

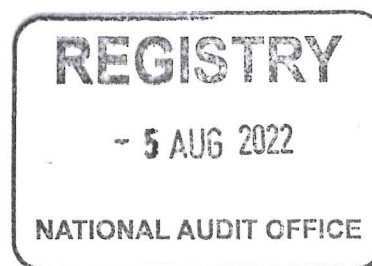


MELLIEĦA

LOCAL COUNCIL MELLIEĦA

**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 27th July 2022 and signed on its behalf by



Dario Vella
Mayor



Carmel Debono
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	1,343,438	1,362,599
Income raised under Local Council Bye-Laws	5	14,239	9,279
Income raised under Local Enforcement System	6	7,561	4,819
General income	7	60,190	57,706
		<u>1,425,428</u>	<u>1,434,403</u>
 Expenditures			
Personal emoluments	9	(218,899)	(209,838)
Operations and maintenance	10	(602,532)	(623,066)
Administrative and other expenditures	11	(466,171)	(517,122)
		<u>(1,287,602)</u>	<u>(1,350,026)</u>
 Operating surplus for the year		137,826	84,377
 Finance income	12	533	591
 Surplus for the year		<u><u>138,359</u></u>	<u><u>84,968</u></u>

The notes on pages 8 to 25 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		2021 €	2020 €
ASSETS	<i>Notes</i>		
Non-Current Assets			
Property, plant and equipment	13	2,071,514	2,094,162
Intangible assets	14	2,833	3,547
		<u>2,074,347</u>	<u>2,097,709</u>
Current Assets			
Inventories	15	17,789	28,083
Receivables	16	136,532	188,873
Cash and Cash Equivalents	17	1,783,263	1,259,172
		<u>1,937,584</u>	<u>1,476,128</u>
Total Assets		<u>4,011,931</u>	<u>3,573,837</u>
EQUITY AND LIABILITIES			
Reserves			
Retained Fund		<u>3,207,200</u>	3,068,841
		<u>3,207,200</u>	<u>3,068,841</u>
Current Liabilities			
Payables	18	<u>804,731</u>	504,996
		<u>804,731</u>	<u>504,996</u>
Total Equity and Liabilities		<u>4,011,931</u>	<u>3,573,837</u>

These financial statements were approved by the Local Council on 27th July 2022 and signed on its behalf by:



Dario Vella
Mayor



Carmel Debono
Executive Secretary

The notes on pages 8 to 25 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	2,983,873
Surplus for the year	84,968
	<hr/>
At 31 December 2020	3,068,841
	<hr/> <hr/>
At 1 January 2021	3,068,841
Surplus for the year	138,359
	<hr/>
At 31 December 2021	3,207,200
	<hr/> <hr/>

The notes on pages 8 to 25 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	138,359	84,968
Adjustments:		
Depreciation of property, plant and equipment	281,679	369,338
Amortization of intangible assets	714	714
Loss on disposal of property, plant & equipment	-	412
Interest receivable	(533)	(591)
Operating profit before working capital changes	<u>420,219</u>	454,841
Decrease/(increase) in inventories	10,294	(4,840)
Decrease/(increase) in receivables	130,183	(38,069)
(Increase) in other receivables	(77,842)	(11,189)
Increase/(decrease) in payables	156,327	(319,319)
Increase in other payables	123,034	209,383
Interest received	533	591
Net cash generated from operating activities	<u>762,748</u>	<u>291,398</u>
Cash flows from Investing Activities		
Purchase of property, plant & equipment	(497,784)	(305,762)
Receipt of grant	259,127	157,232
Net cash used in investing activities	<u>(238,657)</u>	<u>(148,530)</u>
Net increase in Cash and Cash Equivalents	524,091	142,868
Cash and Cash Equivalents at the Beginning of the year	<u>1,259,172</u>	<u>1,116,304</u>
Cash and Cash Equivalents at the End of the year	17 <u>1,783,263</u>	<u>1,259,172</u>

The notes on pages 8 to 25 form an integral part of these financial statements

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

1. General Information

The Mellieha Local Council (the "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 126, New Mill Street, Mellieha, MLH 1107. These financial statements were approved for issue by the Council Members on 27th July 2022. The Local Council's presentation as well as functional currency is denominated in Euro €.

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 standards adopted as at 1 January 2021

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

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

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Council.

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.)

2. 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.

Leases

As from 1 January 2019, at inception of a contract, the Local Council assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Local Council assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The Local Council has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Local Council has the right to direct the use of the asset. The Local Council has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Local Council has the right to direct the use of the asset if either:
 - The Local Council has the right to operate the asset; or
 - The Local Council designed the asset in a way that predetermines how and for what purpose it will be used.

The Local Council has applied this approach to contracts entered into or changed on or after 1 January 2019. At inception or on reassessment of a contract that contains a lease component, the Local Council allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Local Council has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Local Council recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Local Council's incremental borrowing rate. Generally, the Local Council uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Local Council is reasonably certain to exercise., lease payments in an optional renewal period if the Local Council is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Local Council is reasonably certain not to terminate early

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

2. Accounting Policies and Reporting Procedures (cont.)

Leases (cont.)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Local Council's estimate of the amount expected to be payable under a residual value guarantee or if the Local Council changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Local Council presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position

Short-term leases and leases of low-value assets

The Local Council has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

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 Group'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.

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.

Impairment of non-financial 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.

Receivables

Receivables 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 Local 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.

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

Accounting Policies and Reporting Procedures (cont.)

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.

Payables

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 instruments

Recognition and derecognition

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

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

Classification and initial measurement of financial assets

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

Financial assets are classified into the following categories:

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

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

The classification is determined by both:

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

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

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

2. Accounting Policies and Reporting Procedures (cont.)

Subsequent measurement of financial assets

Financial assets at amortised cost

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

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

After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The Council's cash and cash equivalents, and most receivables fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the new 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.

Recognition of credit losses is no longer dependent on the Council first identifying a credit loss event. Instead, the Council considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

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

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Classification and measurement of financial liabilities

The Council's financial liabilities include payables.

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

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

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

Related parties

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

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

Accounting Policies and Reporting Procedures (cont.)

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 Local 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.

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

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

To achieve the above, the Local Council carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was positive at the reporting date and has not changed significantly from the previous year. The Local Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

Notes to the Financial Statements for the year ended 31 December 2021 (cont.)**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 Local 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	1,241,638	1,221,145
Supplementary Government Income	5,257	69,136
EU funding	-	628
Other government income	96,543	71,690
	<u>1,343,438</u>	<u>1,362,599</u>

5. Income raised from Bye-Laws

	2021	2020
	€	€
Bye-Law - Attivitajiet fil-Beraħ	12,085	6,980
Bye-Law - Use of Ta' Brag Family Park	772	564
Bye-Law - Organisation of Courses	250	-
Bye-Law - Skips	1,132	1,735
	<u>14,239</u>	<u>9,279</u>

6. Local Enforcement system

	2021	2020
	€	€
Contraventions and other fines	7,561	4,819
	<u>7,561</u>	<u>4,819</u>

Notes to the Financial Statements for the year ended 31 December 2021 (cont.)**7. General income**

	2021	2020
	€	€
Cultural Events and sponsorships from NGOs	3,840	3,750
Sale of books and other merchandise	431	319
Rent receivable	233	233
General income	18	14
Contributions	150	1,850
Refund of expenses	-	690
Income from permits	55,518	50,850
	<u>60,190</u>	<u>57,706</u>

8. Surplus for the year

	2021	2020
	€	€
Surplus for the year is stated after charging		
Staff salaries	218,899	209,838
Depreciation of property, plant and equipment	281,679	369,318
	<u>281,679</u>	<u>369,318</u>

9. Staff Salaries

	2021	2020
	€	€
Mayor's remuneration	15,270	15,027
Councillors' allowances	22,600	22,600
Executive Secretary salary and allowances	37,169	36,280
Employees' salaries	130,283	122,892
Social Security contributions	13,577	13,039
	<u>218,899</u>	<u>209,838</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>		
Road/Street pavements	29,580	77,734
Signs	21,813	32,025
Road markings	8,550	13,492
Other repairs and upkeep	4,331	2,024
Council property	3,193	5,472
Repairs and maintenance - litter bins	1,760	2,999
	<u>69,227</u>	<u>133,746</u>
<i>Contractual services:</i>		
Refuse collection	260,440	241,032
Bulky refuse collection	39,541	37,385
Open skips & bring-in sites	1,440	1,810
Road & street cleaning	34,389	22,808
Cleaning & maintaining non-urban	18,619	23,321
Cleaning - public conveniences	69,248	59,134
Cleaning - council premises	3,268	4,015
Cleaning & maintaining parks & gardens	61,800	58,398
Cleaning & maintaining beaches	500	1,417
Street lighting	40,477	38,025
Studies & consultations	3,238	1,916
LES related expenditure	345	59
	<u>533,305</u>	<u>489,320</u>
Total operations and maintenance costs	<u>602,532</u>	<u>623,066</u>

Notes to the Financial Statements for the year ended 31 December 2021 (cont.)**11. Administration and other expenditure**

	2021	2020
	€	€
Utilities	17,625	18,136
Other repairs and upkeep	8,064	5,930
Rent	3,760	2,025
National and international memberships	715	1,086
Office services	1,418	2,950
Transport	13,469	11,995
Information services	15,305	3,681
Lease of equipment	1,912	1,943
Insurance coverage	5,123	4,083
Bank charges	1,758	1,046
Professional services	27,213	21,236
Tuition for courses and expenses	2,200	2,300
Entertainment	1,120	791
Cultural events	62,007	27,359
Community services	20,935	17,568
Sundry minor expenses	935	1,285
General and administrative expenses	219	673
EU Projects Expenses	-	22,571
Loss on disposal of property, plant and equipment	-	412
Depreciation of property, plant and equipment	281,679	369,338
Amortization of intangible assets	714	714
	<u>466,171</u>	<u>517,122</u>

12. Finance Income

	2021	2020
	€	€
Bank Interest Receivable	533	591
	<u>533</u>	<u>591</u>

MELLIEHA LOCAL COUNCIL

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

13. Property, plant and equipment

	Property €	Assets under construction €	New Street Signs €	Urban Improvements and Construction €	Plant, machinery and Equipment €	Office Furniture and fittings €	Special Programmes €	Total €
Cost								
At 1 January 2021	568,224	850,967	73,322	988,838	51,239	195,419	7,176,254	9,904,263
Additions	-	286,667	-	196,113	7,705	36	7,263	497,784
Reclassification	-	(60,975)	-	60,975	-	-	-	-
At 31 December 2021	568,224	1,076,659	73,322	1,245,926	58,944	195,455	7,183,517	10,402,047
Depreciation								
At 1 January 2021	20,565	-	73,322	785,589	46,431	112,076	4,804,767	5,842,750
Charge for the year	2,069	-	-	8,226	4,199	12,248	254,937	281,679
At 31 December 2021	22,634	-	73,322	793,815	50,630	124,324	5,059,704	6,124,429
Grants								
At 1 January 2021		523,507					1,443,844	1,967,351
Increase		230,461					8,292	238,753
At 31 December 2021		753,968					1,452,136	2,206,104
Net book values								
At 31 December 2021	545,590	322,691	-	452,111	8,314	71,131	671,677	2,071,514

MELLIEHA LOCAL COUNCIL

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

13. Property, plant and equipment (cont.)

	Property	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & Equipment	Office Furniture & fittings	Special Programmes	Total
	€	€	€	€	€	€	€	€
Cost								
At 1 January 2020	568,224	646,175	73,322	909,228	58,787	190,013	7,156,913	9,602,662
Additions	-	283,545	-	857	427	1,592	19,341	305,762
Disposal	-	-	-	-	(3,446)	(715)	-	(4,161)
Reclassification	-	(78,753)	-	78,753	(4,529)	4,529	-	-
At 31 December 2020	568,224	850,967	73,322	988,838	51,239	195,419	7,176,254	9,904,263
Depreciation								
At 1 January 2020	18,323	-	73,322	717,881	45,662	98,789	4,523,184	5,477,161
Charge for the year	2,242	-	-	67,708	4,215	13,590	281,583	369,338
Eliminated on disposal	-	-	-	-	(3,446)	(303)	-	(3,749)
At 31 December 2020	20,565	-	73,322	785,589	46,431	112,076	4,804,767	5,842,750
Grants								
At 1 January 2020	-	-	-	-	-	-	1,731,989	1,731,989
At 31 December 2020	-	523,507	-	-	-	-	1,443,844	1,967,351
Net Book values								
At 31 December 2020	547,659	327,460	-	203,249	4,808	83,343	927,643	2,094,162

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

14. Intangible assets

	Computer software €
Cost	
At 1 January 2021	5,473
At 31 December 2021	<u>5,473</u>
Depreciation	
At 1 January 2021	1,926
Charge for the year	714
At 31 December 2021	<u>2,640</u>
Net book value At 31 December 2021	<u><u>2,833</u></u>
Cost	
At 1 January 2020	5,473
At 31 December 2020	<u>5,473</u>
Depreciation	
At 1 January 2020	1,212
Charge for the year	714
At 31 December 2020	<u>1,926</u>
Net Book value At 31 December 2020	<u><u>3,547</u></u>

Notes to the Financial Statements for the year ended 31 December 2021 (cont.)**15. Inventories**

	2021	2020
	€	€
Books and other publications	<u>17,789</u>	<u>28,083</u>

16. Receivables

	2021	2020
	€	€
Receivables	33,830	164,013
Prepayments and accrued income	<u>102,702</u>	<u>24,860</u>
	<u><u>136,532</u></u>	<u><u>188,873</u></u>

Receivables

General receivables are analysed as follows:

	2021	2020
	€	€
Within credit period	23,076	64,290
Exceeded credit period but not impaired	10,754	99,723
Impaired and provided for	112,516	117,281
Provision for doubtful debts	<u>(112,516)</u>	<u>(117,281)</u>
	<u><u>33,830</u></u>	<u><u>164,013</u></u>

Local Enforcement System (LES) Debtors

LES Debtors are stated after a specific provision for doubtful debts amounting to €112,516 (2020 - €117,281).

Included in the accounts receivable are amounts due from related parties amounting to €33,830 (2020 : €170,912). These amounts are unsecured, interest free and repayable on demand.

17. Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows and statement of financial position comprise of the following:

	2021	2020
	€	€
Cash at bank	1,782,842	1,258,834
Cash on hand	<u>421</u>	<u>338</u>
	<u><u>1,783,263</u></u>	<u><u>1,259,172</u></u>

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

	2021	2020
	€	€
Payables	376,881	220,554
Other payables	129,260	-
Accruals and deferred income	298,590	284,442
	<u>804,731</u>	<u>504,996</u>

Included in the accounts payable are amounts to related parties amounting to €3,780 (2020 : €71,339). These amounts are unsecured, interest free and repayable on demand.

19. Deferred income

	2021	2020
	€	€
Government grants		
At 1 January	-	78,130
Increase during the year	259,127	157,232
Deferred income utilized and transferred to property, plant and equipment	(238,753)	(235,562)
	<u>20,374</u>	-
Released in year	-	-
At 31 December	<u>20,374</u>	-
Current deferred income	<u>20,374</u>	-

Notes to the Financial Statements for the year ended 31 December 2021 (cont.)**20. Capital commitments**

	2021	2020
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	1,228,967	712,576
- Contracted for but not provided in the financial statements	<u>504,412</u>	<u>133,431</u>
(i) Approved but not yet contracted for:		
New Street Lamps	-	184,841
Security Systems	20,000	
Triq l-Inkurunazzjoni Embellishment	380,000	306,000
Embellishment of Stepped Streets	253,000	-
Inkurunazzjoni/Parish Sqr.Panoramic Lift	45,000	45,000
Mons F Xuereb/Nahal/Etna Open Space	430,000	100,000
Restoration of Marfa Niche	18,055	
Family Park - Cat Neutering Facility	14,500	14,000
Construction of Rain Water Culverts	52,912	-
Development of Green Infrastructure Project	-	52,735
Street Furniture	5,000	-
Office Equipment & Computer Equipment	5,500	-
Office Improvements	5,000	10,000
	<u>1,228,967</u>	<u>712,576</u>
(ii) Contracted for but not provided in the Financial Statements:		
Computer Hardware	-	2,786
New Street Lamps	208,841	-
Road Resurfacing	60,000	58,749
Tunnara Project	182,836	71,896
Development of Green Infrastructure Project	52,735	-
	<u>504,412</u>	<u>133,431</u>

21. Contingent liabilities

The Local Council received minor claims for damages/injuries allegedly caused to their vehicles on streets which are the responsibility of the Local Council. These claims are currently being quantified and assessed in liaison with the Local Council insurers if, and when such claims exceed the €500 threshold.

The Local Council is also being sought for damages in connection with the involuntary homicide in a traffic accident at Triq il-Marfa. In our view, given that the accident occurred in an arterial road, the Local Council cannot be held liable for damages.

The operator of a restaurant at Mistra is seeking compensation from LA, IM, TM, MTA, Police Department and Mellieha Local Council, for loss of business due to the inaction by the said entities to control the parking of caravans close to the said establishment, as far as way back in 2008. Obviously, we are not in a position to predict the outcome of this case, however the Local Council shouldn't be accused of inaction when in 2009, byelaws were introduced to regulating the use of caravans within the locality.

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

During the year under review, the Local 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
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
ARMS	No control
Bank of Valletta plc	No control
Mellieha Primary School	No control
Department of Information	No control
MITA	No control
Office of the Commissioner for Data Protection	No control
Association of Local Councils' Secretaries	No control
Ministry for Resources and Rural Affairs	No control

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

	2021		2020		
	Related party activity	Total activity	Related party activity	Total activity	%
	€	€	€	€	%
<i>Income</i>					
Transactions with central government	1,343,438		1,362,599		
Transactions with regions	7,561		4,819		
	1,350,999	1,425,429	1,367,418	1,434,403	95
<i>Expenditure</i>					
Transactions with government entities	164,741		158,740		
Key personnel remuneration	218,899		209,838		
	383,640	1,310,152	368,578	1,350,026	27

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

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

24. Financial Risk Management

The Local Council's activities expose it to a variety of financial risks such as market risk, credit risk, liquidity risk and interest rate risk. The Local Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Local Council's financial performance.

Credit risk

Financial assets which potentially subject the Local Council to concentrations of credit risk consist principally of cash at bank and debtors. The Local Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Local Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to receivables is monitored continuously and the Local Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Local Council has no significant concentration of credit risk.

The 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:	€33,830 (2020: €170,912)
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Liquidity Risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Local Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Local Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact at year end, the Local Council has as cash and cash equivalents the amount of Euro 1,783,263. This should ensure an ongoing working capital of the Local Council for the next 12 months. The Local Council also maintains a positive current net asset position of Euro 1,132,853 (2020: Euro 971,132) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

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

24. Financial Risk Management (cont.)

Foreign Currency Risk

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

Interest Rate Risk

Interest rate risk mainly arises through interest bearing liabilities and assets. The 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 Local Council's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Local Council to cash flow interest rate risk. In general, the Local 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.

25. 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 Auditor

To the Auditor General

Report on the audit of the financial statements

Qualified opinion

We have audited the financial statements of Melliha Local Council set out on pages 4 to 25 which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for qualified opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the committee as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Basis for qualified opinion

Up to 31 August 2011, all income and expenditure from the Local Enforcement System (LES) were centralised through the North Joint Committee. The North Joint Committee ceased operations on that date. No audited financial statements of the North Joint Committee have been made available to us and consequently we were unable to determine whether the Council is entitled to receive any further income from the North Joint Committee.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Committee in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of those charged with governance for the financial statements

As described on page 3 the Executive Secretary and the members of the Regional Committee are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Legislation, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Secretary and the members of the committee are responsible for assessing the committee's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is the intention to liquidate the committee or to cease operations, or have no realistic alternative but to do so.

The Executive Secretary and the members of the committee are responsible for overseeing the committee's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

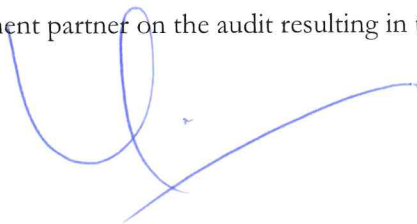
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Committee's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the committee's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the committee to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Mark Bugeja.



Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants
Fort Business Centre,
Triq l-Intornjatur, Zone 1
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Birkirkara CBD
Malta

27 July 2022