



KUNSILL LOKALI SAN PAWL IL-BAĦAR LOCAL COUNCIL
Triq San Pawl, San Pawl il-Baħar, SPB 3411 Malta, Europe

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St. Paul's Bay Local Council
Triq San Pawl
San Pawl il-Baħar
SPB 3411
Malta

21 June 2022

Grant Thornton

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

Dear Sirs,

This representation letter is provided in connection with your audit of the financial statements of St. Paul's Bay Local Council for the year ended 31 December 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the Local Council as of 31 December 2021 and of the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

We confirm that we have fulfilled our responsibilities, on behalf of the Local Council members, for the fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of the surrounding circumstances, makes it probable that the judgement of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations:

1. The financial statements referred to above are fairly presented in accordance with the requirements of the Local Council Act, 1993, the Financial Regulations issued in terms of the Act, the Supplementary Financial Procedures and International Financial Reporting Standards as adopted by the European Union.
2. We have provided you with:
 - i. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation, minutes of all meetings and other matters;
 - ii. additional information that you have requested from us for the purpose of your audit; and
 - iii. Unrestricted access to persons within the entity from whom you determine it necessary to obtain audit evidence.

Sindku - Mayor : Alfred Grima

Viċi Sindku - Vice Mayor : Carlos Zarb

Kunsilliera - Councillors : Anne Marie Fenech, Daryl Connor, Mario Joseph Salerno, Anthony Delia, Alfred Bray, Paul Bugeja, Stephen Cremona, Anthony Angelo Attard, Christopher Vella Petroni, Antoinette Bezzina, Mary Borg

Segretarju Eżekuttiv – Executive Secretary : Marico Sammut

3. There have been no communications from regulatory authorities concerning non-compliance with, or deficiencies in, financial reporting practices.
4. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements',
5. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements. The attached summary of adjusting journal entries for the year ended 31 December 2021, which have been proposed by you, are approved by us and will be recorded on the books of the Local Council.
6. We believe that the effects of any uncorrected financial statement misstatements in the attached audited differences schedule are not material, both individually and in the aggregate, to the financial statements taken as a whole.
7. FSS has, where applicable, been correctly deducted and accounted for on all relevant payments made by the Local Council to its employees.
8. All receivables and amounts due from debtors are collectible except for those amounts for which a provision has been made in the financial statements.
9. We understand that the term "fraud" includes misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. Misstatements resulting from fraudulent financial reporting involve intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users. Misstatements resulting from misappropriation of assets involve the theft of an entity's assets, often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

We acknowledge our responsibility for the implementation and operations of accounting and internal control systems that are designed to prevent and detect fraud and error.

There have been no instances of fraud or suspected fraud affecting the Local Council involving:

- i. management;
- ii. employees who have significant roles in internal control; or
- iii. others where the fraud could have a material effect on the financial statements.

There have been no allegations of fraud, or suspected fraud, affecting the Local Council's financial statements communicated by employees, former employees, analysts, regulators or others.

10. We confirm that we have reviewed all financial assets and liabilities outstanding as of balance sheet date and have correctly classified them as either:
 - financial assets and financial liabilities at fair value through profit or loss;
 - financial assets and financial liabilities at amortised cost; or
 - financial assets and financial liabilities through other comprehensive income

in accordance with the requirements of IFRS 9 *Financial Instruments*, and that they are appropriately recorded at their fair value, amortised cost or cost based on their classification.

We have reviewed the risk disclosures included in the financial statements as required under IFRS 7 *Financial Instruments: Disclosures*. We confirm that we have satisfied ourselves that the qualitative

information included represents adequately the risk management processes and procedures operated during the year. We are satisfied that the quantitative information disclosed is reasonable. We are satisfied that the quantitative information disclosed relating to the sensitivity analysis has been based on the knowledge and experience of management.

11. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
12. We have disclosed to you all the information of which we are aware regarding the identification of related parties and all the related party relationships and transactions. Related party transactions and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees have been properly recorded or disclosed in the financial statements.

For the purpose of this letter, we understand the following to be the definition of the term "related party":

Affiliates of the Local Council; members of the immediate families of principal members of the Local Council and its management; and other parties with which the Local Council may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. Another party also is a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

13. Guarantees, whether written or oral, under which the Local Council is contingently liable have been properly recorded or disclosed in the financial statements.
14. There are no:
 - i. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*,
 - ii. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by IAS 37.
15. The Local Council has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
16. The Local Council has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of non-compliance.
17. To the best of our knowledge and belief no events have occurred subsequent to the reporting date and to the date of this letter that would require adjustment to, or disclosure in, the aforementioned financial statements.
18. In our opinion, it is appropriate for the going concern basis to be adopted in preparing the financial statements. In making this judgement, we have paid particular attention to:
 - i. circumstances which we consider may occur in the period up to 20 June 2023;
 - ii. any planned or expected changes in operations in that period;
 - iii. the need to disclose in the financial statements information regarding any significant uncertainty regarding going concern in the financial statements.

After making these enquiries, we have a reasonable expectation that the Local Council has adequate resources to continue operations for the foreseeable future.

19. We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.
20. The approval of this letter of representation was minuted by the Local Council members at its meeting on 21 June 2022.

Signed on behalf of the Local Council

Yours faithfully,



Alfred Grima
Mayor

21 June 2022




Marico Sammut
Executive Secretary

21 June 2022

AJE No.	Account Description	W/P Ref	Account Number	Lead	Sublead	Debits	Credits
1	Provision for Bad Debts (LES Pre-Po)		0202	I1A	I10	8,403.31	
1	Other Debtors - LES Pre-Pooling Deb		0206	I1A	I10		8,403.31
Being an adjustment to adjust debtors and corresponding provision for payments received during 2021 in relation to LES pre-regional debtors.							
3	Other Income - HTA		0014	I3	I3I6	1,465.56	
2	Debtors Control Account		0200	I1A	I4		1,465.56
To reverse the entry made on 08.04.2021 due to the invoice issued by mistake. The LC will issue a credit note to cancel the amount.							
3	Deferred Income Account		4101	H1B	H9	4,247.62	
3	Other Creditors - CIES Scheme		GT011	H1B	H6		4,247.62
To correct the deferred income amount.							
4	Transport - Road Licence		3740	L1D		623.48	
4	Prepayments		0250	I1A	I6I1		623.48
To correct double posting of prepayments amortization							
5	Grants - Special Needs		8090	E1	E1I11		22,200.00
5	Grants - Tarmac Initiative Iramanta		8114	E1	E1I13	22,200.00	
Being reclassification of Grants to Special Program							
6	Income - Annual Govt. Income		0001	I3	I3I1	20,000.00	
6	Other government income		GT012	I3	I3I3		20,000.00
Being the adjustment to reclassify the tourism fund as other government income.							
Totals						66,939.97	66,939.97


Alfred Grima
 Mayor


Marico Sammut
 Executive Secretary

21 June 2022

21 June 2022

RJE No.	Account Description	W/P Ref	Account Number	Lead	Sublead	Debits	Credits	
1	Payables		4000	H1B	H4		21,972.30	
1	Debit balances in creditors list		GI006	11A	I6	21,972.30		
Being reclassification of debit balances in the creditors list								
						<u>21,972.30</u>	<u>21,972.30</u>	



Alfred Grima
Mayor

21 June 2022



Marico Sammut
Executive Secretary

21 June 2022



San Pawl Il-Baħar Local Council

Annual Report and Financial Statements
31 December 2021

Table of Contents	Pages
Statement of Local Council Members' and Executive Secretary's Responsibilities	1
Statement of Profit or Loss and other Comprehensive Income	2
Statement of Financial Position	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 – 27
Report of the Local Government Auditors on the Financial Statements	28 – 30

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 21 June 2022 and signed on its behalf by:



Alfred Grima
Mayor



Marico Sammut
Executive Secretary

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2021	2020
		€	€
Income			
Funds received from Central Government	3	2,263,573	2,193,379
Income raised under Local Enforcement System	5	25,462	13,920
General income	6	160,774	153,967
Income from Bye Law	7	4,534	6,236
		<u>2,454,343</u>	<u>2,367,502</u>
Expenditure			
Personal emoluments	8	288,360	236,512
Operations and maintenance	9	1,230,996	1,360,128
Administrative and other expenditures	10	622,441	534,895
		<u>2,141,797</u>	<u>2,131,535</u>
Operating profit for the year		<u>312,546</u>	<u>235,967</u>
Finance income	4	0	27
Profit for the year		<u>312,546</u>	<u>235,994</u>
Total comprehensive income for the year		<u>312,546</u>	<u>235,994</u>

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

Statement of Financial Position

	Notes	2021	2020
		€	€
ASSETS			
Non-current assets			
Intangible asset	11	2,805	1,400
Property, plant and equipment	12	917,254	929,087
Right of use asset	17	72,301	92,478
		992,360	1,022,965
Current assets			
Inventories	14	1,798	1,348
Receivables	13	879,832	1,160,679
Cash and cash equivalents	15	2,161,466	1,657,856
		3,043,096	2,819,883
Total Assets		4,035,456	3,842,848
Reserves			
Retained earnings		3,196,778	2,884,232
Non-Current liabilities			
Payables	16	57,382	75,101
		57,382	75,101
Current liabilities			
Payables	16	781,296	883,515
		781,296	883,515
Total Liabilities		838,678	958,616
Total Reserves and Liabilities		4,035,456	3,842,848

These financial statements were approved by the Local Council on the 21 June 2022 and are signed on its behalf by:



Alfred Grima
Mayor



Marico Sammut
Executive Secretary

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

Statement of Changes in Equity

	Retained Earnings	Total
	€	€
Balance at 1 January 2020	2,648,238	2,648,238
Total comprehensive income for the year	235,994	235,994
Balance at 31 December 2020	2,884,232	2,884,232
Balance at 1 January 2021	2,884,232	2,884,232
Total comprehensive income for the year	312,546	312,546
Balance at 31 December 2021	3,196,778	3,196,778

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

Statement of Cash Flows

	Notes	2021	2020
		€	€
Cash flows from operating activities			
Profit for the year		312,546	235,994
Adjustments for:			
Depreciation on property, plant and equipment	12	344,103	254,404
Amortisation on intangible asset	11	784	820
Depreciation on right of use asset	17	20,177	20,177
Investment income receivable	4	0	(27)
Gain on disposal	6	(3,000)	(400)
Increase/(decrease) in provision for bad debts		4,652	(600)
		<hr/>	<hr/>
Surplus for the year before working capital movements		679,262	510,368
Decrease/(increase) in receivables		268,484	(133,737)
(Increase) in Inventories		(450)	-
(Decrease)/increase in payables		(261,935)	433,057
		<hr/>	<hr/>
Net cash generated from operating activities		685,361	809,688
		<hr/>	<hr/>
Cash flows used in investing activities			
Investment income receivable	4	0	27
Lease repayments		(22,506)	(20,459)
Payments to acquire property, plant and equipment	12	(332,270)	(22,594)
Payments to acquire intangible asset	11	(2,189)	(977)
Proceeds from disposal of property, plant and equipment	6	3,000	400
Grants received		172,214	7,000
		<hr/>	<hr/>
Net cash used in investing activities		(181,751)	(36,603)
		<hr/>	<hr/>
Movement in cash and cash equivalents		503,610	773,085
		<hr/>	<hr/>
Cash and cash equivalents at the beginning of the year		1,657,856	884,771
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year	15	2,161,466	1,657,856
		<hr/>	<hr/>

Notes to the Financial Statements For the year ended 31 December 2021

1. Statutory Information

San Pawl Il-Baħar Local Council (the "Local Council") is the local authority of San Pawl Il-Baħar, Xemxija, Burmarrad, Wardija, Qawra, Bugibba, San Martin, Limbordin and part of Bidnija, setup in accordance with the Local Councils Act. The office of the Local Council is situated at Triq San Pawl, San Pawl Il-Baħar.

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

The 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, in accordance to 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.

c. New or revised standards or interpretations

New standards adopted as at 1 January 2021

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

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

2. Accounting policies - continued**c. New or revised standards or interpretations - continued**

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

- 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 San Pawl Il-Baħar 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 the profit or loss as it accrued under finance income.

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

As from October 2015, LESA took over the administration of the Local Enforcement System. The amount disclosed in the financial statements under Local Enforcement Income represents the 10% administrative charges.

2. Accounting policies – continued**h. Intangible assets**

Intangible assets comprise computer software. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of 25% using the straight-line method. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

i. Property, plant and equipment

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

• Land	0%
• Trees	0%
• Buildings	1%
• Office furniture and fittings	7.5%-63.16%
• Construction works	10%-28.57%
• Urban Improvements (Street Furniture)	10%-75%
• Special Projects	10%-63.16%
• Office Equipment	20%-49.98%
• Motor Vehicles	20%-85.72%
• Plant and Machinery	20%-92.36%
• Plants	100%
• Computer Equipment	25%-85.70%
• Litter Bins	Replacement Basis
• Traffic and Road Signs	Replacement Basis
• Street Mirrors	Replacement Basis
• Street Lights	100%
• Playground Furniture	100%

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount, and are taken into account in determining operating profit.

An asset's carrying amount is written down immediately to its recoverable amount if it's carrying amount is greater than its estimated recoverable amount (Accounting policy (j)).

2. Accounting policies - continued**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.

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

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

k. Receivables

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

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

l. Cash and cash equivalents

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

m. Profits and losses

Only profits that were realized at the date of the Statement of Financial Position are recognized in these Financial Statements. All foreseeable liabilities and potential losses arising up to the said date are accounted for even if they become apparent between the said date and the date on which the Financial Statements are approved.

2. Accounting policies - continued**n. Payables**

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

o. Provisions

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

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

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

Measurement and recognition of leases as a lessee

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

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

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

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

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

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

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

Borrowings are classified as current liabilities unless the Local Council has an unconditional right to defer settlement of the liability for at least 12 months from the end of the reporting period.

r. Capital Management

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

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

To achieve the above, the Local Council carries out a quarterly review of the working capital ratio ('Financial Situation Indicator'). The Local Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

s. Financial instruments**Recognition and derecognition**

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

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

Classification and initial measurement of financial assets

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

Financial assets are classified into the following categories:

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

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

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

The classification is determined by both:

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

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

Subsequent measurement of financial assets

Financial assets at amortised cost

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

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

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

Impairment of financial assets

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

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

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

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

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

Classification and measurement of financial liabilities

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

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

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

t. Related parties

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

u. Government Grants

Government grants relating to operating expenditure are recognized in the Statement of Comprehensive Income in the same period that the related expenditure is incurred. Government grants relating to the purchase of property, plant and equipment are accounted for using the capital approach and are thus deducted from the carrying amount of the relative non-current asset. Government grants that are related specifically to non-capital expenditures are recognised immediately in the Statement of Profit or Loss and Other Comprehensive Income.

3. Funds received from Central Government

	2021 €	2020 €
In terms of Section 55 of the Local Councils Act (Cap 363)	2,023,692	1,994,699
Other Government income	195,463	175,049
Other supplementary income	44,418	23,631
	<u>2,263,573</u>	<u>2,193,379</u>

4. Finance income

	2021 €	2020 €
Bank interest receivable	-	27
	<u>-</u>	<u>27</u>

5. Income raised under Local Enforcement System

	2021 €	2020 €
Administrative charges to Regional Committees	17,059	11,264
Contraventions	8,403	2,656
	<u>25,462</u>	<u>13,920</u>

6. General income

	2021 €	2020 €
Income from use of roads	6,864	11,274
Income from use of crane	125,993	106,314
Income from kiosk	116	-
Insurance Claim	529	-
Income from gain on disposal	3,000	400
General Income	23,865	35,816
Income from trenching	407	163
	<u>160,774</u>	<u>153,967</u>

7. Income from Bye Law

	2021 €	2020 €
Income from skip permits	4,017	1,843
Income from advertising on street furniture	517	4,393
	<u>4,534</u>	<u>6,236</u>

8. Personal Emoluments

	2021 €	2020 €
Mayor's honoraria	19,968	19,651
Executive Secretary and allowances	36,158	36,652
Employees' salaries	170,368	125,942
Social security contributions	17,820	14,989
Overtime	11,846	7,078
Mayor's and Councillors' allowance	32,200	32,200
	<u>288,360</u>	<u>236,512</u>

Average number of people employed

Employees	11	11
Mayor and Councillors	13	13

9. Operations and Maintenance

	2021 €	2020 €
Repairs and Upkeep:		
Road and street pavements (patching works)	18,586	209,300
Repairs to Public Property	180,914	72,512
Road/street pavements	-	2,338
Road signs and markings	40,414	11,436
Office furniture & equipment	2,666	2,876
Environmental upkeep	8,025	13,235
Sundry repairs	1,479	656
Claim for damages	3,332	-
Street lighting	3,224	58,921
	<u>258,640</u>	<u>371,274</u>

9. Operations and Maintenance - continued

	2021	2020
	€	€
Contractual Services:		
Refuse collection (including bins on wheels)	377,063	380,160
Waste disposal	192,874	238,472
Bulky refuse collection (including open skips)	48,101	60,374
Road and street cleaning (mechanical and manual)	155,565	137,226
Cleaning and maintenance of public conveniences	77,494	74,658
Cleaning and maintenance of parks and gardens	43,153	43,771
Cleaning and maintenance non-urban and plants	24,490	14,357
Cleaning and maintenance council premises	2,998	2,635
LES related expenditure	4,751	3,969
Handyman service	24,195	18,470
Other contractual services	21,672	14,762
	<u>972,356</u>	<u>988,854</u>
	<u>1,230,996</u>	<u>1,360,128</u>

10. Administrative and other expenditure

	2021	2020
	€	€
Depreciation and amortisation	344,887	255,225
Depreciation on right of use asset	20,177	20,177
Accountancy services	6,973	7,445
Advertising and public relations expenses	2,873	2,353
Bank charges	8,615	3,138
Right of use of asset interest	3,365	-
Office services	5,215	5,813
Cleaning materials and supplies	1,160	104
Community services	79,244	62,689
Conference and participation expenses	300	300
Insurance	12,202	10,363
Management, operation and engineering services	23,344	46,227
Operating materials and supplies	14,966	15,794
Legal and professional fees	24,439	19,233
Uniforms	2,746	2,126
Library	1,734	1,364
Staff Training	-	86
Legal dispute	-	18,076
Rent	8,729	9,162
Subscriptions	-	929
Provision for bad debts	4,652	(600)
Telecommunications	8,554	10,640
Transport expenses	13,358	14,080
Water and electricity	15,921	10,509
Plant and equipment	152	275
Day Centre expenditure	18,835	19,387
	<u>622,441</u>	<u>534,895</u>

11. Intangible asset

	Computer Software €
At 1 January 2020	
Cost	5,941
Accumulated amortisation	(4,541)
Net book amount	<u>1,400</u>
Movements for the year ended 31 December 2020	
Opening net book amount	1,243
Additions	977
Amortisation charge	(820)
Closing net book amount	<u>1,400</u>
At 31 December 2021	
Cost	5,941
Additions	2,189
Disposals	(755)
Accumulated amortisation	(4,570)
Net book amount	<u>2,805</u>
Movements for the year ended 31 December 2021	
Opening net book amount	1,400
Additions	2,189
Disposal	(755)
Amortisation released on disposal	755
Amortisation charge	(784)
Closing net book amount	<u>2,805</u>
At 31 December 2021	
Cost	7,375
Accumulated amortisation	(4,570)
Net book amount	<u>2,805</u>

Amortisation of €784 (2020: €820) is included in administrative expenses.

12a. Property, plant and equipment

	Trees €	Office Furn. & Fittings €	Office Equip. €	Street Paving €	Urban Improv. €	Playgr. Furn. €	Plant & Machinery €	Motor Vehicles €	Construction Works €	Special Programmes €	Assets under Construction €	Total €
Cost												
At 1 January 2021	26,052	48,766	47,137	124,856	1,089,247	42,812	75,412	104,323	1,104,046	3,418,569	507,856	6,589,076
Additions/Capitalisations	-	629	5,147	-	90,177	-	771	-	-	-	235,546	332,270
Disposals/Capitalisations	-	-	-	-	-	-	-	(21,771)	-	500,000	(500,000)	(21,771)
At 31st December 2021	26,052	49,395	52,284	124,856	1,179,424	42,812	76,183	82,552	1,104,046	3,918,569	243,402	6,899,575
Grants												
At 1 January 2021	-	1,512	7,900	-	40,891	-	6,363	7,000	193,792	1,600,035	22,200	1,879,693
Additions to Grant Transferred	-	-	-	-	-	-	-	-	-	-	-	-
Disposals/Capitalisations	-	-	-	-	-	-	-	-	-	22,200	(22,200)	-
At 31st December 2021	-	1,512	7,900	-	40,891	-	6,363	7,000	193,792	1,622,235	-	1,879,693
Depreciation												
At 1 January 2021	-	39,127	32,759	117,608	1,032,604	42,812	63,614	40,177	814,641	1,596,954	-	3,780,296
Charge for the period	-	1,240	3,101	977	100,851	-	1,722	16,510	36,288	183,414	-	344,103
Released on disposal	-	-	-	-	-	-	-	(21,771)	-	-	-	(21,771)
At 31st December 2021	-	40,367	35,860	118,585	1,133,455	42,812	65,336	34,916	850,929	1,780,368	-	4,102,628
Net Book Value												
At 31st December 2021	26,052	7,516	8,524	6,271	5,078	-	4,484	40,636	59,325	515,966	243,402	917,254

12b. Property, plant and equipment

	Trees €	Office Furn. & Fittings €	Comp. & Office Equip. €	Street Paving €	Urban Improv. €	Playgr. Furn. €	Plant & Machinery €	Motor Vehicles €	Construction Works €	Special Programmes €	Assets under Construction €	Total €
Cost												
At 1 January 2020	26,052	48,766	43,667	124,856	1,086,254	36,912	71,066	113,723	1,104,046	3,418,569	507,856	6,581,767
Additions/Capitalisations	-	-	3,470	-	8,878	5,900	4,346	-	-	-	-	22,594
Disposals/Capitalisations	-	-	-	-	(5,885)	-	-	(9,400)	-	-	-	(15,285)
At 31st December 2020	26,052	48,766	47,137	124,856	1,089,247	42,812	75,412	104,323	1,104,046	3,418,569	507,856	6,589,076
Grants												
At 1 January 2020	-	1,512	7,900	-	40,891	-	6,363	-	193,793	1,600,035	22,200	1,872,694
Additions to Grant	-	-	-	-	-	-	-	-	-	-	-	-
Transferred	-	-	-	-	-	-	-	7,000	-	-	-	7,000
Disposals/Capitalisations	-	-	-	-	-	-	-	-	-	-	-	-
At 31st December 2020	-	1,512	7,900	-	40,891	-	6,363	7,000	193,793	1,600,035	22,200	1,879,694
Depreciation												
At 1 January 2020	-	37,813	30,748	116,630	1,019,192	36,912	62,369	34,699	777,022	1,425,791	-	3,541,176
Charge for the period	-	1,314	2,011	978	19,297	5,900	1,245	14,878	37,619	171,162	-	254,404
Released on disposal	-	-	-	-	(5,885)	-	-	(9,400)	-	-	-	(15,285)
At 31st December 2020	-	39,127	32,759	117,608	1,032,604	42,812	63,614	40,177	814,641	1,596,953	-	3,780,295
Net Book Value												
At 31st December 2020	26,052	8,127	6,478	7,248	15,752	-	5,435	57,146	95,612	221,581	485,656	929,087

13. Receivables

	2021 €	2020 €
Receivables	225,555	470,570
Provision for doubtful debts	(103,221)	(98,569)
LES Debtors	80,149	88,552
Provision for doubtful LES debts	(80,149)	(88,552)
Other debtors	461,305	471,872
Accrued income	249,597	298,595
Financial assets at amortised cost	833,236	1,142,468
Advance payment	21,972	-
Prepayments	24,624	18,211
Total receivables	879,832	1,160,679

The total financial assets at amortised cost for the year amounted to €833,236 (2020: €1,142,468).

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.

	2021 €	2020 €
Age of receivables that are past due but not impaired		
60-90 days	49,712	43,763
91-120 days	13,881	15,395
More than 120 days	161,962	411,412
Total	225,555	470,570
Other debtors are analysed as follows:		
More than 120 days	461,305	471,872

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.

Receivables are stated net of a provision for doubtful debts of €103,221 (2020: €98,569).
LES receivables are stated net of a provision for doubtful debts of €80,149 (2020: €88,552).

14. Inventories

	2021 €	2020 €
Inventories held for resale	<u>1,798</u>	<u>1,348</u>

15. 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 Flow comprise the following amounts:

	2021 €	2020 €
Petty cash	93	5
Cash in hand	821	150
Bank balances:		
Savings and Current accounts	1,987,397	1,656,210
Central Bank Measure 4.3 account	173,155	1,491
Total cash and cash equivalents	<u>2,161,466</u>	<u>1,657,856</u>

16. Payables

	2021 €	2020 €
Payables	495,018	458,278
Payables (PPP Scheme)	-	16,364
Accruals	65,763	366,555
Other creditors	83,432	16,985
Lease liability	16,866	17,095
Financial liabilities	<u>661,079</u>	<u>875,277</u>
Deferred income	<u>120,217</u>	<u>8,238</u>
Total payables – current	<u>781,296</u>	<u>883,515</u>

The total financial liabilities for the year amounted to €661,079 (2020: €875,277)

Payables after more than one year

	2021 €	2020 €
Lease Liability	<u>57,382</u>	<u>75,101</u>
	<u>57,382</u>	<u>75,101</u>

17. Right of use asset

	€
Right of use Asset	
Cost 1 January 2021	112,655
Accumulated Depreciation	
Opening depreciation	(20,177)
Charge for the year	(20,177)
Net Book Value 31 December 2021	72,301
	€
Cost 1 January 2020	
Initial application of IFRS 16	112,655
Accumulated Depreciation	
Charge for the year	(20,177)
Net Book Value 31 December 2020	92,478

The below table shows the right-of-use assets and corresponding lease liabilities. All recognised right-of-use assets relate to the site at Triq San Pawl, San Pawl il-Baħar, that is used as office premises.

	2021	2020
	€	€
Right-of-use asset	72,301	92,478
Lease liabilities:	74,248	92,196
Of which are:		
Current lease liabilities	16,866	17,095
Non-current lease liabilities	57,382	75,101
Maturity Analysis		
Less than one year	16,866	17,095
One to five years	57,382	75,101

18. Contingent liabilities

- Gasan Mamo Insurance Agency vz Kunsill Lokali San Pawl il-Baħar - If the case is lost the Council stands to pay €1,600 + court expenses.
- Peter Pisani vz Kunsill Lokali San Pawl il-Baħar - If the case is lost the Council stands to pay €2,037.10 + court expenses.
- Vladyslava Kravchenko vs Kunsill Lokali San Pawl il-Baħar – A garnishee order has been placed on the bank account of San Pawl il-Baħar Local Council amounting to €453,155.

19. Contingent asset

The Council has a Contingent Asset as at 31st December 2021 re a court case with Blues Ltd. In case of a favourable outcome, the Council stands to receive the amount due by Blues Ltd. which is included with trade receivables + court expenses.

20. 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 8 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

20. Related party transactions – continued

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

	2021 €	2020 €
(a) Funds received from Local Government	2,023,692	1,994,699

Key management compensation

Transactions with key management personnel are disclosed in note 8.

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.

21. 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 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 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:

	2021 €	2020 €
Classes of financial assets – carrying amounts:		
Financial assets at amortised cost		
Receivables	833,236	1,142,468
Cash and cash equivalents	2,161,466	1,657,856
	2,994,702	2,800,324

21. 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 €2,161,466. 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 €2,204,418 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

At 31 December 2021 the Local Council's financial liabilities have contractual maturities which are summarised below:

At 31 December 2021

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	495,018	-	-
Accruals	65,763	-	-
Other Creditors	83,432	-	-
Lease Liability	16,866	57,382	-

21. Financial risk management – continued

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

At 31 December 2020

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	458,278	-	-
Payables (PPP Scheme)	16,364	-	-
Accruals	366,555	-	-
Other creditors	16,985	-	-
Lease liability	17,095	75,101	-

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 uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense.

22. 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:

	2021 €	2020 €
Current assets		
Financial assets at amortised cost:		
Receivables	833,236	1,142,468
Cash and cash equivalents	2,161,466	1,657,856
	<u>2,994,702</u>	<u>2,800,324</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	595,316	508,722
Accruals	65,763	366,555
	<u>661,079</u>	<u>875,277</u>

23. 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.

24. Capital commitments**Capital expenditure**

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

	2021 €	2020 €
Contracted but not provided for	-	-
Authorised but not contracted	2,378,120	1,067,000

The Capital expenditure that has been approved but not yet contracted for represents a fund for the acquisition of property (€600,000), purchase of Motor Vehicle (€35,000), Urban Improvements (€50,000) and Special Programmes (€1,693,120).