

GHAXAQ LOCAL COUNCIL

**Annual Report and
Financial Statements**

For the year ended 31 December 2022

Prepared by: Laurence Manicaro
Certified Public Accountant
On behalf of Parker Russell Turner
Chartered Certified Accountants & Auditors
13, Curate Fenech Street
Birzebbugia BBG 2032

ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2022

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Financial Statements for the year ended 31 December 2022

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

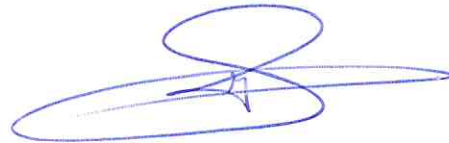
The Local Government (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Council's Statement of Comprehensive Income for the year and of the Council's retained funds at the end of year. By virtue of the same regulations it is the 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 22 May 2023 by:



Darren Abela
Mayor



Fiona Cutajar
Executive Secretary

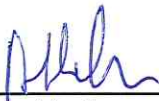
STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 €	2021 €
Assets			
Non-current assets			
Property, plant and equipment	3	219,785	190,695
Receivables	4	90,833	90,833
		<u>310,618</u>	<u>281,528</u>
Current Assets			
Receivables	4	16,910	77,788
Cash at bank and in hand	5	419,651	331,327
		<u>436,561</u>	<u>409,115</u>
Total Assets		<u>747,179</u>	<u>690,643</u>
Reserves and liabilities			
Reserves			
Retained earnings		594,531	550,952
Current liabilities			
Payables	6	146,552	135,894
Short-term borrowings	7	6,096	3,797
		<u>152,648</u>	<u>139,691</u>
Total reserves and liabilities		<u>747,179</u>	<u>690,643</u>

The notes on pages 8 to 25 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on 22 May 2023 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 2022

	Notes	2022 €	2021 €
Income			
Funds received from central government	8	440,384	453,936
Income raised under Local Enforcement System	9	2,825	2,441
General income	10	42,147	34,577
		<u>485,356</u>	<u>490,954</u>
Expenditure			
Personal emoluments	12	(123,166)	(109,725)
Operations and maintenance	13	(177,814)	(172,628)
Administration and other expenditure	14	(140,797)	(170,341)
		<u>441,777</u>	<u>452,694</u>
Surplus for the year	11	<u>43,579</u>	<u>38,260</u>

The notes on pages 8 to 25 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Retained earnings €	Total equity €
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>
At 1 January 2022	550,952	550,952
Surplus for the year	<u>43,579</u>	<u>43,579</u>
At 31 December 2022	<u>594,531</u>	<u>594,531</u>

The notes on pages 8 to 25 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 €	2021 €
Cash Flows from Operating Activities			
Surplus for the year		43,579	38,260
Adjustments for:			
Depreciation	3	58,699	99,871
Gain from sale of property		(19,662)	-
Operating profit before working capital changes		82,616	138,131
(Increase)/ decrease in receivables		(5,086)	52,385
Increase/ (decrease) in payables		10,658	(170,408)
Net Cash generated from operating Activities		88,188	20,108
Cash flows used in Investing Activities			
Purchase of property, plant and equipment	3	(64,226)	(37,423)
Proceeds from sale of property		40,000	-
Net Cash used in Investing Activities		(24,226)	(37,423)
Cash flows from financing activity			
Grants received		22,063	2,840
Net movement in Cash and Cash Equivalents		86,025	(14,475)
Cash and cash equivalents at the beginning of year		327,530	342,005
		413,555	327,530
Cash at bank and in hand	5	419,651	331,327
Short-term borrowings	7	(6,096)	(3,797)
Cash and cash equivalents at the end of year		413,555	327,530

The notes on pages 8 to 25 are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 2022 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 and amended standards adopted by the Council

Information on new standards, amendments and interpretations that are relevant to the Council's financial statements is provided below. Certain other new standards and interpretations not listed below have been issued but are not relevant and therefore are not expected to have any impact on the Council's financial statements.

The Council started to adopt the new accounting pronouncements which have become effective this year, and are as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022 – continued

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

Onerous Contract – Cost of Fulfilling a Contract (Amendments to IAS 37)

This pronouncement amended IFRS 37 ‘Provisions, Contingent Liabilities and Contingent Assets’ and clarifies that when assessing if a contract is onerous, the cost of fulfilling it includes all costs related directly to the contract. Such costs include both:

- the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract, like direct labor and materials); and
- an allocation of other costs that relate directly to fulfilling the contract (e.g. contract management and supervision, or depreciation of equipment used in fulfilling it).

Proceeds before Intended Use (Amendments to IAS 16)

The amendments introduce new guidance to IAS16 ‘Property, Plant and Equipment’, which prohibit entities from deducting from the costs of PPE amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognise such sales proceeds and related costs in profit and loss.

These amendments do not have a significant impact on these financial statements and therefore the disclosures have not been made.

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.

On 23 January 2020, the IASB issued ‘Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)’ providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place of the reporting date. The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

On 18 May 2017, the IASB issued IFRS 17 ‘Insurance Contracts’ that require insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 as is effective for annual reporting periods beginning on or after from 1 January 2023.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022 – continued

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

On 12 February 2021, the IASB issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2), that require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

On 12 February 2021, the IASB issued amendments to IAS 8, replacing the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

On 31 October 2022, the IASB issued amendments to IAS 1, that clarifies how conditions with which an entity must comply within twelve months after the reporting period effect the classification of a liability. The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

The Councillors and Executive Secretary anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Local Council 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 2022 – 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 2022 – 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 2022 – 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 2022 – 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 2022 – 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 €
Cost													
At 1 Jan 2022	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
Additions	-	-	-	-	1,190	-	-	-	-	63,036	-	-	64,226
Disposal	(24,701)	-	-	-	-	-	-	-	-	-	-	-	(24,701)
At 31 Dec 2022	-	27,047	19,280	29,467	33,444	72,467	8,200	14,884	1,433,960	478,420	362,771	4,473	2,484,413
Grants and other reimbursements													
At 1 Jan 2022	-	-	1,883	2,637	-	-	-	-	211,440	404,452	105,000	2,840	728,252
Additions	-	-	-	-	-	-	-	-	-	22,063	-	-	22,063
Reversal of grants	-	-	-	-	-	-	-	-	-	(65,964)	-	-	(65,964)
At 31 Dec 2022	-	-	1,883	2,637	-	-	-	-	211,440	360,551	105,000	2,840	684,351
Depreciation													
At 1 Jan 2022	4,116	23,416	16,245	25,977	29,777	54,143	7,470	14,884	1,088,220	3,922	257,771	-	1,525,941
Charge for the year	247	449	221	405	1,260	2,362	730	-	42,137	10,888	-	-	58,699
Release on disposal	(4,363)	-	-	-	-	-	-	-	-	-	-	-	(4,363)
At 31 Dec 2022	-	23,865	16,466	26,382	31,037	56,505	8,200	14,884	1,130,357	14,810	257,771	-	1,580,277
Net Book Value													
At 31 Dec 2022	-	3,182	931	448	2,407	15,962	-	-	92,163	103,059	-	1,633	219,785

GHAXAQ LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022 – 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 €
Cost													
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
Grants and other reimbursements													
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
Depreciation													
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	-	1,525,941
Net Book Value													
At 31 Dec 2021	20,585	3,631	1,152	853	2,477	18,324	730	-	134,300	7,010	-	1,633	190,695

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022 – continued

4 Receivables	2022	2021
	€	€
Amounts due after one year		
Accrued income	90,833	90,833
Amounts due within one year		
Accounts receivable	17,631	11,943
Prepayments and accrued income	969	67,535
Other receivables	679	679
Provisions for bad debts	(2,369)	(2,369)
	<u>16,910</u>	<u>77,788</u>
	2022	2021
Receivables	€	€
Within the current period	19,279	80,157
Amounts against which a provision was made	(2,369)	(2,369)
	<u>16,910</u>	<u>77,788</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:

	2022	2021
	€	€
Bank Balances:		
Current account	47,917	47,944
Savings account	371,259	247,922
Bank account at Central bank	283	35,157
Cash in hand	192	304
Cash at bank and in hand	<u>419,651</u>	<u>331,327</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022 – continued

6 Payables	2022	2021
	€	€
Accounts payable	62,593	96,203
Other payables	37	2,332
Accruals	23,874	15,296
Governments grants received in advance	60,048	22,063
	<u>146,552</u>	<u>135,894</u>

7 Short-term borrowings	2022	2021
	€	€
Overdrawn bank balance	6,096	3,797
	<u>6,096</u>	<u>3,797</u>

8 Funds received from central government	2022	2021
	€	€
In terms of section 55 of the Local Councils Act (Cap 363)	412,672	402,265
Other supplementary income	-	7,007
Other government income	27,712	44,664
	<u>440,384</u>	<u>453,936</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022 – continued

9 Income raised from Local Enforcement System	2022	2021
	€	€
LES Administration fees	2,721	2,441
LES fines	104	-
	<u>2,825</u>	<u>2,441</u>
10 General income	2022	2021
	€	€
Income from permits	18,642	16,356
General income	3,843	18,221
Gain from sale of property	19,662	-
	<u>42,147</u>	<u>34,577</u>
11 Surplus for the year	2022	2021
	€	€
Surplus for the year is stated after charging:		
Staff Salaries (note 12)	123,166	109,725
Depreciation on tangible assets (note 3)	<u>58,699</u>	<u>99,871</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022 – continued

12 Personal emoluments	2022	2021
	€	€
Personal emoluments include:		
Mayor's honoraria	10,742	10,571
Mayor and councillors' allowance	13,000	13,000
Executive secretary salary and allowances	44,873	32,620
Employees' salaries	48,035	46,681
Social security contributions	6,516	6,853
Total	<u>123,166</u>	<u>109,725</u>
13 Operations and maintenance		
Operations and maintenance includes:	2022	2021
Repairs and Upkeep:	€	€
Road patching and works	3,108	5,076
Road markings	-	5,428
Street signs	5,535	4,340
Other repairs and upkeep	13,506	9,963
Total	<u>22,149</u>	<u>24,807</u>
Contractual services:	2022	2021
	€	€
Refuse collection	55,064	53,458
Bulky refuse collection	12,005	12,031
Road and street cleaning (mechanical and manual)	34,248	32,584
Waste disposal	40,456	40,566
Cleaning and maintenance of public conveniences	-	160
Cleaning and maintenance parks and gardens	2,697	-
Street lighting	11,022	8,815
Other contractual services	173	207
	<u>155,665</u>	<u>147,821</u>
Total operations and maintenance expenses	<u>177,814</u>	<u>172,628</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022 – continued

14 Administration and other expenditure	2022	2021
	€	€
Utilities	10,758	9,353
Materials and supplies	12,433	14,980
Office services	5,559	3,685
Rent	535	530
Memberships	90	-
Transport	1,680	2,385
Information services	1,634	3,553
Professional services	21,775	24,952
Community and hospitality	22,133	5,798
Les expenditure	1,146	1,187
Animal Welfare expenses	1,155	4,047
Depreciation	58,699	99,871
Capital gains tax on sale of property	3,200	-
	<u>140,797</u>	<u>170,341</u>

15 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 2022 – continued

15 Related parties disclosures - continued

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

	2022	2021
	€	€
Significant control Revenue:		
Annual financial allocation	412,672	402,265

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.

16 Capital commitments

Details of capital commitments at the reporting date	2022	2021
	€	€
(i) Approved but not contracted for:		
- Embellishment of St Rokku Square	317,001	317,001
- Progett tal Pjazza	70,000	50,000
- Project Green	85,000	-
- Progett Sqaqin – LESA	71,337	-
- Progett Sqaqin – IM	75,000	-
- Progett Turretta	116,191	-
- Measure 4 Project	-	75,152
	<u>734,529</u>	<u>442,153</u>

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

Progett Green will be financed by grants of € 76,500.

Project Sqaqin – Lesa will be financed by LESA grants of € 57,070.

Project Turretta will be financed by DLG grants amounting to € 76,500.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022 – continued

17 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.

17.1 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	2022	2021
		€	€
Class of financial assets – carrying amounts			
<i>Amounts due after one year</i>			
Financial assets at amortised cost			
Trade and other receivables	4	90,833	90,833
<i>Amounts due within one year</i>			
Financial assets at amortised cost			
Trade and other receivables	4	15,941	10,253
Cash at bank	5	419,459	331,023
		435,400	341,276
		526,233	432,109

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 2022 – continued

17 Risk management objectives and policies - continued**17.2 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	2022 €	2021 €
Current Liabilities	6	146,552	135,894
Short-term borrowings	7	6,096	3,797
		152,648	139,691

17.3 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	2022 €	2021 €
Financial assets at amortised cost:			
Trade and other receivables	4	106,774	101,086
Cash at bank	5	419,459	331,023
		526,233	432,109

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022 – continued

17 Risk management objectives and policies - continued

Liabilities	Notes	2022 €	2021 €
Financial liabilities measured at amortised costs:			
Payables	6	146,552	135,894
Short-term borrowings	7	6,096	3,797
		152,648	139,691

17.4 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.

18 Fair value estimation

At 31 December 2022 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.

19 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.

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