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HAL LIJA LOCAL COUNCIL

**LIJA LOCAL COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS**

for the year ended 31 December 2021



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LIJA LOCAL COUNCIL

Annual report and financial statements for the year ended 31 December 2021

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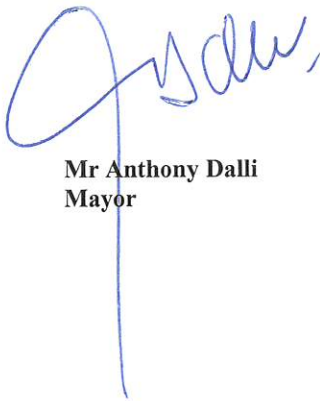
LIJA LOCAL COUNCIL

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 included the Local Council's Statement of Comprehensive Income for the year and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the 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 the Council, the income and expenditure of the Local Council for the year, its retained funds as at the year end, and that they comply with the Act, the Local Councils (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, 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 14th September 2022 and signed on its behalf by:



Mr Anthony Dalli
Mayor



Ms Pamela Borg
Executive Secretary

LIJA LOCAL COUNCIL

Statement of Comprehensive Income for the year ended 31 December 2021

	Note	2021 €	2020 €
Revenue			
Funds received from central government	3	379,034	335,427
Income raised from Local Enforcement System	4	4,093	1,662
General Income	5	8,840	10,912
		<u>391,967</u>	<u>348,001</u>
Expenditure			
Personal emoluments	6	(104,925)	(97,212)
Operations and maintenance	7	(159,740)	(124,927)
Administration and other expenditure	8	(101,808)	(149,110)
		<u>(366,473)</u>	<u>(371,249)</u>
Operating Profit/(Deficit) for year		25,494	(23,248)
Interest Income	9	-	-
		<u>25,494</u>	<u>(23,248)</u>
Total Comprehensive Income/(Loss) for the year		25,494	(23,248)

The notes on pages 6 to 24 form an integral part of these financial statements.



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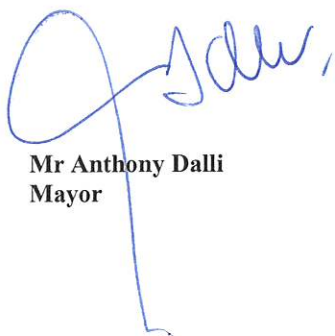
LIJA LOCAL COUNCIL

Statement of Financial Position as at 31 December 2021

	Note	2021 €	2020 €
Assets			
<i>Non current assets</i>			
Property, plant and equipment	10	<u>8,914</u>	25,194
		<u>8,914</u>	25,194
<i>Current assets</i>			
Inventory	11	-	3,714
Trade and other receivables	12	9,817	59,902
Cash and cash equivalents	13	<u>383,502</u>	307,508
		<u>393,319</u>	371,124
Total assets		<u><u>402,233</u></u>	396,318
Reserves and liabilities			
<i>Reserves</i>			
Retained earnings		<u>284,930</u>	259,434
<i>Non current liabilities</i>			
Deferred Income	14	83,906	84,092
Long-term payables	15	-	-
		<u>83,906</u>	84,092
<i>Current liabilities</i>			
Payables	15	<u>33,397</u>	52,792
Total liabilities		<u>117,303</u>	136,884
Total equity and liabilities		<u><u>402,233</u></u>	396,318

The notes on pages 6 to 24 form an integral part of these financial statements.

These Financial Statements were approved by the Local Council on 14th September 2022 and signed on its behalf by:



Mr Anthony Dalli
Mayor



Ms Pamela Borg
Executive Secretary

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Statement of Changes in Equity for the year ended 31 December 2021

	2021 €	2020 €
Retained Funds		
At 1st January	259,434	282,682
Total Comprehensive Profit/(Loss) for the year	25,494	(23,248)
At 31st December	284,930	259,434

The notes on pages 6 to 24 form an integral part of these financial statements.



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Statement of Cash Flows for the year ended 31 December 2021

	Note	2021 €	2020 €
Cash Flow from Operating Activities			
Total Comprehensive Profit/(Loss) for the year		25,494	(23,248)
Adjustments for:			
Depreciation		18,501	83,124
Interest paid		262	1,399
Deferred income released		(36,833)	(1,618)
Interest receivable		-	-
Operating Profit before Working Capital Changes		7,424	59,657
Working Capital Changes:			
Decrease in inventories		3,714	-
(Increase)/Decrease in receivables		50,086	(56,601)
Increase/(Decrease) in payables		90	(22,564)
Grants utilised		(34,630)	(1,734)
Net Cash flows from operating activities		26,683	(21,242)
Cash flows from Investing Activities			
Purchase of property, plant and equipment		(14,405)	(4,186)
New grants received		83,649	69,101
Receipt on disposal of asset		-	-
Interest received		-	-
Cash Flow generated from/(used in) Investing Activities		69,244	64,915
Cash flows from Financing Activities			
Lease interest paid		(262)	(1,399)
Lease payments		(11,738)	(1)
Cash Flow used in Financing Activities		(12,000)	(1,400)
Net decrease in Cash and Cash Equivalents		83,927	42,273
Cash and Cash Equivalents at the Beginning of the year		294,711	252,438
Cash and Cash Equivalents at the End of the year	13	378,638	294,711

The notes on pages 6 to 24 form an integral part of these financial statements.

LIJA LOCAL COUNCIL

Notes to the financial statements for the year ended 31 December 2021

1. GENERAL INFORMATION

Hal Lija Local Council is the local authority of Hal Lija set up in accordance with the Local Councils Act. The office of the Local Council is situated at 36, Videnza, Triq il-Mithna, Hal Lija. These financial statements were approved for issue by the Council on 14th September 2022. The Council's financial statements are prepared on a going concern basis and are presented in euro which is the functional currency of the Council.

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 years presented, unless otherwise stated.

a) *Accounting convention*

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

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

b) *Changes in accounting policies and disclosures*

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 2021.

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.

LIJA LOCAL COUNCIL

Notes to the financial statements for the year ended 31 December 2021

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions – amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. These amendments had no impact on the financial statement.

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. The most relevant changes are the below:

Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Interest Rate Benchmark Reform

The IASB published 'Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16' in August 2020, which will become effective from 1 January 2021. These amendments represent the second phase of the IASB's project on the effects of interest rate benchmark reform, addressing issues affecting financial statements when changes are made to contractual cash flows as a result of the reform.

Under these amendments, changes made to a financial instrument that are economically equivalent and required by interest rate benchmark reform, do not result in the derecognition or a change in the carrying amount of the financial instrument, but instead require the effective interest rate to be updated to reflect the change in the interest rate benchmark. As a result of the limited exposure to the related financial instruments, the Local Council expects that these amendments will have an insignificant effect on its financial statements.



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Notes to the financial statements for the year ended 31 December 2021

b) *Changes in accounting policies and disclosures (continued)*

IFRS 17 'Insurance Contracts'

IFRS 17 'Insurance Contracts' was issued in May 2017, with amendments to the standard issued in June 2020. The standard sets out the requirements that an entity should apply in accounting for insurance contracts it issues and reinsurance contracts it holds. Following the amendments, IFRS 17 is effective from 1 January 2023. This Standard will not have any effect on the Council's financial statements.

c) *Revenue recognition*

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

d) *Local enforcement system*

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

e) *Right of use asset*

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Council expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

f) *Lease liabilities*

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Council's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.



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Notes to the financial statements for the year ended 31 December 2021

g) *Property, plant and equipment*

Property, plant and equipment, are initially recorded at cost and are subsequently stated at cost less depreciation and accumulated impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of items. Subsequent costs are included in the asset's carrying amount, or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the local council, and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives 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
Road and Traffic Signs	Replacement basis
Street Mirrors	Replacement basis
Street Lights	100

h) *Government grants*

Government grants are accounted for on a systematic basis in the Statement of Comprehensive income over the periods necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related costs, then the grant is accounted for when it becomes receivable.

Government and EU grants relating to property, plant and equipment are written-off against the expenditure incurred on such property, plant and equipment in the year of purchase in line with the capital approach as per International Accounting Standard 20, Government Grants.

i) *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 cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Comprehensive Income.

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Notes to the financial statements for the year ended 31 December 2021

j) Receivables

Amounts receivable are recognized initially at fair value and subsequently measured at amortized 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 amounts of the asset in the present value of the estimated future cash flows discounted at the effective interest rate. The amount of the provision is recognized in the Statement of Comprehensive Income.

k) 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 Euro which is the Council's functional and present currency.

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

l) Surplus and deficits

Only surpluses that were realized at the date of the Statement of Financial Position are recognized in these Financial Statements. All foreseeable liabilities and potential deficits arising up to the said date are accounted for even if they become apparent between the said date and the date on which the Financial Statements are approved.

m) 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.

n) Related parties

Related parties are those persons or bodies of persons having relationship with the Council as defined in IAS 24. During the year under review, the Local Council's related party that exercised a significant control was the Department of Local Government. The parties that exercise no control were Water Services Corporation, LESA, Enemalta, ARMS and Malta Environmental and Planning Authority.

o) Trade and other payables

Trade payables comprise obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the local council.



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Notes to the financial statements for the year ended 31 December 2021

p) *Financial instruments*

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

Financial assets are derecognized 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 derecognized 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, other than those designated and effective as hedging instruments, are classified into the following categories:

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

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

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.

Subsequent measurement of financial assets

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 receivables fall into this category of financial instruments.



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Notes to the financial statements for the year ended 31 December 2021

p) *Financial instruments (continued)*

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'. This replaces IAS 39's 'incurred loss 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's 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

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Council's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Council's financial liabilities include trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Council designated a financial liability at FVTPL.

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 changes and, if applicable, changes in an instrument's fair value that are reported in statement of income and expenditure are included within finance costs or finance income.

A handwritten signature in blue ink, consisting of a large, stylized 'P' and 'B' intertwined, with the letters 'PB' written in a smaller, simpler font to the right of the signature.

LIJA LOCAL COUNCIL

Notes to the financial statements for the year ended 31 December 2021

q) *Critical accounting estimates and judgments*

The preparation of financial statements in conformity with IFRS requires council members to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgment are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumption are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future period if the revision affects both current and future periods.

In the opinion of the council members, the accounting estimates and judgments made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

r) *Inventories*

Inventories are shown in the financial statements at the lower of cost and net realizable value. The inventories consist of books with a face value which is the cost price of these items. The stock valuation at the end of the period is equivalent to the actual cost of the inventory items.

3. FUNDS RECEIVED FROM CENTRAL GOVERNMENT

	2021	2020
	€	€
In terms of Section 55 of the Local Councils Act (Cap 363)	309,524	296,148
Supplementary Government Income	-	1,334
Other Government Income	69,510	37,945
	<u>379,034</u>	<u>335,427</u>

4. INCOME RAISED FROM LOCAL ENFORCEMENT SYSTEM

	2021	2020
	€	€
Regional Committee LESA – Administration Fee	4,093	1,662

5. GENERAL INCOME

	2021	2020
	€	€
Income from Permits	8,388	10,763
Other Income	452	149
	<u>8,840</u>	<u>10,912</u>

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Notes to the financial statements for the year ended 31 December 2021

6. PERSONEL EMOLUMENTS

	2021	2020
	€	€
Mayor' Allowance	10,736	10,238
Councillor's Allowance	13,000	13,000
Executive Secretary's Salary	28,710	27,417
Employees' Salaries	45,874	40,649
Social Security Contributions	6,605	5,908
	<u>104,925</u>	<u>97,212</u>

AVERAGE NUMBER OF PEOPLE EMPLOYED

Employees – Full Timers	3	3
Employees – Part Timers	1	1
Mayor & Councillors	5	5

7. OPERATIONS AND MAINTENANCE

	2021	2020
	€	€
Repairs and upkeep:		
Road and street pavements	14,959	3,189
Signs and road markings	9,698	4,680
Other repairs and upkeep	24,001	9,323
	<u>48,658</u>	<u>17,192</u>
Contractual services:		
Refuse collection	59,693	59,886
Bulky refuse collection	7,061	5,747
Road and street cleaning	23,224	23,448
Cleaning and maintenance of public convenience	7,293	5,508
Cleaning and maintenance of parks and gardens	4,374	7,950
Street lights	4,437	4,769
Other	5,000	427
	<u>111,082</u>	<u>107,735</u>
Total Operations and Maintenance	<u>159,740</u>	<u>124,927</u>

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Notes to the financial statements for the year ended 31 December 2021

8. ADMINISTRATION AND OTHER EXPENDITURE

	2021	2020
	€	€
Utilities	3,661	3,878
Rent payable	1,300	269
National and International Memberships and Subscriptions	-	-
Office services	6,934	5,341
Motor Vehicle Insurance/Licence including fuel	121	182
Publications and Advertising	5,192	1,975
Professional Services	35,952	30,705
Community Services and Events	26,122	12,796
Bank Interest and Charges	1,308	895
Lease Interest Cost	262	1,399
Depreciation	18,501	83,124
Insurance	1,651	1,620
Provision for Losses	-	6,162
Other expenses	804	764
	<u>101,808</u>	<u>149,110</u>

9. INTEREST INCOME

	2021	2020
	€	€
Bank interest	<u>-</u>	<u>-</u>

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Notes to the financial statements
for the year ended 31 December 2021

10. PROPERTY, PLANT AND EQUIPMENT

	Office Furniture /Fitting	Plant & Machinery	Office Equipment	Urban Development & Special Projects	New Street Signs	Street Lanterns & Lights	Construction Works	Motor Vehicles	Computer Equipment	Right of Use Asset - Property	Total
	€	€	€	€	€	€	€	€	€	€	€
Cost											
As at 1 January 2021	18,741	5,604	41,163	217,786	42,686	12,712	785,366	3,500	3,641	31,651	1,162,850
Additions during the year	-	2,658	754	9,140	-	1,853	-	-	-	-	14,405
Disposal	-	-	-	-	-	-	-	-	-	(31,651)	(31,651)
As at 31 December 2021	18,741	8,262	41,917	226,926	42,686	14,565	785,366	3,500	3,641	-	1,145,604
Grants and other reimbursements											
As at 1 January 2021	-	1,618	4,944	82,256	7,687	12,712	175,045	-	-	-	284,262
Grants during the year	-	2,332	-	8,000	-	1,853	-	-	-	-	12,185
As at 31 December 2021	-	3,950	4,944	90,256	7,687	14,565	175,045	-	-	-	296,446
Depreciation and Impairment Provision											
As at 1 January 2021	16,859	3,986	35,894	132,852	34,855	-	605,237	1,633	977	21,101	853,394
Charge for the year	352	64	283	413	144	-	5,084	700	910	10,550	18,501
Disposal	-	-	-	-	-	-	-	-	-	(31,651)	(31,651)
As at 31 December 2021	17,211	4,051	36,177	133,265	34,999	-	610,321	2,333	1,887	-	842,244
NET BOOK VALUE											
As at 31 December 2021	1,530	262	796	3,405	-	-	-	1,167	1,754	-	8,914

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LIJA LOCAL COUNCIL

Notes to the financial statements for the year ended 31 December 2021

10. PROPERTY, PLANT AND EQUIPMENT (continued)

	Office Furniture /Fitting	Plant & Machinery	Office Equipment	Urban Development & Special Projects	New Street Signs	Street Lanterns & Lights	Construction Works	Motor Vehicles	Computer Equipment	Right of Use Asset - Property	Total
	€	€	€	€	€	€	€	€	€	€	€
Cost											
As at 1 January 2020	18,741	3,986	41,163	178,054	42,686	12,712	785,366	3,500	1,073	21,049	1,108,330
Additions during the year	-	1,618	-	39,732	-	-	-	-	2,568	10,602	54,520
Disposal	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2020	18,741	5,604	41,163	217,786	42,686	12,712	785,366	3,500	3,641	31,651	1,162,850
Grants and other reimbursements											
As at 1 January 2020	-	-	4,944	45,501	7,687	-	175,045	-	-	-	233,177
Grants during the year	-	1,618	-	36,755	-	12,712	-	-	-	-	51,085
As at 31 December 2020	-	1,618	4,944	82,256	7,687	12,712	175,045	-	-	-	284,262
Depreciation and Impairment Provision											
As at 1 January 2020	15,458	3,986	35,762	124,782	34,521	-	544,237	933	67	10,524	770,270
Charge for the year	1,401	-	132	8,070	334	-	61,000	700	910	10,577	83,124
Disposal	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2020	16,859	3,986	35,894	132,852	34,855	-	605,237	1,633	977	21,101	853,394
NET BOOK VALUE											
As at 31 December 2020	1,882	-	325	2,678	144	-	5,084	1,867	2,664	10,550	25,194

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LIJA LOCAL COUNCIL

Notes to the financial statements for the year ended 31 December 2021

11. INVENTORY

	2021	2020
	€	€
Inventory of books	-	3,714

12. TRADE AND OTHER RECEIVABLES

	2021	2020
	€	€
Receivables	6,209	30,119
Prepayments	1,693	1,610
Accrued Income	1,915	5,641
Advance Payment	-	22,532
	<u>9,817</u>	<u>59,902</u>

Analysis of Trade receivables

Within the credit period	2,014	1,898
Exceeded credit period but not yet impaired	4,195	28,221
	<u>6,209</u>	<u>30,119</u>

Receivables are stated net of provision for doubtful debts of Eur1,893 (2020: Eur1,893).

LES Debtors after provision for doubtful debts amount to Eur796 (2020: Eur796).

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and balances with banks. Cash and cash equivalents included in the Statement of Cash Flows comprise the following amounts in the Statement of Financial Position.

	2021	2020
	€	€
Bank Balances:		
Current Accounts	6,592	6,716
Savings Accounts	371,922	287,795
Cash in Hand	124	200
	<u>378,638</u>	<u>294,711</u>
Transfer to payables	4,864	12,797
Cash at bank and in hand	<u>383,502</u>	<u>307,508</u>

LIJA LOCAL COUNCIL

Notes to the financial statements for the year ended 31 December 2021

14. DEFERRED INCOME

	2021	2020
	€	€
Opening Balance	84,092	9,189
Allocation of funds	70,653	78,255
Release of funds	(71,649)	(3,352)
Closing Balance	83,096	84,092
Less Current portion	-	-
Non-current portion	83,096	84,092
Deferred Income – between 1 and 2 years	-	-
Deferred Income – over 5 years	83,096	84,092
	83,096	84,092

15. TRADE AND OTHER PAYABLES

	2021	2020
	€	€
Overdrawn bank balance	4,864	12,797
Accounts payable	14,840	7,632
Accruals	13,693	20,625
Lease liabilities	-	11,738
Other deferred income	-	-
Financial liabilities	33,397	52,792
Non-current		
Long term payable	-	-

Lease Liabilities refer to the lease of the premises provided to the Council from where it operates, which lease expires on 31st December 2021.

16. CAPITAL COMMITMENTS

By the time these financial statements were approved, the Council has approved a project for the rebuilding of rubble walls, with pending commitments for Eur40,000, part which will be co-financed by the Department for Local Government.

Another committed project is for Vjal it-Trasfigurazzjoni paving works, which should amount to Eur11,000 as per latest estimates.



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LIJA LOCAL COUNCIL

Notes to the financial statements for the year ended 31 December 2021

17. RELATED PARTY TRANSACTIONS

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

Name of Entity	Nature of relationship
Department of Local Councils	Significant control
Regional Committees (Local Enforcement)	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control
Enemalta Corporation / ARMS	No control

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

	2021	2020
	€	€
Annual financial allocation	<u>309,524</u>	<u>296,148</u>

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

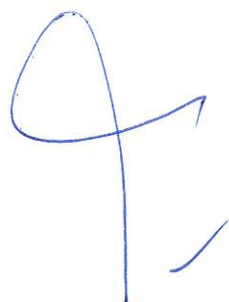
Key management compensation

Transactions with key management personnel are disclosed in note 6. The Council considers its Mayor, Councillors and the Executive Secretary to be Key Management Personnel. Remuneration paid to its Key Management Personnel amounted to Eur55,700 for 2021 (2020: Eur53,233).

18. RISK MANAGEMENT OBJECTIVES AND POLICIES

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.

The most significant financial risk to which the Council is exposed are described below.



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LIJA LOCAL COUNCIL

Notes to the financial statements for the year ended 31 December 2021

18. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

18.1 Credit Risk

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

		2021	2020
		€	€
Classes of financial assets – carrying amounts			
Trade and other receivables	(Note 12)	6,209	30,119
Cash and cash equivalents	(Note 13)	383,502	307,508
		<u>389,711</u>	<u>337,627</u>

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

The Council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the Council's financial assets is secured by collateral or other credit enhancements.

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

18.2 Liquidity Risk

The Council's trade and other payables exposure to liquidity risk arises from its obligations to meet its financial liabilities which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funds to meet the Council's obligations when they become due.

The Council manages its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. The Council's liquidity is deemed to be sufficient in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments.

		2021	2020
		€	€
Current liabilities			
Financial liabilities measured at amortised cost:			
Trade and other payables		14,840	7,632
Bank overdrawn		4,864	12,797
Lease liabilities		-	11,738
Accruals		13,693	20,625
		<u>33,397</u>	<u>52,792</u>
Non-current liabilities			
Financial liabilities measured at amortised cost:			
Long term payable		-	-



LIJA LOCAL COUNCIL

Notes to the financial statements for the year ended 31 December 2021

18. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

18.2 Liquidity Risk (continued)

At 31 December, the Council's financial liabilities have contractual maturities which are summarised below:

31 December 2021	Current within 1 year €	Non- current 1 to 5 years €	Later than 5 years €
Trade and other payables	14,840	-	-
Bank Overdrawn	4,864	-	-
Lease liabilities	-	-	-
Accruals	13,693	-	-
Long term payables	-	-	-

This compares to the maturities of the Council's financial liabilities in the previous reporting period as follows:

31 December 2020	Current within 1 year €	Non- current 1 to 5 years €	Later than 5 years €
Trade and other payables	7,632	-	-
Bank Overdrawn	12,797	-	-
Lease liabilities	11,738	-	-
Accruals	20,625	-	-
Long term payables	-	-	-

18.3 Interest Rate Risk

The Council has no significant interest-bearing assets other than cash and cash equivalent (Note 13), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. The Council monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, the Council considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

18.4 Foreign Currency Risk

The Council is not exposed to foreign exchange risk since it does not transact in foreign currencies.

LIJA LOCAL COUNCIL

Notes to the financial statements for the year ended 31 December 2021

18. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

18.5 Summary of financial assets and liabilities by category

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

	2021 €	2020 €
Current assets		
Loans and receivables:		
Trade and other receivables	6,209	30,119
Cash and cash equivalents	383,502	307,508
	<u>389,711</u>	<u>337,627</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Trade and other payables	14,840	7,632
Bank overdrawn	4,864	12,797
Lease liabilities	-	11,738
Accruals	13,693	20,625
	<u>33,397</u>	<u>52,792</u>
Non-current liabilities		
Financial liabilities measured at amortised cost:		
Long term payable	-	-

18.6 Capital Risk Management

The Council's objectives when managing capital are to safeguard the Council's ability to continue as a going concern so that it can continue to provide a service to the residents of the Local Council by maintaining an optimal capital structure to reduce cost of capital.

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

19. Fair Value Estimation

As at 31 December 2021 and 31 December 2020, the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.



LIJA LOCAL COUNCIL

Notes to the financial statements for the year ended 31 December 2021

20. Events After the End of the Reporting Period

No adjusting or significant non-adjusting events have occurred between the end of the reporting period and the date of authorisation by the Council.

21. Contingent Liabilities

As at year-end the Council had contingent liabilities in respect of the following claim against it.

Mallia Joseph noe v Magri Naudi Madga noe et: This claim is for Euro 18,486. Originally this claim was between Ms Annalise Cilia and the insurance company, whereby the insurance company paid Ms Annalise Cilia for damages caused to furniture and home appliances amounting to Eur17,161, plus Eur1,325 as survey fees. Subsequently, the insurance company opened this claim against the Mayor as representative of the Lija Local Council. Mr Joseph Mallia is acting as representative of the insurance company - Lloyds Malta Ltd.

The case was adjudicated against the defendants and the Local Council's share for payment is Eur6,162. An appeal has been filed and court sittings are still ongoing and a provision for this amount has been included this year.



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Report of the Local Government Auditor

To the Auditor General

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Lija Local Council set out on pages 2 to 24 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, the accompanying financial statements give a true and fair view of the financial position of the Council 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), and have been properly prepared in accordance with the requirements of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act, the Local Councils (Financial) Procedures 1996 (the “Legislation”).

Basis for opinion

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 Council 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 opinion.

Responsibilities of those charged with governance for the financial statements

As described on page 1 the Executive Secretary and the members of the Local Council 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 Local Council are responsible for assessing the Council’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 Council or to cease operations, or have no realistic alternative but to do so.

The Executive Secretary and the members of the Local Council are responsible for overseeing the Council'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 Council'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 Council'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 Council 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
Central Business District
Birkirkara CBD1050
Malta

14 September 2022