



MDINA LOCAL COUNCIL

**Annual Report
and
Financial Statements**

for the year ended 31 December 2021

Prepared by

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ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2021

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**Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2021**

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

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

This statement was approved by the Local Council on the 24th February 2022 and signed on its behalf by



Peter dei Conti Sant Manduca
Mayor



Mirk Mallia
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

		2021	2020
		€	€
Income	<i>Notes</i>		
Funds received from Central Government	4	294,045	264,622
Income raised under Local Council Bye-Laws	5	16,400	7,512
Income raised under Local Enforcement System	6	391	290
General Income	7	15,193	8,330
		<u>326,029</u>	<u>280,754</u>
 Expenditure			
Personal emoluments	9	(95,251)	(92,730)
Operations and maintenance	10	(97,528)	(93,453)
Administrative and other expenditure	11	(50,955)	(49,812)
		<u>(243,734)</u>	<u>(235,995)</u>
 Operating Surplus for the year		82,295	44,759
 Finance income		-	-
 Surplus for the year		<u>82,295</u>	<u>44,759</u>

The notes on pages 8 to 24 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 €	2020 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	26,654	15,934
Intangible assets	13	-	286
		<u>26,654</u>	<u>16,220</u>
Current Assets			
Receivables	14	42,037	20,229
Cash and Cash Equivalents	15	287,821	227,164
		<u>329,858</u>	<u>247,393</u>
Total Assets		<u><u>356,512</u></u>	<u><u>263,613</u></u>
EQUITY AND LIABILITIES			
Reserves			
Retained Fund		<u>305,854</u>	223,638
		<u>305,854</u>	<u>223,638</u>
Current Liabilities			
Payables	16	50,658	39,775
Deferred income	17	-	200
		<u>50,658</u>	<u>39,975</u>
Total Equity and Liabilities		<u><u>356,512</u></u>	<u><u>263,613</u></u>

These financial statements were approved by the Local Council on 24th February 2022 and signed on its behalf by:



Peter dei Conti Sant Manduca
Mayor



Mark Mallia
Executive Secretary

The notes on pages 8 to 24 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Retained Funds €
At 1 January 2020	178,879
Surplus for the year 2020	44,759
At 31 December 2020	223,638
At 1 January 2021	223,638
Surplus for the year 2021	82,295
At 31 December 2021	305,933

The notes on pages 8 to 24 form an integral part of these financial statements



STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	2021 €	2020 €
Note		
Cash flows from Operating Activities		
Surplus for the year	82,295	44,759
Reconciliation to cash generated from operations:		
Depreciation and amortisation	3,901	7,868
Movement in provision for doubtful debts	157	593
Operating Profit before Working Capital Changes	<u>86,353</u>	<u>53,220</u>
Increase in receivables	(22,244)	(7,340)
Increase in payables	10,883	9,343
Cash generated from operating activities	<u><u>74,992</u></u>	<u><u>55,223</u></u>
Cash flows from Investing Activities		
Purchase of property, plant & equipment	(46,524)	(18,596)
Receipt of grant	32,189	200
Cash generated from investing activities	<u>(14,335)</u>	<u>(18,396)</u>
Net increase in Cash and Cash Equivalents	60,657	36,827
Cash and Cash Equivalents at the Beginning of the year	<u>227,164</u>	<u>190,337</u>
Cash and Cash Equivalents at the End of the year	15 <u><u>287,821</u></u>	<u><u>227,164</u></u>

The notes on pages 8 to 24 form an integral part of these financial statements

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

1. General Information

The Mdina Local Council is the local Authority of Malta set up in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at Corte Capitanale, Misrah il-Kunsill, Mdina. These financial statements were approved for issue by the Council Members on 24th February 2022. The Local Council's presentation as well as functional currency is denominated in €.

2. Accounting Policies and Reporting Procedures

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Accounting convention

These financial statements are prepared under the historical cost convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards as adopted by the EU.

These financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap. 363).

New and amended standards adopted by the Local Council:

In the current year, the Local Council has applied a number of new standards and amendments to IFRS issued by the International Accounting Standards Boards (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2020.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements.

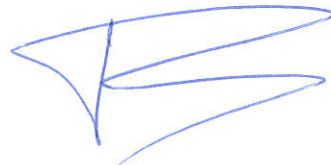
Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements.

New Standards and amendments not yet effective:

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

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



Notes to the Financial Statements for the year ended 31 December 2021 (cont.)

Property, plant and equipment

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

Accounting Policies and Reporting Procedures (cont.)

Property, plant and equipment (cont.)

	%
Land	0
Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	Replacement basis
Playground Furniture	100
Traffic Signs	Replacement basis
Road Signs	Replacement basis
Street Mirrors	Replacement basis
Street Lights	100

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each statement of financial position date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount. Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Impairment of Assets

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

Intangible assets

Intangible assets comprise externally generated computer software. In determining the classification of an asset that incorporates both intangible and tangible elements, judgement is used in assessing which element is more significant. Computer software which is an integral part of the related hardware is classified as property and equipment and accounted for in accordance with the Local Council's accounting policy on property and equipment. Where the software is not an integral part of the related hardware, this is classified as an intangible asset.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Computer software is initially measured at cost. It is subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses.

Notes to the Financial Statements for the year ended 31 December 2021 (cont.)

Accounting Policies and Reporting Procedures (cont.)

Intangible assets (cont.)

Computer software is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit or loss in the period of derecognition.

Amounts receivable

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

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 and the redemption value is recognised in the income and expenditure account 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 after the statement of financial position date.

Other payables

Other payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material in which case other payables are measured at amortised cost using the effective interest method.

Financial instruments

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of a 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 Council are classified into loans and receivables upon initial recognition.

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

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

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

Notes to the Financial Statements for the period ended 31 December 2021 (cont.)

Accounting Policies and Reporting Procedures (cont.)

Financial assets (cont.)

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 a 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.

Impairment of financial assets

At the end of each reporting period, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

In the case of financial assets that are carried at amortised cost, objective evidence of impairment includes observable data about the following loss events - significant difficulty of the issuer (or counterparty) and/or breach of contract. An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

For loans, and receivables or, if there is objective evidence that an impairment loss has been incurred, the loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

In the case of other assets tested for impairment, the recoverable amount is the higher of fair value less costs to sell (which is the amount obtainable from sale at arm's length transaction between knowledgeable, willing parties, less the costs of disposal) and value in use (which is the present value of the future cash flows expected to be derived, discounted using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Impairment losses are recognised immediately in the statement of comprehensive income, unless the asset is carried at a revalued amount, in which case, the impairment loss is recognised directly against the asset's revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for the asset.

For loans and receivables, if, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised; the previously recognised impairment loss is reversed directly.

In the case of assets tested for impairment, an impairment loss recognised in a prior period is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but in a manner that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. Impairment reversals are recognised immediately in the comprehensive income statement, unless the asset is carried at a revalued amount, in which case, the impairment reversal is recognised directly in reserves, unless an impairment loss on the same asset was previously recognised in the comprehensive income statement.

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.

Financial liabilities

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

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

Notes to the Financial Statements for the period ended 31 December 2021 (cont.)

Accounting Policies and Reporting Procedures (cont.)

Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard No. 24.

Revenue

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs and it can be measured reliably. Interest income is recognised in the statement of comprehensive income as it accrues.

Income from central government is not recognised until there is reasonable assurance that the Council will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross and any deductions made for non-compliance are to be disclosed separately with expenses.

Local Enforcement System

As from September 2012, the income recognised in the Statement of Comprehensive Income was derived from the five Regional Committees and Local Enforcement System Agency. During the year under review, the Council also received income from the Joint Committee under the pooling system.

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.

Foreign currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the Local Council operates. These financial statements are presented in €, which is the Council's functional and presentation currency.

Transactions denominated in foreign currencies are translated into € at the rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into € at the rates of exchange prevailing at the date of the Statement of Financial Position.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Profits and losses

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 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.

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.

Capital Management

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

Notes to the Financial Statements for the period ended 31 December 2021 (cont.)**Accounting Policies and Reporting Procedures (cont.)***Capital Management (cont)*

To achieve the above, the Council carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was positive at the reporting date and has not changed significantly from the previous year. The 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.

3. Judgments in applying accounting policies and key sources of estimation

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Council, 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.

4. Funds received from central government

	2021	2020
	€	€
In terms of section 55 of the Local Councils Act	262,804	204,065
Other Government Income	31,241	60,557
	<u>294,045</u>	<u>264,622</u>

5. Income raised from Bye-Laws

	2021	2020
	€	€
Bye-Law - Administration	8,795	3,630
Mdina entry permits	7,605	3,882
	<u>16,400</u>	<u>7,512</u>

6. Local Enforcement system

	2021	2020
	€	€
Administrative charges to LESA and Regional Committees	391	290
	<u>391</u>	<u>290</u>

Notes to the Financial Statements for the year ended 31 December 2021 (cont.)

7. General Income

	2021	2020
	€	€
Income from MTA agreement	14,178	7,458
Income from permits	1,015	772
Other general income	-	100
	<u>15,193</u>	<u>8,330</u>

8. Surplus for the year

	2021	2020
	€	€
Surplus for the year is stated after charging		
Staff salaries	95,251	92,730
Decrease in provision for doubtful debts	157	593)
Depreciation of property, plant & equipment	<u>3,901</u>	<u>7,867</u>

9. Staff Salaries

	2021	2020
	€	€
Mayor's Remuneration	10,570	10,404
Councillors' Allowances	13,000	12,996
Executive Secretary Salary and Allowances	32,240	31,401
Employees' Salaries	33,930	32,539
Social Security Contributions	5,511	5,390
	<u>95,251</u>	<u>92,730</u>

Notes to the Financial Statements for the year ended 31 December 2021 (cont.)

10. Operations and Maintenance

	2021	2020
	€	€
<i>Repairs and Upkeep:</i>		
Signs	781	1,087
Road Markings	130	2,699
Other repairs and Upkeep	11,475	11,468
Sundry Material	853	402
	<u>13,239</u>	<u>15,656</u>
<i>Contractual Services:</i>		
Waste disposal	1,550	1,750
Refuse Collection	20,088	9,963
Bulky Refuse Collection	951	419
Open Skips & Bring-In Sites	2,345	236
Road & Street Cleaning	22,408	25,072
Cleaning - Council Premises	-	651
Cleaning & Maintaining Parks & Gardens	32,284	34,240
Street Lighting	4,663	5,466
	<u>84,289</u>	<u>77,797</u>
Total Operations and Maintenance Costs	<u>97,528</u>	<u>93,453</u>



Notes to the Financial Statements for the year ended 31 December 2021 (cont.)

11. Administration and other expenditure

	2021	2020
	€	€
Utilities	4,106	4,265
Other repairs and upkeep	2,793	483
Rent	3,474	3,324
Office Services	2,371	3,950
Transport	81	162
Travel	286	-
Information Services	303	253
Lease of Equipment	538	-
Insurance Coverage	2,240	1,931
Bank Charges	683	470
Professional Services	16,417	17,036
Other support services	4,382	6,783
Hospitality	400	267
Social events	-	685
Community Services	1,227	563
Cultural Events	7,310	1,087
General and administrative expenses	-	51
Local enforcement expenses	286	41
Bad debts written off	157	593
Depreciation	3,901	7,868
	<u>50,955</u>	<u>49,812</u>



MDINA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2021 (cont.)

12. Property, plant and equipment (cont.)

	Construction	Office Furniture & fittings	Street Signs, Mirrors & Bins	Urban Imp, Costumes & Umbrellas	Motor Vehicles	Plant & machinery	Special programmes	Office & computer equipment	Trees	Playground Fur, Plants & Street Lights	Total
	€	€	€	€	€	€	€	€	€	€	€
Cost											
At 1 January 2021	99,172	23,426	25,411	109,377	-	2,666	103,723	16,986	11,402	56,128	448,291
Additions	-	5,851	-	8,484	32,189	-	-	-	-	-	46,524
At 31 December 2021	99,172	29,277	25,411	117,861	32,189	2,666	103,723	16,986	11,402	56,128	494,815
Depreciation											
At 1 January 2021	99,172	21,831	25,411	104,651	-	2,666	-	12,693	-	56,128	322,552
Charge for the year	-	988	-	424	-	-	-	2,203	-	-	3,615
At 31 December 2021	99,172	22,819	25,411	105,075		2,666		14,896		56,128	326,167
Grants											
At 1 January 2021	-	-	-	4,726	-	-	103,723	1,356	-	-	109,805
At 31 December 2021	-	-	-	4,726	32,189	-	103,723	1,356	-	-	141,994
Net Book values											
At 31 December 2021	-	6,458	-	8,060	-	-	-	734	11,402	-	26,654

MDINA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2021 (cont.)

12. Property, plant and equipment (cont.)

	Construction	Office Furniture & fittings	Street Signs, Mirrors & Bins	Urban Imp, Costumes & Umbrellas	Office Equipment	Plant & machinery	Special programmes	Computer equipment	Trees	Playground Plants & Street Lights	Total
	€	€	€	€	€	€	€	€	€	€	€
Cost											
At 1 January 2020	99,172	22,976	25,411	103,461	7,614	2,666	92,492	8,373	11,402	56,128	429,695
Additions	-	450	-	5,916	-	-	11,231	999	-	-	18,596
At 31 December 2020	99,172	23,426	25,411	109,377	7,614	2,666	103,723	9,372	11,402	56,128	448,291
Depreciation											
At 1 January 2020	98,656	21,349	25,411	98,735	7,483	2,666	-	4,730	-	56,128	315,158
Charge for the year	516	482	-	5,916	115	-	-	365	-	-	7,394
At 31 December 2020	99,172	21,831	25,411	104,651	7,598	2,666	-	5,095	-	56,128	322,552
Grants											
At 1 January 2020	-	-	-	4,726	-	-	92,492	1,356	-	-	98,574
At 31 December 2020	-	-	-	4,726	-	-	103,723	1,356	-	-	109,805
Net Book values											
At 31 December 2020	-	1,595	-	-	16	-	-	2,921	11,402	-	15,934

Notes to the Financial Statements for the year ended 31 December 2021 (cont.)

13. Intangible assets

	Computer software
	€
Cost	
At 1 January 2021	1,898
At 31 December 2021	<u>1,898</u>
Depreciation	
At 1 January 2021	1,612
Charge for the year	286
At 31 December 2021	<u>1,898</u>
Net Book value	
At 31 December 2021	<u><u>-</u></u>
	Computer software
	€
Cost	
At 1 January 2020	1,898
At 31 December 2020	<u>1,898</u>
Depreciation	
At 1 January 2020	664
Charge for the year	948
At 31 December 2020	<u>1,612</u>
Net Book value	
At 31 December 2020	<u><u>286</u></u>




Notes to the Financial Statements for the year ended 31 December 2021 (cont.)**14. Receivables**

	2021	2020
	€	€
Receivables	11,816	3,805
Accrued income	6,243	7,355
Financial assets	<u>18,059</u>	<u>11,160</u>
Prepayments	2,170	2,322
	<u>20,229</u>	<u>13,482</u>

Receivables

General receivables are analysed as follows:

	2021	2020
	€	€
Within credit period	11,662	3,062
Exceeded credit period but not impaired	154	743
Impaired and provided for	43,942	48,316
Provision for doubtful debts	<u>(43,942)</u>	<u>(48,316)</u>
	<u>11,816</u>	<u>3,805</u>

Local Enforcement System (LES) Debtors

LES Debtors are stated after a specific provision for doubtful debts amounting to €43,942 (2020 - €43,077).

Included in the accounts receivable are amounts due from related parties amounting to €5,416 (2020 : €5,875). These amounts are unsecured, interest free and repayable on demand.

15. Cash & cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following statement of financial position amounts.

	2021	2020
	€	€
Cash at Bank	287,720	226,992
Cash in Hand	101	172
	<u>287,821</u>	<u>227,164</u>

Notes to the Financial Statements for the year ended 31 December 2021 (cont.)

16. Payables

	2021	2020
	€	€
Payables	27,136	21,060
Accruals	23,522	18,715
	<u>50,658</u>	<u>39,775</u>

Included in the accounts payable are amounts to related parties amounting to €20 (2020 : €252). These amounts are unsecured, interest free and repayable on demand.

2021	0-90 days	91-180 days	180-365 days	Total
	€	€	€	€
Payables	27,136	-	-	27,136
Accruals	23,522	-	-	23,522
	<u>50,658</u>	<u>-</u>	<u>-</u>	<u>50,658</u>
2020	0-90 days	91-180 days	180-365 days	Total
	€	€	€	€
Payables	21,060	-	-	21,060
Accruals	18,715	-	-	18,715
	<u>39,775</u>	<u>-</u>	<u>-</u>	<u>39,775</u>

17. Deferred income

	2021	2020
	€	€
Government grants		
At 1 January	200	11,231
Increase in year	-	200
	<u>200</u>	<u>11,431</u>
Used during the year	(200)	(11,231)
	<u>-</u>	<u>200</u>
At 31 December	-	200
	<u>-</u>	<u>200</u>
Current Deferred Income	<u>-</u>	<u>200</u>

Notes to the Financial Statements for the year ended 31 December 2021 (cont.)**18. Capital commitments**

	2021	2020
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	80,000	55,000
- Contracted for but not provided in the financial statements	-	-
(i) Approved but not yet contracted for:		
Office refurbishments	-	25,000
Upgrading of Howard Gardens	80,000	-
Reactivation PA permit for Museum near Carpark	-	30,000
	<u>80,000</u>	<u>55,000</u>

19. Related party transactions

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department for Local Government	Significant control
North Joint Committee (Local Enforcement)	Joint Control
North Regional Committee	Joint Control
Central Regional Committee	No control
Gozo Regional Committee	No control
South Eastern Regional Committee	No control
South Regional Committee	No control
Planning Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Cleansing Services Department	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Police General Headquarters	No control
Department of Lands	No control
ARMS	No control
Bank of Valletta plc	No control
Mdina Primary School	No control
Department of Information	No control
MITA	No control
Association of Local Councils' Secretaries	No control
Ministry for Resources and Rural Affairs	No control
Local Councils Association	No control
Local Enforcement Systems Agency	No control

Notes to the Financial Statements for the year ended 31 December 2021 (cont.)

19. Related party transactions (cont.)

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

	Related party activity €	2021 Total activity €	%	Related party activity €	2020 Total activity €	%
<i>Income</i>						
Transactions with central government	294,045			264,622		
Transactions with regions	391			290		
	<u>294,436</u>	<u>326,029</u>	<u>90</u>	<u>264,912</u>	<u>280,754</u>	<u>94</u>
<i>Expenditure</i>						
Transactions with government entities	9,130			9,339		
Key personnel remuneration	95,251			92,730		
	<u>104,381</u>	<u>243,734</u>	<u>43</u>	<u>102,069</u>	<u>235,995</u>	<u>43</u>

20. Ultimate controlling party

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

21. Financial Risk Management

The Council's activities expose it to a variety of financial risks such as market risk, credit risk, liquidity risk and interest rate risk. The 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 Council to concentrations of credit risk consist principally of cash at bank and debtors. The 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 Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to receivables is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

The maximum exposure to credit risk for amounts receivable at the reporting date, net of impairment losses, by type of customer is as follows:

- Receivables from Related Parties: €5,416

Liquidity Risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the 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 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 Council has as cash and cash equivalents the amount of Euro 287,821.

Notes to the Financial Statements for the year ended 31 December 2021 (cont.)**21. Financial Risk Management (cont.)**

This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive current net asset position of Euro 279,200 (2020: Euro 207,418) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

Summary of financial assets and liabilities by category:

	2021	2020
	€	€
Current Assets		
Loans and receivables:		
Accounts and other receivables	37,848	18,059
Cash and Cash Equivalents	287,821	227,164
	<u>325,669</u>	<u>245,223</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	<u>27,136</u>	<u>21,060</u>

Foreign Currency Risk

Foreign currency transactions arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Council does not trade in any foreign currencies.

Interest Rate Risk

Interest rate risk mainly arises through interest bearing liabilities and assets. The objective of interest rate risk management is to optimise the balance between minimizing uncertainty caused by fluctuations in interest rates and maximising the net interest income.

Market risks

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

Other risks

The Council's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Council to cash flow interest rate risk. In general, the Council's exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows are not deemed to be substantial by the Councillors and Executive Secretary in view of the nature of the assets and liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.

22. Fair value of financial assets and financial liabilities

At 31 December 2021 and at 31 December 2020, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively, approximated their fair values due to the short term maturities of these assets and liabilities. The fair values of non-current financial assets and non-current financial liabilities are not materially different from their carrying amount.

Report of the Local Government Auditors to the Auditor General

