

**GHAXAQ LOCAL COUNCIL**

**Annual Report and  
Financial Statements**

**For the year ended 31 December 2021**

Prepared by: Laurence Manicaro  
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On behalf of Parker Russell Turner  
Chartered Certified Accountants & Auditors  
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**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**For the year ended 31 December 2021**

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

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

The Local Government (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the 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 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 Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Government (Financial) Regulations, and the Local Government (Financial) Procedures issued in terms of the said Act.

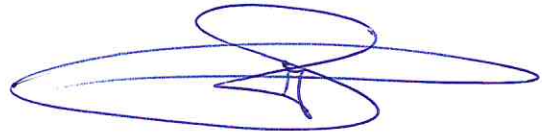
The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Government Act, Local Government (Financial) Regulations, and the Local Government (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Council and signed on its behalf on the 9<sup>th</sup> August 2022 by:



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**Darren Abela**  
**Mayor**



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**Fiona Cutajar**  
**Executive Secretary**

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

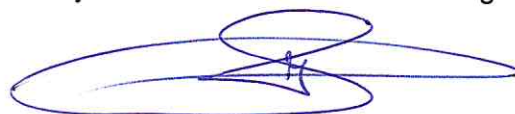
Assets	Notes	2021 €	2020 €
<b>Non-current assets</b>			
Property, plant and equipment	3	190,695	255,983
Receivables	4	90,833	90,833
		281,528	346,816
<b>Current Assets</b>			
Receivables	4	77,788	130,173
Cash at bank and in hand	5	331,327	346,687
		409,115	476,860
<b>Total Assets</b>		690,643	823,676
<b>Reserves and liabilities</b>			
<b>Reserves</b>			
Retained earnings		550,952	512,692
<b>Non-current liabilities</b>			
Payables	6	-	18,221
<b>Current liabilities</b>			
Payables	6	135,894	288,081
Short-term borrowings	7	3,797	4,682
		139,691	292,763
<b>Total reserves and liabilities</b>		690,643	823,676

The notes on pages 8 to 24 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on 9<sup>th</sup> August 2022 and signed on its behalf by:



**Darren Abela**  
Mayor



**Fiona Cutajar**  
Executive Secretary

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2021

	Notes	2021 €	2020 €
<b>Income</b>			
Funds received from central government	8	453,936	447,163
Income raised under Local Enforcement System	9	2,441	2,697
Investment income	10	-	7
General income	11	34,577	12,339
		<u>490,954</u>	<u>462,206</u>
<b>Expenditure</b>			
Personal emoluments	13	(109,725)	(105,428)
Operations and maintenance	14	(172,628)	(167,760)
Administration and other expenditure	15	(170,341)	(402,357)
		<u>452,694</u>	<u>675,545</u>
<b>Surplus/ (deficit) for the year</b>	12	<u>38,260</u>	<u>(213,339)</u>

The notes on pages 8 to 24 are an integral part of the financial statements.

**STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2021

	Retained earnings	Total equity
	€	€
At 1 January 2020	726,031	726,031
Deficit for the year	<u>(213,339)</u>	<u>(213,339)</u>
At 31 December 2020	<u>512,692</u>	<u>512,692</u>
At 1 January 2021	512,692	512,692
Surplus for the year	<u>38,260</u>	<u>38,260</u>
At 31 December 2021	<u>550,952</u>	<u>550,952</u>

The notes on pages 8 to 24 are an integral part of the financial statements.

## GHAXAQ LOCAL COUNCIL

### STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 €	2020 €
<b>Cash Flows from Operating Activities</b>			
Surplus/ (deficit) for the year		38,260	(213,339)
Adjustments for:			
Depreciation	3	99,871	317,360
Investment income	10	-	(7)
Operating profit before working capital changes		<u>138,131</u>	<u>104,014</u>
Decrease/ (increase) in receivables		52,385	(4,093)
Decrease in payables		(170,408)	(32,226)
Net Cash generated from operating Activities		<u>20,108</u>	<u>67,695</u>
<b>Cash flows used in Investing Activities</b>			
Purchase of property, plant and equipment	3	(37,423)	(86,773)
Investment Income	10	-	7
Net Cash used in Investing Activities		<u>(37,423)</u>	<u>(86,766)</u>
<b>Cash flows from financing activity</b>			
Grants received		2,840	35,000
Net movement in Cash and Cash Equivalents		(14,475)	15,929
Cash and cash equivalents at the beginning of year		342,005	326,076
		<u>327,530</u>	<u>342,005</u>
Cash at bank and in hand	5	331,327	346,687
Short-term borrowings	7	(3,797)	(4,682)
Cash and cash equivalents at the end of year		<u>327,530</u>	<u>342,005</u>

The notes on pages 8 to 24 are an integral part of the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

**1. General Information**

Ghaxaq Local Council is the local authority of Ghaxaq setup in accordance with the Local Councils Act. The office of the Local Council is situated at 15, Vjal il-Labour, Ghaxaq GXQ 1831, Malta.

**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 Government Act (Cap 363).

The financial statements are prepared under the historical cost convention as 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 Government Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Government (Financial) Procedures 1996.

**(b) Standards, amendments and interpretations to existing standards**

The new and revised standards that became effective for annual periods beginning on or after 1 January 2021 made several minor amendments to a number of International Financial Reporting Standards (IFRSs). None of the changes to IFRSs and interpretations has had, or is expected to have, a material impact on the council's financial statements.

**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.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

**(b) Standards, amendments and interpretations to existing standards - continued**

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

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board (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 Councils's financial statements.

**(c) Revenue recognition**

Revenue is recognised when the amount of revenue and the associated costs can be measured reliably. Investment and other income is recognised in the statement of profit and loss and other comprehensive income as it accrues.

**(d) Local Enforcement System**

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

**(e) Property, Plant and Equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss to date. Depreciation is calculated on a monthly basis using the reducing balance method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

	%
Buildings	1
Office Furniture and Fittings	7.5
Construction Works completed	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	20
Plant and Machinery	20
Motor vehicles	20
Computer Equipment	25
Playing Field Equipment	100
New Street Signs	100

Projects under construction represents works on urban structures of the Local Council and is stated at cost. Costs included in projects under construction will be transferred to Special projects upon completion. The account is not depreciated until such time that the asset is completed and available for use.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are 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.

Fully depreciated assets are retained in the accounts until these are no longer in use and no further charge for depreciation is made in respect to those assets.

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 Local Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit or Loss and Other Comprehensive Income during the financial year in which they are incurred.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

**(f) Government Grants**

Government Grants relating to operating expenditure are recognized in the Statement of Profit or Loss and Other 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.

**(g) Impairment of Non-Financial Assets**

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 Profit or Loss and Other Comprehensive Income.

**(h) Functional and presentation currency**

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 Local Council's functional and presentation currency.

**(i) 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.

**(j) Cash and Cash Equivalents**

Cash and Cash Equivalents are carried in the Statement of Financial Position at face value. For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash in hand and balances held with banks.

**(k) Related parties**

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

**(I) Financial Instruments**

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.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs. They are measured subsequently as described below.

**Financial assets**

For the purpose of subsequent measurement, financial assets of the Local council are classified into financial assets at amortised costs 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, which are described below.

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

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 Local Council's other receivables and cash at bank and in hand 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.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

**(l) Financial Instruments - continued**

**Financial liabilities**

The Council's financial liabilities include other payables and short-term borrowings. These are stated at their nominal amount which is a reasonable approximation of fair value.

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

**(m) Critical accounting estimates and judgements**

The preparation of financial statements in conformity with IFRS adopted by the EU requires Local 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 Local 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).

**GHAXAQ LOCAL COUNCIL**

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2021 – continued

**3. Property, Plant and Equipment**

	Property €	Office Furniture & Fittings €	Plant & Mach. €	Computer Equipment €	Office Equipment €	Urban Improv. €	Motor Vehicle €	New Street Signs €	Construction €	Special Prog. €	Playing Field €	Projects under Construction	Total €
<b>Cost</b>													
At 1 Jan 2021	24,701	27,047	19,280	29,467	31,540	66,485	8,200	14,884	1,433,960	415,384	336,517	-	2,407,465
Additions	-	-	-	-	714	5,982	-	-	-	-	26,254	4,473	37,423
At 31 Dec 2021	24,701	27,047	19,280	29,467	32,254	72,467	8,200	14,884	1,433,960	415,384	362,771	4,473	2,444,888
<b>Grants and other reimbursements</b>													
At 1 Jan 2021	-	-	1,883	2,637	-	-	-	-	211,440	404,452	105,000	-	725,412
Additions	-	-	-	-	-	-	-	-	-	-	-	2,840	2,840
At 31 Dec 2021	-	-	1,883	2,637	-	-	-	-	211,440	404,452	105,000	2,840	728,252
<b>Depreciation</b>													
At 1 Jan 2021	3,869	22,400	16,016	25,397	28,774	50,056	5,830	14,884	1,024,446	2,881	231,517	-	1,426,070
Charge for the year	247	1,016	229	580	1,003	4,087	1,640	-	63,774	1,041	26,254	-	99,871
At 31 Dec 2021	4,116	23,416	16,245	25,977	29,777	54,143	7,470	14,884	1,088,220	3,922	257,771	-	1,5425,941
<b>Net Book Value</b>													
At 31 Dec 2021	20,585	3,631	1,152	853	2,477	18,324	730	-	134,300	7,010	-	1,633	190,695

GHAXAQ LOCAL COUNCIL

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2021 – continued

**3. Property, Plant and Equipment – Continued**

	Property €	Office Furniture & Fittings €	Plant & Mach. €	Computer Equipment €	Office Equipment €	Urban Improv. €	Motor Vehicle €	New Street Signs €	Construction €	Special Prog. €	Playing Field €	Projects under Construction	Total €
<b>Cost</b>													
At 1 Jan 2020	24,701	27,047	18,089	27,983	31,540	66,485	8,200	14,884	1,433,960	425,206	-	242,597	2,320,692
Additions	-	-	1,191	1,484	-	-	-	-	-	(9,822)	84,098	-	86,773
Reclassifications	-	-	-	-	-	-	-	-	-	-	252,419	(242,597)	-
At 31 Dec 2020	24,701	27,047	19,280	29,467	31,540	66,485	8,200	14,884	1,433,960	415,384	336,517	-	2,407,465
<b>Grants and other reimbursements</b>													
At 1 Jan 2020	-	-	1,883	2,637	-	-	-	-	211,440	404,452	-	70,000	690,412
Additions	-	-	-	-	-	-	-	-	-	-	35,000	-	35,000
Reclassifications	-	-	-	-	-	-	-	-	-	-	70,000	(70,000)	-
At 31 Dec 2020	-	-	1,883	2,637	-	-	-	-	211,440	404,452	105,000	-	725,412
<b>Depreciation</b>													
At 1 Jan 2020	3,622	20,236	15,542	24,362	27,795	46,369	4,190	14,884	950,852	858	-	-	1,108,710
Charge for the year	247	2,164	474	1,035	979	3,687	1,640	-	73,594	2,023	231,517	-	317,360
At 31 Dec 2020	3,869	22,400	16,016	25,397	28,774	50,056	5,830	14,884	1,024,446	2,881	231,517	-	1,426,070
<b>Net Book Value</b>													
At 31 Dec 2020	20,832	4,647	1,381	1,433	2,766	16,429	2,370	-	198,074	8,051	-	-	255,983

## GHAXAQ LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021 – continued

<b>4 Receivables</b>	<b>2021</b>	<b>2020</b>
	€	€
<b>Amounts due after one year</b>		
Accrued income	90,833	90,833
<b>Amounts due within one year</b>		
Accounts receivable	11,943	22,185
Payments in advance	-	2,826
Prepayments and accrued income	67,535	104,483
Other receivables	679	3,048
Provisions for bad debts	(2,369)	(2,369)
	<u>77,788</u>	<u>130,173</u>
	<b>2021</b>	<b>2020</b>
<b>Receivables</b>	€	€
Within the current period	80,157	132,542
Amounts against which a provision was made	(2,369)	(2,369)
	<u>77,788</u>	<u>130,173</u>

### 5 Cash at bank and in hand

Cash at bank and in hand included in the statement of cash flow comprise the following amounts in the Local Council's Statement of Financial Position:

	<b>2021</b>	<b>2020</b>
	€	€
<b>Bank Balances:</b>		
Current account	47,944	48,024
Savings account	247,922	236,470
Bank account at Central bank	35,157	62,007
Cash in hand	304	186
Cash at bank and in hand	<u>331,327</u>	<u>346,687</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

<b>6 Payables</b>	<b>2021</b>	<b>2020</b>
	<b>€</b>	<b>€</b>
Accounts payable	96,203	245,021
Other payables	2,332	144
Accruals	15,296	20,853
Governments grants received in advance	22,063	22,063
	<u>135,894</u>	<u>288,081</u>

<b>Non-current payables</b>	<b>2021</b>	<b>2020</b>
	<b>€</b>	<b>€</b>
Creditors in dispute	-	18,221
Closing balance	<u>-</u>	<u>18,221</u>

<b>7 Short-term borrowings</b>	<b>2021</b>	<b>2020</b>
	<b>€</b>	<b>€</b>
Overdrawn bank balance	3,797	4,682

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

<b>8 Funds received from central government</b>	<b>2021</b>	<b>2020</b>
	€	€
In terms of section 55 of the Local Councils Act (Cap 363)	402,265	391,925
Other supplementary income	7,007	17,095
Other government income	44,664	38,143
	<u>453,936</u>	<u>447,163</u>
<b>9 Income raised from Local Enforcement System</b>	<b>2021</b>	<b>2020</b>
	€	€
LES Administration fees	2,441	2,697
<b>10 Investment income</b>	<b>2021</b>	<b>2020</b>
	€	€
Bank interest receivable	-	7
<b>11 General income</b>	<b>2021</b>	<b>2020</b>
	€	€
Income from permits	16,356	9,457
General income	18,221	2,882
	<u>34,577</u>	<u>12,339</u>
<b>12 Surplus/ (deficit) for the year</b>	<b>2021</b>	<b>2020</b>
	€	€
Surplus/ (deficit) for the year is stated after charging:		
Staff Salaries (note 13)	109,725	105,428
Depreciation on tangible assets	99,871	317,360

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

<b>13 Personal emoluments</b>	<b>2021</b>	<b>2020</b>
	€	€
Personal emoluments include:		
Mayor's honoraria	10,571	10,404
Mayor and councillors' allowance	13,000	13,000
Executive secretary salary and allowances	32,620	31,782
Employees' salaries	46,681	43,909
Social security contributions	6,853	6,333
<b>Total</b>	<b>109,725</b>	<b>105,428</b>

**14 Operations and maintenance**

Operations and maintenance includes:	<b>2021</b>	<b>2020</b>
<b>Repairs and Upkeep:</b>	€	€
Road patching and works	5,076	10,579
Road markings	5,428	3,341
Street signs	4,340	3,102
Surfacing of turf	-	2,039
Other repairs and upkeep	9,963	13,335
<b>Total</b>	<b>24,807</b>	<b>32,396</b>

<b>Contractual services:</b>	<b>2021</b>	<b>2020</b>
	€	€
Refuse collection	53,458	44,933
Bulky refuse collection	12,031	12,384
Bins on wheels	-	2,283
Road and street cleaning (mechanical and manual)	32,584	28,088
Waste disposal	40,566	39,943
Cleaning and maintenance of public conveniences	160	804
Street lighting	8,815	6,929
Other contractual services	207	-
	<b>147,821</b>	<b>135,364</b>
<b>Total operations and maintenance expenses</b>	<b>172,628</b>	<b>167,760</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

<b>15 Administration and other expenditure</b>	<b>2021</b>	<b>2020</b>
	€	€
Utilities	9,353	7,613
Materials and supplies	14,980	16,905
Office services	3,685	2,999
Rent	530	520
Transport	2,385	1,568
Information services	3,553	3,164
Professional services	24,952	36,548
Community and hospitality	5,798	15,529
Les expenditure	1,187	151
Animal Welfare expenses	4,047	-
Depreciation	99,871	317,360
	<u>170,341</u>	<u>402,357</u>

**16 Related parties disclosures**

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

Name of entity	Nature of relationship
Department of Local Government	Significant control
WasteServ Malta Limited	No control
Regional Committees	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

**16 Related parties disclosures - continued**

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

	<b>2021</b>	<b>2020</b>
	€	€
Significant control Revenue:		
Annual financial allocation	402,265	391,925

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, Local Councils also receive funds relating to specific projects as well as other funds for the improvement and betterment of the locality.

The Council also receives revenue from other Government entities such as Water Services Corporation for trenching works carried out in the locality, and for the reinstatement of roads as a result of the trenching works.

**17 Capital commitments**

Details of capital commitments at the reporting date	<b>2021</b>	<b>2020</b>
	€	€
(i) Approved but not contracted for:		
- Embellishment of St Rokku Square	317,001	180,000
- Progett tal Pjazza	50,000	-
- Measure 4 Project	75,152	75,152
	<u>442,153</u>	<u>255,152</u>
(ii) Contracted but not provided for		
Embellishment of playing field	-	36,169

The embellishment of St Rokku Square will be fully financed by the Development Planning Fund.

The Measure 4 Project will be partly financed by ERDF funds amounting to € 57,870.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

**18 Risk management objectives and policies**

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

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

**18.1 Credit risk**

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

	Notes	2021 €	2020 €
Class of financial assets – carrying amounts			
<i>Amounts due after one year</i>			
Financial assets at amortised cost			
Trade and other receivables	4	89,754	90,833
<i>Amounts due within one year</i>			
Financial assets at amortised cost			
Trade and other receivables	4	77,788	130,173
Cash at bank and in hand	5	331,023	346,687
		<u>408,811</u>	<u>476,860</u>
		<u>498,565</u>	<u>567,693</u>

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

The Local 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 notes 4 and 5 for further information on impairment or financial assets that are past due.

None of the Local 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.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

**18 Risk management objectives and policies - continued****18.2 Liquidity risk**

The Local 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 Local Council's obligations when they become due.

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

	Notes	2021 €	2020 €
Current Liabilities	6	135,894	288,081
Non-current liabilities	6	-	18,221
Payables		111,563	306,302
Short-term borrowings	7	3,797	4,682
		<u>115,360</u>	<u>310,984</u>

**18.3 Summary of the financial assets and liabilities by category**

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

Assets	Notes	2021 €	2020 €
Financial assets at amortised cost:			
Trade and other receivables	4	167,542	221,006
Cash at bank	5	331,023	346,687
		<u>498,565</u>	<u>567,693</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

**18 Risk management objectives and policies - continued**

		<b>2021</b>	<b>2020</b>
<b>Liabilities</b>	Notes	<b>€</b>	<b>€</b>
Financial liabilities measured at amortised costs:			
Payables	6	111,563	306,302
Short-term borrowings	7	3,797	4,682
		<u>115,360</u>	<u>310,984</u>

**18.5 Capital risk management**

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

**19 Fair value estimation**

At 31 December 2021 and 31 December 2020, 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.

**20 Events after the accounting period**

There were no particular important event or transactions affecting the Local council that have occurred since the end of the accounting period, which, though properly excluded from the financial statements, are of such importance that they should have been disclosed in the notes to the financial statements.

**GHAXAQ LOCAL COUNCIL**

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**REPORT OF THE LOCAL GOVERNMENT AUDITORS' ON THE GHAXAQ  
LOCAL COUNCIL TO THE DIRECTOR OF AUDIT**