



TA' KERĊEM

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

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, the Local Councils (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the 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 16th February 2023 and signed on its behalf by



Mario Azzopardi
Mayor



Marianne Sagona
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

		2021 €	2020 €
	<i>Notes</i>		
Income			
Funds received from Central Government	4	347,350	314,898
Income raised under Local Enforcement System	5	634	1,910
General Income	6	13,518	24,247
		<u>361,502</u>	<u>341,055</u>
 Expenditure			
Personal emoluments	8	(106,218)	(90,805)
Operations and maintenance	9	(111,608)	(112,568)
Administration and other expenditure	10	(127,008)	(132,855)
		<u>(344,834)</u>	<u>(336,228)</u>
 Operating Surplus for the year	7	16,668	4,827
 Finance costs	11	(2,996)	(3,675)
Finance income	12	-	32
 Total comprehensive income for the year		<u>13,672</u>	<u>1,184</u>


The notes on pages 8 to 22 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION


As at 31 December 2021

		2021 €	2020 €
ASSETS	Notes		
Non-Current Assets			
Property, plant and equipment	13	<u>315,882</u>	<u>333,805</u>
		<u>315,882</u>	<u>333,805</u>
Current Assets			
Inventories	14	492	1,629
Receivables	15	51,644	37,298
Cash and Cash Equivalents	16	<u>861,411</u>	<u>715,863</u>
		<u>913,547</u>	<u>754,790</u>
Total Assets		<u><u>1,229,429</u></u>	<u><u>1,088,595</u></u>
RESERVES AND LIABILITIES			
Reserves			
Retained Funds		<u>420,784</u>	<u>407,112</u>
		<u>420,784</u>	<u>407,112</u>
Non-Current Liabilities			
Long-term borrowings	18	18,562	38,275
Deferred income	19	-	-
		<u>18,562</u>	<u>38,275</u>
Current Liabilities			
Payables	17	233,793	147,626
Deferred income	19	536,533	476,680
Short-term borrowings	18	<u>19,757</u>	<u>18,902</u>
		<u>790,083</u>	<u>643,208</u>
Total Reserves and Liabilities		<u><u>1,229,429</u></u>	<u><u>1,088,595</u></u>

These financial statements were approved by the Local Council on 16th February 2023 and signed on its behalf by:



Mario Azzopardi
Mayor



Marianne Sagona
Executive Secretary

The notes on pages 8 to 22 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	405,928
Total comprehensive income for the year 2020	1,184
	<hr/>
At 31 December 2020	407,112
	<hr/> <hr/>
At 1 January 2021	407,112
Total comprehensive income for the year 2021	13,672
	<hr/>
At 31 December 2021	420,784
	<hr/> <hr/>

The notes on pages 8 to 22 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		
Total comprehensive income for the year	13,672	1,184
Reconciliation to cash generated from operations:		
Depreciation	79,298	89,966
Increase in provision for doubtful debts	-	2,194
Interest receivable	-	(32)
Operating Profit before Working Capital Changes	<u>92,970</u>	93,312
Decrease in inventories	1,137	586
(Increase) / decrease in receivables	(12,227)	19,363
Increase in other receivables	(2,119)	(12,537)
Increase in payables	9,720	11,058
Increase / (Decrease) in other payables	<u>20,099</u>	(64,888)
Cash generated from operating activities	<u>109,581</u>	<u>46,894</u>
Cash flows from Investing Activities		
Interest received	-	32
Purchase of property, plant & equipment	(8,838)	(374,609)
Receipt of grants	<u>63,663</u>	153,422
Cash generated/(used in) investing activities	<u>54,825</u>	<u>(221,155)</u>
Cash flows from Financing Activities		
Repayment of long term borrowings	<u>(18,858)</u>	(24,394)
Cash used in financing activities	<u>(18,858)</u>	<u>(24,394)</u>
Net Increase/(decrease) in Cash and Cash Equivalents	145,548	(198,655)
Cash and Cash Equivalents at the Beginning of the year	<u>715,863</u>	914,518
Cash and Cash Equivalents at the End of the year	<u>861,411</u>	<u>715,863</u>
	16	

The notes on pages 8 to 22 form an integral part of these financial statements

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

1. General Information

The Ta' Kerċem Local Council is the local Authority of Ta' Kerċem set up in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at Orvieto Square, Ta' Kerċem, Gozo. These financial statements were approved for issue by the Council Members on the 16th February 2023. 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 Board (IASB) that are mandatorily effective for an accounting period that begins on or after 01 January 2021.

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.

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:

	%
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

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

Accounting Policies and Reporting Procedures (cont.)

Property, plant and equipment (cont.)

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.

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 expired.

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

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

2. Accounting Policies and Reporting Procedures (cont.)

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. 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.

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'.

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

The income recognised in the Statement of Comprehensive Income was derived from the administrative fees from the five Regional Committees and Local Enforcement System Agency.

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.

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

2. Accounting Policies and Reporting Procedures (cont.)

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.

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	299,596	289,529
Other Government Income	47,754	25,369
	<u>347,350</u>	<u>314,898</u>

Notes to the Financial Statements for the period ended 31 December 2021 (cont.)**5. Local Enforcement system**

	2021	2020
	€	€
Administrative fees on contraventions	634	1,910
	<u>634</u>	<u>1,910</u>

6. General Income

	2021	2020
	€	€
Sponsorships	1,350	-
General Income	4,009	1,139
Community services	-	14,975
Rent receivable	6,125	4,529
Income from Permits	2,034	3,604
	<u>13,518</u>	<u>24,247</u>

7. Operating surplus for the year

	2021	2020
	€	€
Operating surplus for the year is stated after charging		
Staff salaries	106,218	90,805
Depreciation of property, plant and equipment	79,298	89,966
	<u>106,218</u>	<u>90,805</u>

8. Personal emoluments

	2021	2020
	€	€
Mayor's Remuneration	10,571	10,404
Mayor's and Councillors' Allowances	13,000	13,000
Executive Secretary Salary and Allowances	41,215	31,902
Employees' Salaries	35,508	30,497
Social Security Contributions	5,924	5,002
	<u>106,218</u>	<u>90,805</u>

Notes to the Financial Statements for the year ended 31 December 2021 (cont.)**9. Operations and Maintenance**

	2021	2020
	€	€
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	22,351	23,234
Walkways	652	6,068
Signs	3,189	1,121
Road Markings	-	1,012
Other repairs and Upkeep	-	1,744
	<u>26,192</u>	<u>33,179</u>
<i>Contractual Services:</i>		
Waste Disposal	7,314	6,630
Refuse Collection	58,256	55,219
Bulky Refuse Collection	339	-
Road & Street Cleaning	2,004	2,508
Cleaning & Maintaining Non-Urban	6,162	2,227
Cleaning - Council Premises	1,216	565
Cleaning & Maintaining Parks & Gardens	548	770
Street Lighting	6,773	7,053
Studies & Consultations	2,804	4,417
	<u>85,416</u>	<u>79,389</u>
Total Operations and Maintenance Costs	<u>111,608</u>	<u>112,568</u>

10. Administrative and other expenditure

	2021	2020
	€	€
Utilities	8,798	6,101
Other repairs and upkeep	3,968	1,196
Rent	2,204	1,806
National and International Memberships	500	595
Office Services	2,014	5,126
Transport	2,144	1,822
Information Services	260	50
Lease of Equipment	-	71
Insurance Coverage	1,467	2,536
Professional Services	10,727	8,175
Other Hospitality Costs	1,086	430
Social and Cultural Events	14,542	12,787
Increase in provision on the receivables	-	2,194
Depreciation	79,298	89,966
	<u>127,008</u>	<u>132,855</u>

Notes to the Financial Statements for the year ended 31 December 2021 (cont.)**11. Finance Costs**

	2021	2020
	€	€
Bank charges	686	463
Bank interest	2,310	3,212
	<u>2,996</u>	<u>3,675</u>

12. Investment Income

	2021	2020
	€	€
Bank Interest Receivable	-	32
	<u>-</u>	<u>32</u>

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

13. Property, plant and equipment

	New Street Signs €	Urban Improvements €	Computer & Office Equipment €	Office Furniture & fittings €	Assets under Construction €	Special Programmes & Construction €	Total €
Cost							
At 1 January 2021	4,554	599,439	30,516	26,121	137,546	1,900,684	2,698,860
Additions	-	3,977	1,050	-	-	3,811	8,838
At 31 December 2021	4,554	603,416	31,566	26,121	137,546	1,904,495	2,707,698
Depreciation							
At 1 January 2021	4,554	453,508	21,318	13,214	-	583,445	1,076,039
Charge for the year	-	27,719	1,184	1,303	-	49,092	79,298
At 31 December 2021	4,554	481,227	22,502	14,517	-	632,537	1,155,337
Grants							
At 1 January 2021	-	37,195	6,198	-	132,013	1,113,610	1,289,016
Additions	-	-	-	-	-	3,811	3,811
Adjustment	-	-	-	-	-	(56,348)	(56,348)
At 31 December 2021	-	37,195	6,198	-	132,013	1,061,073	1,236,479
Net Book values							
At 31 December 2021	-	84,994	2,866	11,604	5,533	210,885	315,882

TA KERCEM LOCAL COUNCIL

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

13. Property, plant and equipment (cont.)

	New Street Signs €	Urban Improvements €	Computer & Office Equipment €	Office Furniture & fittings €	Assets under Construction €	Special Programmes & Construction €	Total €
Cost							
At 1 January 2020	4,554	596,673	30,516	25,450	211,579	1,455,479	2,324,251
Additions	-	2,766	-	671	61,501	309,671	374,609
Reclassification	-	-	-	-	(135,534)	135,534	-
At 31 December 2020	4,554	599,439	30,516	26,121	137,546	1,900,684	2,698,860
Depreciation							
At 1 January 2020	4,554	425,413	20,182	11,911	-	524,013	986,073
Charge for the year	-	28,095	1,136	1,303	-	59,432	89,966
At 31 December 2020	4,554	453,508	21,318	13,214	-	583,445	1,076,039
Grants							
At 1 January 2020	-	37,195	6,198	-	203,491	604,052	850,936
Additions	-	-	-	-	61,589	376,491	438,080
Reclassification	-	-	-	-	(133,067)	133,067	-
At 31 December 2020	-	37,195	6,198	-	132,013	1,113,610	1,289,016
Net Book values							
At 31 December 2020	-	108,736	3,000	12,907	5,533	203,629	333,805

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

	2021	2020
	€	€
Stock of stamps	<u>492</u>	<u>1,629</u>

15. Receivables

	2021	2020
	€	€
Accounts receivables	10,585	-
Prepayments and accrued income	41,059	37,298
	<u>51,644</u>	<u>37,298</u>

Receivables

Account receivables are analysed as follows:

	2021	2020
	€	€
Within credit period	10,585	-
Impaired and provided for	4,497	4,497
Provision for doubtful debts	(4,497)	(4,497)
	<u>10,585</u>	<u>-</u>

16. 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	861,229	714,010
Cash in Hand	182	1,853
	<u>861,411</u>	<u>715,863</u>

Notes to the Financial Statements for the year ended 31 December 2021 (cont.)**17. Payables**

	2021	2020
	€	€
Accounts payable	175,608	109,540
Other payables	25,385	23,852
Accruals and deferred income	32,800	14,234
	<u>233,793</u>	<u>147,626</u>
Less Non-current accruals	-	-
	<u>233,793</u>	<u>147,626</u>
Non-Current Accruals	<u>-</u>	<u>-</u>

18. Borrowings

	2021	2020
	€	€
Non-current		
Bank borrowings	<u>18,562</u>	<u>38,275</u>
Current		
Bank borrowings	<u>19,757</u>	<u>18,902</u>
Borrowings		
Repayable between one and two years	17,701	19,857
Repayable between two and five years	861	18,418
Repayable in five years or more	-	-
	<u>18,562</u>	<u>38,275</u>

Bank Loans

Long term borrowings consists of two bank loans taken by the Council with the approval of the Minister responsible for the Local Government to be repaid over a period of twenty years. The bank loan interest rates are 4.65% and 4.90% respectively and repayments for the current year amounts to Eur 21,287. The loan is paid through Eur 5,322 quarterly installments inclusive of interest. The loans are secured by a general hypothec on the Council's assets and a pledge over an insurance policy.

Notes to the Financial Statements for the year ended 31 December 2021 (cont.)**19. Deferred income**

	2021	2020
	€	€
Government grants		
At 1 January	476,680	767,768
Increase in year	63,664	206,519
	<u>540,344</u>	<u>974,287</u>
Transferred to PPE Capital Approach	(3,811)	(497,607)
	<u>536,533</u>	<u>476,680</u>
Current Deferred Income	<u>536,533</u>	<u>476,680</u>
Non-Current Deferred Income	<u>-</u>	<u>-</u>

20. Capital commitments

	2021	2020
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	-	341,902
- Contracted for but not provided in the financial statements	<u>456,655</u>	<u>121,368</u>
(i) Approved but not yet contracted for:		
Triq Ghajn Tuta & Triq il-Gamien	-	341,902
	<u>-</u>	<u>341,902</u>
(ii) Contracted for but not provided in the Financial Statements:		
Triq il-Gojjin c/w Triq is-Summiem	116,993	121,368
Triq Ghajn Tuta & Triq il-Gamien	339,662	-
	<u>456,655</u>	<u>121,368</u>

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

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

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 debtors 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:	€ 10,585
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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 €861,411. This should ensure an ongoing working capital of the Council for the next 12 months.

Going Concern Risk

The Council registered a net profit of €13,672 (2020: €1,184) during the year ended 31 December 2021, and as at that date, the Council had a net current asset position of €123,464 (2020: €111,582) These financial statements have been prepared on a going concern basis in view of the fact that it is understood that the ultimate controlling party will provide adequate funds for the Council 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	10,585	-
Cash and Cash Equivalents	861,411	715,863
	<u>871,996</u>	<u>715,863</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	<u>200,993</u>	<u>133,392</u>

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

Interest Rate Risk

The Council operates two bank accounts which have financing facilities. These facilities have interest rates which did not fluctuate over the past years and as a result, the Council is not exposed to cash flow interest rate risk on bank balances.

Other risks

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. Related parties disclosures

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 of Local Councils	Significant control
Gozo Regional Committee	Joint Control
North Regional Committee	No control
Central Regional Committee	No control
South Eastern Regional Committee	No control
South Regional Committee	No control
Malta Environment and 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
Airmalta plc	No control
Bank of Valletta plc	No control
MCAST	No control
National Library of Malta	No control
Malta Tourism Authority	No control
Office of the Prime Minister	No control
Office of the Commissioner for Data Protection	No control

Notes to the Financial Statements for the year ended 31 December 2021 (cont.)**22. Related parties disclosures (cont.)**

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

	Related party activity	2021		Related party activity	2020	
	€	Total activity €	%	€	Total activity €	%
<i>Income</i>						
Transactions with central government	323,943			314,898		
Transactions with regions	634			1,910		
	<u>324,577</u>	<u>347,350</u>	<u>93</u>	<u>316,808</u>	<u>341,055</u>	<u>93</u>
<i>Expenditure</i>						
Transactions with government entities	7,314			6,630		
Key personnel remuneration	106,218			90,805		
	<u>113,532</u>	<u>344,834</u>	<u>33</u>	<u>97,435</u>	<u>336,228</u>	<u>29</u>

The amounts due from / to related parties at year-end are disclosed in notes 15 and 17. The terms and conditions do not specify the nature of the consideration to be provided in settlement. These amounts are unsecured, interest free and repayable on demand.

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

24. Fair values estimation

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 Auditor to the Auditor General