenditure will be financed out of reserved funds, DPF Funds Regional Funds and DLG Schemes.

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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 2 to 31 which comprise the statement of financial position as at 31 December 2022, 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 2022, 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.

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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.

Grant Thornton

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.

Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

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Malta

25 April 2023