

Ghasri Local Council

**Financial Statements
For the year ended 31 December 2021**

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& Registered Auditor

REGISTRY

- 2 MAY 2022

NATIONAL AUDIT OFFICE

Ghasri Local Council

ANNUAL REPORT AND FINANCIAL STATEMENTS
31 December 2021

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Ghasri Local Council

Financial Statements for the year ending 31 December 2021

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

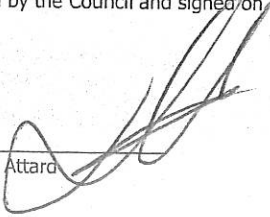
The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's Statement of Comprehensive Income for the year and of the Council's retained funds at the end of year. By virtue of the same regulations, it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, and the Local Councils (Financial) Procedures issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, the Local Councils (Financial) Regulations, and the Local Councils (Financial) Procedures. 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.

Approved by the Council and signed on its behalf on

22 April 2022 by:

Dr Daniel Attard
Mayor



Rita Mifsud Attard
Executive Secretary

Ghasri Local Council

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2021

INCOME	Notes	2021 €	2020 €
Funds received from central government	9.		
General Income	10.	206,051	193,832
Income raised under the Local Enforcement System	11.	16,344	13,593
		344	218
		<u>222,739</u>	<u>207,643</u>
EXPENDITURE			
Personal emoluments	12.		
Operations and maintenance	13.	(73,873)	(72,785)
Administration and other expenditure	14.	(41,277)	(45,494)
		(52,199)	(74,991)
		<u>(167,349)</u>	<u>(193,270)</u>
Operating surplus for the year		55,390	14,373
Investment income	15.	262	265
Total comprehensive surplus for the year		<u>55,652</u>	<u>14,638</u>

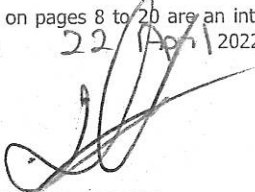
The notes on pages 8 to 20 are an integral part of the financial statements.

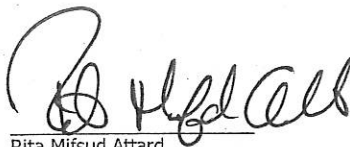
Ghasri Local Council

STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Notes	2021 €	2020 €
ASSETS			
Non Current Assets			
Property, plant and equipment	3.	204,525	248,377
Total non-current assets		204,525	248,377
Current assets			
Inventories	4.	1,480	1,534
Receivables	5.	4,530	6,822
Cash and Cash Equivalents	6.	567,490	437,329
Total current assets		573,500	445,685
Total assets		€ 778,025	€ 694,062
RESERVES AND LIABILITIES			
Retained reserves		339,626	283,974
Non-Current Liabilities			
Deferred income - grants	7.	229,915	139,055
Current Liabilities			
Payables	8.	38,142	36,145
Current Deferred income	8.	170,342	234,888
TOTAL LIABILITIES AND RESERVES		€ 778,025	€ 694,062

The notes on pages 8 to 20 are an integral part of the financial statements. The said financial statements were approved by the Local Council on 22 April 2022.


Dr Daniel Attard
Mayor


Rita Mifsud Attard
Executive Secretary

Ghasri Local Council

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2021

	Retained funds
	Account €
Balance as at 1 January 2020	269,336
Total comprehensive surplus for the year	14,638
Balance as at 31 December 2020	283,974
Total comprehensive surplus for the year	55,652
Balance as at 31 December 2021	€ 339,626

The notes on pages 8 to 20 are an integral part of the financial statements.

Ghasri Local Council

STATEMENT OF CASH FLOWS
Year ended 31 December 2021

	Notes	2021 €	2020 €
Cash Flows from Operating Activities			
Total comprehensive surplus for the year		55,652	14,638
Adjustments for:			
Depreciation		22,072	50,163
Provision for bad debts		-	-
Interest received		(262)	(265)
		<hr/>	<hr/>
Operating profit before Working Capital Changes		77,462	64,536
Movement in working capital:			
Movement in inventories		54	1,271
Movement in receivables		2,292	(2,148)
Movement in payables		1,997	(260,706)
		<hr/>	<hr/>
Net cash flow from operating Activities		4,343	(261,583)
Cash flow generated from investing activities			
Net movement in Property, Plant and Equipment		21,780	(57,142)
Grants received		45,430	(38,755)
Grants refunded		(19,116)	-
Interest received		262	265
		<hr/>	<hr/>
Cash flow generated from investing activities		48,356	(95,632)
Net increase/decrease in Cash and Cash Equivalents		130,161	(292,679)
Cash and Cash Equivalents at the beginning of year		437,329	730,008
Cash and Cash Equivalents at the end of year	6.	<hr/> € 567,490 <hr/>	<hr/> € 437,329 <hr/>

The notes on pages 8 to 20 are an integral part of the financial statements.

Ghasri Local Council

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

1. General Information

Ghasri Local Council is the local authority of Ghasri setup in accordance with the Local Councils Act. The office of the Local Council is situated at Triq Dun Karm Caruana Ghasri. The financial statements were approved for issue by the Council on _____ . The Local Council's presentation as well as functional currency is denominated in €.

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.

(a) Accounting convention

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 where it is stated in the accounting policies below. These Financial Statements are prepared in accordance to the requirements of International Financial Reporting Standards as adopted by the 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) Standards, amendments and interpretations to existing standards

New and amended standards adopted by the Local Council :

During the current year, the Local Council has adopted a number of new standards and interpretations, or amendments thereto, issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee, and endorsed by the European Union. The Council is of the opinion that the adoption of these standards, interpretations or amendments thereto, did not have any material impact on these financial statements.

New Standards and amendments not yet effective:

*At the end of the reporting period, certain new standards, interpretations or amendments thereto, were in issue and endorsed by the EU, but not yet effective for the current financial period. There have been no instances of early adoption of these standards, interpretations or amendments ahead of their effective date.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

The Councillors and Executive Secretary are assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Council anticipates that the adoption of the other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

Ghasri Local Council

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

2. Accounting policies and Reporting Procedures (Continued)

(c) Revenue recognition

Revenue is recognised when the amount of revenue and the associated costs can be measured reliably. Interest income is recognised in the statement of comprehensive income as it accrues. Income from central government is not recognised until there is reasonable assurance that the 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 therefrom are to be disclosed separately with the expenses.

(d) Local Enforcement System

During 2021 the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is chargeable to the Regional Committees and LESA for contraventions paid at the Council.

(e) Tangible fixed assets

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss to date. Depreciation is calculated on a yearly basis using the straight line method at rates calculated to write off the cost over its expected useful life as follows:

Land	0%
Trees	0%
Buildings	1%
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%
Road and traffic Signs	replacement basis
Street Mirrors	replacement basis
Street Lights	100%

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each financial reporting 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 recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

(f) 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.

2. Accounting policies and Reporting Procedures (Continued)

(g) Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the statement of comprehensive income.

(h) Amounts Receivable

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amounts of the asset in the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Comprehensive Income.

(i) 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 Euro, which is the Council's functional and presentation currency.

(j) Surplus and deficits

Only surpluses that were realised at the date of the Statement of Financial Position are recognised in these Financial Statements. All foreseeable liabilities and potential deficits 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.

(k) Cash and 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.

(l) Related parties

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

During the year under review, the Local Council's related party that exercises a significant control was the Department for Local Government. The parties that exercise no control were Water Services Corporation and Malta Environment and Planning Authority whereas there was joint control with the Gozo Joint Committee.

(m) Payables

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

Amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the council.

2. Accounting policies and Reporting Procedures (Continued)

(n) Financial Instruments

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs.

Financial assets

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

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

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

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

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

Financial liabilities

The council's financial liabilities include other payables. These are stated at their nominal amount which is a reasonable approximation of fair value.

All interest-related charges are included within 'finance costs'.

(o) Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS as adopted by the EU requires council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In the opinion of the council members, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

(p) Inventories

Inventories are shown in the financial statements at the lower of cost and net realisable value. The inventories consist of stamps and vouchers with a face value which is the cost and selling price of these items. The stock valuation at the end of the period is equivalent to the actual cost of the inventory items.

Ghasri Local Council

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

3. Tangible fixed assets
3a

	Cost 01-Jan-21	Write off/ reversal	Additions	Cost 31-Dec-21
Cost	€		€	€
Property	129,040	-	-	129,040
Furniture, fixtures & fittings	21,167	-	-	22,322
Motor Vehicle	4,900	-	1,155	4,900
Plant and machinery	1,247	-	-	1,632
Computers and electronic equipment	2,344	-	385	2,344
Office Equipment	8,254	-	-	9,084
Urban Improvements	29,097	(446)	830	28,651
New Street Signs	2,205	-	-	2,205
Assets under construction	-	-	-	-
Construction	1,198,652	-	12,296	1,210,948
	1,396,906	(446)	14,666	1,411,126
Depreciation	01-Jan-21	Write off/ reversal	Depreciation for the year	31-Dec-21
Property	25,568	-	1,271	26,839
Furniture, fixtures & fittings	18,578	-	504	19,082
Motor Vehicle	1,960	-	980	2,940
Plant and machinery	875	-	209	1,084
Computers and electronic equipment	1,943	-	209	2,152
Office Equipment	5,471	-	249	5,720
Urban Improvements	25,256	-	513	25,769
New Street Signs	2,205	-	-	2,205
Construction	474,692	-	18,137	492,829
	556,548	-	22,072	578,620
Grants				
Property	-	-	-	-
Furniture, fixtures & fittings	-	-	-	-
Motor Vehicle	-	-	-	-
Plant and machinery	-	-	-	-
Computers and electronic equipment	-	-	-	-
Office Equipment	-	-	-	-
Urban Improvements	2,242	-	-	2,242
New Street Signs	-	-	-	-
Construction	-	-	-	-
	589,739	-	36,000	625,739
	591,981	-	36,000	627,981
Net book value			2021	2020
Property			€	€
Furniture, fixtures & fittings			102,201	103,472
Motor Vehicle			3,240	2,589
Plant and machinery			1,960	2,940
Computers and electronic equipment			548	372
Office Equipment			192	401
Urban Improvements			1,122	541
New Street Signs			2,882	3,841
Assets under construction			-	-
Construction			-	-
			92,380	134,221
Total fixed assets			€ 204,525	€ 248,377

Ghasri Local Council

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

3b Tangible fixed assets (Continued)

	Cost 01-Jan-20	Written off	Reclassification	Additions for the year	Cost 31-Dec-20
Cost	€			€	€
Property	129,040	-	-	-	129,040
Furniture, fixtures & fittings	21,017	-	-	150	21,167
Motor Vehicle	4,900	-	-	-	4,900
Plant and machinery	1,197	-	-	50	1,247
Computers and electronic equipment	5,554	(3,210)	-	-	2,344
Office Equipment	10,711	(2,457)	-	-	8,254
Urban Improvements	26,011	-	-	3,086	29,097
New Street Signs	2,115	-	-	90	2,205
Assets under construction	247,485	-	(247,485)	-	-
Construction	897,401	-	247,485	53,766	1,198,652
	<u>1,345,431</u>	<u>(5,667)</u>	<u>-</u>	<u>57,142</u>	<u>1,396,906</u>

Depreciation

	01-Jan-20	Written off	Depreciation for the year	31-Dec-20
Property	24,297	-	1,271	25,568
Furniture, fixtures & fittings	18,156	-	422	18,578
Motor Vehicle	980	-	980	1,960
Plant and machinery	723	-	152	875
Computers and electronic equipment	4,944	(3,210)	209	1,943
Office Equipment	7,667	(2,457)	261	5,471
Urban Improvements	24,707	-	549	25,256
New Street Signs	2,115	-	90	2,205
Construction	428,463	-	46,229	474,692
	<u>512,052</u>	<u>(5,667)</u>	<u>50,163</u>	<u>556,548</u>

Grants

	01-Jan-20	Grants for the year	31-Dec-20
Property	-	-	-
Furniture, fixtures & fittings	-	-	-
Motor Vehicle	-	-	-
Plant and machinery	-	-	-
Computers and electronic equipment	-	-	-
Office Equipment	2,242	-	2,242
Urban Improvements	-	-	-
New Street Signs	-	-	-
Construction	373,967	215,772	589,739
	<u>376,209</u>	<u>215,772</u>	<u>591,981</u>

	2020 €	2019 €
Property	103,472	104,743
Furniture, fixtures & fittings	2,589	2,861
Motor Vehicle	2,940	3,920
Plant and machinery	372	474
Computers and electronic equipment	401	610
Office Equipment	541	802
Urban Improvements	3,841	1,304
New Street Signs	-	-
Assets under construction	-	247,485
Construction	134,221	94,971
Total fixed assets	€ 248,377	€ 457,170

Ghasri Local Council

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

4. Inventories

	2021 €	2020 €
Ghasri Sub-post office: Inventories of stamps and cards	€ 1,480	€ 1,534

5. Receivables

	2021 €	2020 €
Prepayments and accrued income	1,748	1,466
Amounts receivable	2,782	5,356
	<u>4,530</u>	<u>6,822</u>

Receivables

Within the credit period	4,467	4,049
Exceeded credit period but not yet impaired	63	2,773
	<u>4,530</u>	<u>6,822</u>

Amounts receivable are stated after making a provision of doubtful debts of €664 (2020: €644).

6. Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the Local Council's Statement of Financial Position:

	2021 €	2020 €
Bank Balances		
Bank Current accounts	926	2,317
Savings Account	564,328	432,447
Central Bank of Malta	-	(15)
Current Account - Ghasri sub-post office	1,224	1,703
Cash in hand	1,012	877
Cash at bank and in hand	<u>€ 567,490</u>	<u>€ 437,329</u>

Ghasri Local Council

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

7. Deferred income grants

	2021	2020
	€	€
Less than one year	170,342	234,888
Between 1 and 2 years	229,915	139,055
Between 2 and 5 years	-	-
Over 5 years	-	-
	<u>€ 400,257</u>	<u>€ 373,943</u>

	2021	2020
	€	€
Opening balance	373,943	628,470
Increase in grants - Recreational Area income prepaid	45,430	-
Refund of grants	-	(38,755)
Movement in deferred income	(19,116)	-
Grant transfer to fixed assets	-	(215,772)
Closing balance	<u>400,257</u>	<u>373,943</u>
Less Current portion	<u>(170,342)</u>	<u>(234,888)</u>
Non Current portions	<u>229,915</u>	<u>139,055</u>
Triq Wied Sara Grant		

8. Payables

	2021	2020
	€	€
Accruals	9,343	4,011
Accounts payable	28,799	32,134
Current Deferred income (Note 7)	170,342	234,888
	<u>€ 208,484</u>	<u>€ 271,033</u>

9. Funds received from Central Government

	2021	2020
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	204,058	190,816
Other Government Income	1,993	3,016
	<u>€ 206,051</u>	<u>€ 193,832</u>

10. General Income

	2021	2020
	€	€
Income from tender documents	4	37
Income from Organic waste	11,275	10,169
Income from permits	1,889	1,503
Income from SPO Services	964	-
Insurance Claims	-	-
	<u>€ 16,344</u>	<u>€ 13,593</u>

Ghasri Local Council

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

11. Income raised under Local Enforcement System

	2021	2020
	€	€
Administration income from contraventions	344	218
	<u>€ 344</u>	<u>€ 218</u>

12. Personal Emoluments

	2021	2020
	€	€
Personal Emoluments include, inter alia:		
Mayor's honoraria and allowances	12,971	12,804
Councillors' Allowance	10,600	10,600
Executive Secretary salary and allowances	32,544	31,782
Employees' salary	14,291	14,168
Social Security Contributions	3,467	3,431
	<u>€ 73,873</u>	<u>€ 72,785</u>

13. Operations and Maintenance

	2021	2020
	€	€
Operations and maintenance includes, inter alia:		
<i>Repairs and Upkeep:</i>		
Road and Street Pavements (patching works)	3,577	10,524
Sundry Repairs	637	154
Public Property	2,260	3,466
Signs and markings	525	687
	<u>€ 6,999</u>	<u>€ 14,831</u>

Contractual Services:

	2021	2020
	€	€
Refuse Collection	23,099	21,120
Road and Street Cleaning	461	283
Cleaning and Maintenance - Public Conveniences & Garden	2,828	2,948
Cleaning and Maintenance - Soft areas	4,514	3,942
Cleaning - Council premises	520	535
Street Lighting	2,474	1,005
Other	382	830
	<u>€ 34,278</u>	<u>€ 30,663</u>
Total Operations and Maintenance Expenses	<u>€ 41,277</u>	<u>€ 45,494</u>

Ghasri Local Council

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

14. Administration and other expenditure

	2021	2020
	€	€
Utilities	2,781	2,272
Materials and supplies	2,774	2,675
National and International Memberships	500	500
Office Services	1,284	367
Transport	3,465	2,174
Rent	-	66
Information services	231	153
Professional Services	10,662	10,980
Community services and events	6,553	3,460
Insurance Coverage	1,814	1,982
Depreciation	22,072	50,163
Bank Charges	63	199
	€ 52,199	€ 74,991

15. Investment Income

	2021	2020
	€	€
Bank Interest Receivable	262	265
	€ 262	€ 265

16. Capital Commitments

The Council's Capital commitments are as follows:

	2021	2020
	€	€
Approved but not yet contracted for:		
Resurfacing/Special Programmes	-	954,408
Urban Initiatives	90,860	-
	€ 90,860	€ 954,408
Contracted but not provided for:		
Resurfacing of roads	-	72,580
Resurfacing/Special Programmes	954,408	-
	€ 954,408	€ 72,580

Note i

This capital commitment will be carried out in Wied Sara as per contract entered into during 2021.

Ghasri Local Council

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

17. Related Parties Disclosures

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

Name of entity	Nature of relationship
Department of Local Councils	Significant control
Regional Committees	No Control
Malta Environment and Planning	No Control
Water Services Corporation	No Control

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

	2021	2020
	€	€
Significant control:		
Revenue:		
Annual Financial allocation	€ 204,058	€ 190,816

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

18. Risk management objectives and policies

The Council's activities expose it to credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Council is not exposed to any market risk. The Council's risk management is coordinated by the council members and focuses on actively securing the council's short to medium term cash flow by minimising exposure to financial risks.

The most significant financial risks to which the council is exposed are described below.

18.1 Credit risk

The council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period, as summarised below:

	2021	2020
	€	€
Class of financial assets - carrying amounts		
Receivables	4,530	6,822
Cash and Cash Equivalents	567,490	437,329
	€ 572,020	€ 444,151

18. Risk management objectives and policies (Continued)

18.1 Credit risk (Continued)

The council continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The council's policy is to deal with only creditworthy counterparties.

The council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See note 5 for further information on financial assets that are past due.

None of the council's financial assets is secured by collateral or other credit enhancements

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The company exercises a prudent credit control policy and accordingly it is not subject to any significant exposure or concentration of credit risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

18.2 Liquidity risk

The council's exposure to liquidity risk arises from its obligations to meet its financial liabilities which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funds to meet the council's obligations when they become due.

The council manage its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. The council's liquidity is deemed to be sufficient in view of an excess of financial assets.

	2021 €	2020 €
Payables	38,142	36,145
	<u>€ 38,142</u>	<u>€ 36,145</u>

18.3 Interest rate risk

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 6), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

18. Risk management objectives and policies (Continued)

18.4 Summary of the financial assets and liabilities by category

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

	2021 €	2020 €
Current Assets		
Loans and receivables :	4,530	6,822
Receivables	567,490	437,329
Cash and Cash Equivalents	<u>572,020</u>	<u>444,151</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	<u>208,484</u>	271,033
	<u>208,484</u>	<u>271,033</u>

19. Capital risk management

The Council's objectives when managing capital are to safeguard the Council's ability to continue as a going concern so that it can continue to provide a service to the residents of the Local Council by maintaining an optimal capital structure to reduce cost of capital.

The Council's equity, as disclosed in the statement of financial position, constitutes its capital. The Council's capital structure is monitored by the Executive Secretary and the Council with appropriate reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Council's activities, the capital level as at the end of the reporting period is deemed adequate by the Council.

20. Fair Value estimation

At 31 December 2020 and 31 December 2021, the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

GHASRI LOCAL COUNCIL

REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Ghasri Local Council, set out on pages 4-20, which comprise the statement of financial position as at 31 December 2021, 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, the financial statements give a true and fair view of the financial position of the Local Council as of 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

Other Information

The Executive Secretary and the Local Council Members are responsible for the other information. The other information comprises the Statement of Local Council Members' and Executive Secretary's Responsibilities. Our opinion on the financial statements does not cover the other information.

REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL – continued

Report on the Audit of the Financial Statements – continued

Other Information - continued

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Council Responsibilities for the Financial Statements

As described on page 3, the Executive Secretary and the Local Council Members are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Executive Secretary and the Local Council Members 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 Local Council Members are responsible for assessing the Local Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to presume that the Local Council will continue as a going concern.

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

Auditors' 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 auditors' 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 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.

REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL – continued

Report on the Audit of the Financial Statements – continued

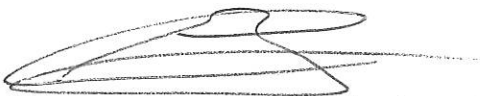
Auditors' Responsibilities for the Audit of the Financial Statements - continued

- 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 Local Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Secretary and the Local Council Members.
- Conclude on the appropriateness of the Executive Secretary's and the Local Council Members' 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 Local 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 auditors' 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 auditors' report. However, future events or conditions may cause the Local 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 the Executive Secretary and the Local Council Members 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.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been properly prepared in accordance with the Local Councils Act (Cap. 363), the Local Councils (Financial) Regulations issued in terms of the said Act and the Local Councils (Financial) Procedures.



*This copy of the audit report has been signed by
Conrad Borg (Principal)
for and on behalf of*

RSM Malta
Certified Public Accountants

22 April 2022