

KUNSILL LOKALI HAL LIJA  
HAL LIJA LOCAL COUNCIL

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

for the year ended 31 December 2022

**REGISTRY**

20 JUN 2023

NATIONAL AUDIT OFFICE

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Prepared by Akkonta Services Ltd

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# LIJA LOCAL COUNCIL

## Annual report and financial statements for the year ended 31 December 2022

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# LIJA LOCAL COUNCIL

## Statement of Local Council Members' and Executive Secretary's Responsibilities for the year ended 31 December 2022

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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 13th June 2023 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 2022

|   | Note | 2022<br>€        | 2021<br>€        |
|---|------|------------------|------------------|
| <b>Revenue</b>                              |      |                  |                  |
| Funds received from central government      | 3    | 446,764          | 379,034          |
| Income raised from Local Enforcement System | 4    | 2,166            | 4,093            |
| General Income                              | 5    | 19,258           | 8,840            |
|   |      | <u>468,188</u>   | <u>391,967</u>   |
| <b>Expenditure</b>                          |      |                  |                  |
| Personal emoluments                         | 6    | (117,539)        | (104,925)        |
| Operations and maintenance                  | 7    | (219,944)        | (159,740)        |
| Administration and other expenditure        | 8    | (97,891)         | (101,546)        |
|   |      | <u>(435,374)</u> | <u>(366,211)</u> |
| <b>Operating Profit for year</b>            |      | 32,814           | 25,756           |
| Finance cost                                | 9    | (2,445)          | (262)            |
|   |      | <u>30,369</u>    | <u>25,494</u>    |

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



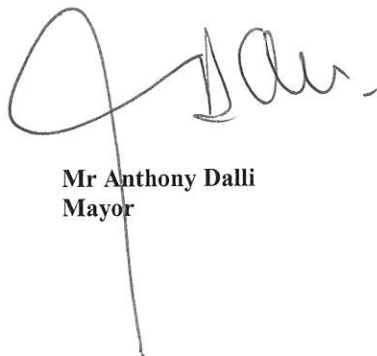
# LIJA LOCAL COUNCIL

## Statement of Financial Position as at 31 December 2022

|                                     | Note | 2022<br>€      | 2021<br>€ |
|-------------------------------------|------|----------------|-----------|
| <b>Assets</b>                       |      |                |           |
| <i>Non current asset</i>            |      |                |           |
| Property, plant and equipment       | 10   | <u>90,129</u>  | 8,914     |
|                                     |      | <u>90,129</u>  | 8,914     |
| <i>Current assets</i>               |      |                |           |
| Trade and other receivables         | 11   | 47,984         | 9,817     |
| Cash and cash equivalents           | 12   | <u>328,938</u> | 383,502   |
|                                     |      | <u>376,922</u> | 393,319   |
| <b>Total assets</b>                 |      | <u>467,051</u> | 402,233   |
| <b>Reserves and liabilities</b>     |      |                |           |
| <i>Reserves</i>                     |      |                |           |
| Retained earnings                   |      | <u>315,299</u> | 284,930   |
| <i>Non current liabilities</i>      |      |                |           |
| Deferred Income                     | 13   | 51,314         | 83,906    |
| Lease Liability – Non-current       | 14   | <u>37,581</u>  | -         |
|                                     |      | <u>88,895</u>  | 83,906    |
| <i>Current liabilities</i>          |      |                |           |
| Trade and Other Payables            | 14   | <u>62,857</u>  | 33,397    |
| <b>Total liabilities</b>            |      | <u>151,752</u> | 117,303   |
| <b>Total equity and liabilities</b> |      | <u>467,051</u> | 402,233   |

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 13th June 2023 and signed on its behalf by:



**Mr Anthony Dalli**  
Mayor



**Ms Pamela Borg**  
Executive Secretary



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# LIJA LOCAL COUNCIL

## Statement of Changes in Equity for the year ended 31 December 2022

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|   | 2022<br>€      | 2021<br>€      |
|---|----------------|----------------|
| <b>Retained Funds</b>                   |                |                |
| At 1st January                          | 284,930        | 259,436        |
| Total Comprehensive Profit for the year | 30,369         | 25,494         |
|   | <hr/>          | <hr/>          |
| <b>At 31<sup>st</sup> December</b>      | <b>315,299</b> | <b>284,930</b> |

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

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# LIJA LOCAL COUNCIL

## Statement of Cash Flows for the year ended 31 December 2022

|  | Note | 2022<br>€       | 2021<br>€ |
|--|------|-----------------|-----------|
| <b>Cash Flow from Operating Activities</b>                     |      |                 |           |
| <b>Total Comprehensive Profit for the year</b>                 |      | <b>30,369</b>   | 25,494    |
| Adjustments for:   |      |                 |           |
| Depreciation   |      | 19,904          | 18,501    |
| Interest paid  |      | 2,445           | 262       |
| Deferred income released                                       |      | (60,896)        | (36,833)  |
| Operating Profit/(Loss) before Working Capital Changes         |      | (8,178)         | 7,424     |
| Working Capital Changes:                                       |      |                 |           |
| Decrease in inventories  |      | -               | 3,714     |
| Decrease/(Increase) in receivables                             |      | (38,167)        | 50,086    |
| Increase/(Decrease) in payables                                |      | 84,902          | 90        |
| Grants utilised  |      | 24,579          | (34,630)  |
| <b>Net Cash flows from operating activities</b>                |      | <b>63,136</b>   | 26,683    |
| <b>Cash flows from/(used in) Investing Activities</b>          |      |                 |           |
| Purchase of property, plant and equipment                      |      | (157,580)       | (14,405)  |
| New grants received  |      | 60,186          | 83,649    |
| <b>Cash Flow generated from/(used in) Investing Activities</b> |      | <b>(97,394)</b> | 69,244    |
| <b>Cash flows from Financing Activities</b>                    |      |                 |           |
| Lease interest paid  |      | (2,445)         | (262)     |
| Lease payments   |      | (13,800)        | (11,738)  |
| <b>Cash Flow used in Financing Activities</b>                  |      | <b>(16,245)</b> | (12,000)  |
| <b>Net increase/(decrease) in Cash and Cash Equivalents</b>    |      | <b>(50,503)</b> | 83,927    |
| <b>Cash and Cash Equivalents at the Beginning of the year</b>  |      | <b>378,638</b>  | 294,711   |
| <b>Cash and Cash Equivalents at the End of the year</b>        | 12   | <b>328,135</b>  | 378,638   |

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 2022

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### 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 13th June 2023. 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 2022.

#### **Amendments to the Conceptual Framework for IFRS 3 Business Combinations**

The amendments were issued on 14<sup>th</sup> May 2020 and update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard. These amendments had no impact on the financial statements.

#### **Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use**

The amendments were issued on 14<sup>th</sup> May 2020. They prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. These amendments had no impact on the financial statements.





# LIJA LOCAL COUNCIL

## Notes to the financial statements for the year ended 31 December 2022

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### **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts: Cost of Fulfilling a Contract**

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). 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 following:

### **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 2024, with early application permitted, but is not yet endorsed for use in the EU.

### **Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors**

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. The amendments are applicable for annual reporting periods beginning on or after 1 January 2023, with optional early adoption.



# LIJA LOCAL COUNCIL

## Notes to the financial statements for the year ended 31 December 2022

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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 2021. 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.



# LIJA LOCAL COUNCIL

## Notes to the financial statements for the year ended 31 December 2022

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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 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 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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# LIJA LOCAL COUNCIL

## Notes to the financial statements for the year ended 31 December 2022

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*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) 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.

*l) 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.

*m) 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.

*n) 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.

# LIJA LOCAL COUNCIL

## Notes to the financial statements for the year ended 31 December 2022

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o) *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.

# LIJA LOCAL COUNCIL

## Notes to the financial statements for the year ended 31 December 2022

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### *o) 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 and lease liabilities.

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.



# LIJA LOCAL COUNCIL

## Notes to the financial statements for the year ended 31 December 2022

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*p) 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).

### 3. FUNDS RECEIVED FROM CENTRAL GOVERNMENT

|  | 2022           | 2021           |
|--|----------------|----------------|
|  | €              | €              |
| In terms of Section 55 of the Local Councils Act (Cap 363) | 316,976        | 309,524        |
| Other Government Income                                    | 129,788        | 69,510         |
|  | <u>446,764</u> | <u>379,034</u> |

### 4. INCOME RAISED FROM LOCAL ENFORCEMENT SYSTEM

|  | 2022  | 2021  |
|--|-------|-------|
|  | €     | €     |
| Regional Committee LESA – Administration Fee | 2,166 | 4,093 |

### 5. GENERAL INCOME

|                     | 2022          | 2021         |
|---------------------|---------------|--------------|
|                     | €             | €            |
| Income from Permits | 10,934        | 8,388        |
| Other Income        | 8,324         | 452          |
|                     | <u>19,258</u> | <u>8,840</u> |

# LIJA LOCAL COUNCIL

## Notes to the financial statements for the year ended 31 December 2022

### 6. PERSONEL EMOLUMENTS

|                               | 2022           | 2021           |
|-------------------------------|----------------|----------------|
|                               | €              | €              |
| Mayor's Allowance             | 10,743         | 10,736         |
| Councillor's Allowance        | 13,000         | 13,000         |
| Executive Secretary's Salary  | 45,240         | 28,710         |
| Employees' Salaries           | 42,117         | 45,874         |
| Social Security Contributions | 6,439          | 6,605          |
|                               | <u>117,539</u> | <u>104,925</u> |

### AVERAGE NUMBER OF PEOPLE EMPLOYED

|                         |   |   |
|-------------------------|---|---|
| Employees – Full Timers | 4 | 4 |
| Mayor and Councillors   | 5 | 5 |

### 7. OPERATIONS AND MAINTENANCE

|  | 2022           | 2021           |
|--|----------------|----------------|
|  | €              | €              |
| <b>Repairs and upkeep:</b>                     |                |                |
| Road and street pavements                      | 52,457         | 14,959         |
| Signs and road markings                        | 2,915          | 9,698          |
| Other repairs and upkeep                       | 40,397         | 24,001         |
|  | <u>95,769</u>  | <u>48,658</u>  |
| <b>Contractual services:</b>                   |                |                |
| Refuse collection                              | 71,746         | 59,693         |
| Bulky refuse collection                        | 6,834          | 7,061          |
| Road and street cleaning                       | 23,460         | 23,224         |
| Cleaning and maintenance of public convenience | 7,694          | 7,293          |
| Cleaning and maintenance of parks and gardens  | 7,847          | 4,374          |
| Street lights                                  | 5,418          | 4,437          |
| Other  | 1,176          | 5,000          |
|  | <u>124,175</u> | <u>111,082</u> |
| <b>Total Operations and Maintenance</b>        | <u>219,944</u> | <u>159,740</u> |

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# LIJA LOCAL COUNCIL

## Notes to the financial statements for the year ended 31 December 2022

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### 8. ADMINISTRATION AND OTHER EXPENDITURE

|                               | 2022          | 2021           |
|-------------------------------|---------------|----------------|
|                               | €             | €              |
| Utilities                     | 4,769         | 3,661          |
| Rent payable                  | 9,765         | 1,300          |
| Office services               | 4,727         | 6,934          |
| Travel                        | 3,509         | 121            |
| Publications and Advertising  | 2,650         | 5,192          |
| Professional Services         | 28,841        | 35,952         |
| Community Services and Events | 20,183        | 26,122         |
| Bank Interest and Charges     | 684           | 1,308          |
| Depreciation                  | 19,904        | 18,501         |
| Insurance                     | 2,424         | 1,651          |
| Other expenses                | 435           | 804            |
|                               | <u>97,891</u> | <u>101,546</u> |

### 9. FINANCE COST

|                     | 2022         | 2021       |
|---------------------|--------------|------------|
|                     | €            | €          |
| Lease Interest Cost | <u>2,445</u> | <u>262</u> |

Notes to the financial statements  
for the year ended 31 December 2022

10. PROPERTY, PLANT AND EQUIPMENT

|  | Office<br>Furniture<br>/Fitting | Plant &<br>Machinery | Office<br>Equipment | Urban<br>Development<br>& Special<br>Projects | New<br>Street<br>Signs | Street<br>Lanterns<br>& Lights | Construction<br>Works | Motor<br>Vehicles | Computer<br>Equipment | Right of<br>Use Asset -<br>Property | Total            |
|--|---------------------------------|----------------------|---------------------|---|------------------------|--------------------------------|-----------------------|-------------------|-----------------------|-------------------------------------|------------------|
|  | €                               | €                    | €                   | €   | €                      | €                              | €                     | €                 | €                     | €                                   | €                |
| <b>Cost</b>                                      |                                 |                      |                     |   |                        |                                |                       |                   |                       |                                     |                  |
| As at 1 January 2022                             | 18,741                          | 8,262                | 41,917              | 226,927                                       | 42,686                 | 14,565                         | 785,366               | 3,500             | 3,641                 | -                                   | 1,145,605        |
| Additions during the year                        | 8,865                           | -                    | 3,208               | 73,923  | -                      | -                              | -                     | 8,850             | -                     | 62,734                              | 157,580          |
| <b>As at 31 December 2022</b>                    | <b>27,606</b>                   | <b>8,262</b>         | <b>45,125</b>       | <b>300,850</b>                                | <b>42,686</b>          | <b>14,565</b>                  | <b>785,366</b>        | <b>12,350</b>     | <b>3,641</b>          | <b>62,734</b>                       | <b>1,303,185</b> |
| <b>Grants and other reimbursements</b>           |                                 |                      |                     |   |                        |                                |                       |                   |                       |                                     |                  |
| As at 1 January 2022                             | -                               | 3,950                | 4,944               | 90,256  | 7,687                  | 14,565                         | 175,045               | -                 | -                     | -                                   | 296,447          |
| Grants during the year                           | 8,865                           | -                    | 1,721               | 45,875  | -                      | -                              | -                     | -                 | -                     | -                                   | 56,461           |
| <b>As at 31 December 2022</b>                    | <b>8,865</b>                    | <b>3,950</b>         | <b>6,665</b>        | <b>136,131</b>                                | <b>7,687</b>           | <b>14,565</b>                  | <b>175,045</b>        | <b>-</b>          | <b>-</b>              | <b>-</b>                            | <b>352,908</b>   |
| <b>Depreciation and<br/>Impairment Provision</b> |                                 |                      |                     |   |                        |                                |                       |                   |                       |                                     |                  |
| As at 1 January 2022                             | 17,211                          | 4,051                | 36,177              | 133,265                                       | 34,999                 | -                              | 610,321               | 2,333             | 1,887                 | -                                   | 840,244          |
| Charge for the year                              | 142                             | 64                   | 553                 | 3,218   | -                      | -                              | -                     | 2,470             | 910                   | 12,547                              | 19,904           |
| <b>As at 31 December 2022</b>                    | <b>17,353</b>                   | <b>4,115</b>         | <b>36,730</b>       | <b>136,483</b>                                | <b>34,999</b>          | <b>-</b>                       | <b>610,321</b>        | <b>4,803</b>      | <b>2,797</b>          | <b>12,547</b>                       | <b>860,148</b>   |
| <b>NET BOOK VALUE</b>                            |                                 |                      |                     |   |                        |                                |                       |                   |                       |                                     |                  |
| As at 31 December 2022                           | 1,388                           | 197                  | 1,730               | 28,236  | -                      | -                              | -                     | 7,547             | 844                   | 50,187                              | 90,129           |

## LIJA LOCAL COUNCIL

### Notes to the financial statements for the year ended 31 December 2022

#### 10. PROPERTY, PLANT AND EQUIPMENT (continued)

|  | Office<br>Furniture<br>/Fitting | Plant &<br>Machinery | Office<br>Equipment | Urban<br>Development<br>& Special<br>Projects | New<br>Street<br>Signs | Street<br>Lanterns<br>& Lights | Construction<br>Works | Motor<br>Vehicles | Computer<br>Equipment | Right of<br>Use Asset -<br>Property | Total            |
|--|---------------------------------|----------------------|---------------------|---|------------------------|--------------------------------|-----------------------|-------------------|-----------------------|-------------------------------------|------------------|
|  | €                               | €                    | €                   | €   | €                      | €                              | €                     | €                 | €                     | €                                   | €                |
| <b>Cost</b>                                      |                                 |                      |                     |   |                        |                                |                       |                   |                       |                                     |                  |
| 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                 | 9,141   | -                      | 1,853                          | -                     | -                 | -                     | -                                   | 14,406           |
| Disposal   | -                               | -                    | -                   | -   | -                      | -                              | -                     | -                 | -                     | (31,651)                            | (31,651)         |
| <b>As at 31 December 2021</b>                    | <b>18,741</b>                   | <b>8,262</b>         | <b>41,917</b>       | <b>226,927</b>                                | <b>42,686</b>          | <b>14,565</b>                  | <b>785,366</b>        | <b>3,500</b>      | <b>3,641</b>          | <b>-</b>                            | <b>1,145,605</b> |
| <b>Grants and other reimbursements</b>           |                                 |                      |                     |   |                        |                                |                       |                   |                       |                                     |                  |
| 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           |
| <b>As at 31 December 2021</b>                    | <b>-</b>                        | <b>3,950</b>         | <b>4,944</b>        | <b>90,256</b>                                 | <b>7,687</b>           | <b>14,565</b>                  | <b>175,045</b>        | <b>-</b>          | <b>-</b>              | <b>-</b>                            | <b>296,446</b>   |
| <b>Depreciation and<br/>Impairment Provision</b> |                                 |                      |                     |   |                        |                                |                       |                   |                       |                                     |                  |
| 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                 | 414   | 144                    | -                              | 5,084                 | 700               | 910                   | 10,550                              | 18,501           |
| Disposal   | -                               | -                    | -                   | -   | -                      | -                              | -                     | -                 | -                     | (31,651)                            | (31,651)         |
| <b>As at 31 December 2021</b>                    | <b>17,211</b>                   | <b>4,051</b>         | <b>36,177</b>       | <b>133,266</b>                                | <b>34,999</b>          | <b>-</b>                       | <b>610,321</b>        | <b>2,333</b>      | <b>1,887</b>          | <b>-</b>                            | <b>840,244</b>   |
| <b>NET BOOK VALUE</b>                            |                                 |                      |                     |   |                        |                                |                       |                   |                       |                                     |                  |
| As at 31 December 2021                           | 1,530                           | 262                  | 796                 | 3,405   | -                      | -                              | -                     | 1,167             | 1,754                 | -                                   | 8,914            |

# LIJA LOCAL COUNCIL

## Notes to the financial statements for the year ended 31 December 2022

### 11. TRADE AND OTHER RECEIVABLES

|   | 2022          | 2021         |
|---|---------------|--------------|
|   | €             | €            |
| Receivables                                 | 22,936        | 6,209        |
| Prepayments                                 | 2,398         | 1,693        |
| Accrued Income                              | 18,650        | 1,915        |
| Advance Payment                             | 4,000         | -            |
|   | <u>47,984</u> | <u>9,817</u> |
| <b>Analysis of Trade receivables</b>        |               |              |
| Within the credit period                    | 7,952         | 2,014        |
| Exceeded credit period but not yet impaired | 14,984        | 4,195        |
|   | <u>22,936</u> | <u>6,209</u> |

Receivables are stated net of provision for doubtful debts of Eur1,893 (2021: Eur1,893).

LES Debtors after provision for doubtful debts amount to Eur796 (2021: Eur796).

### 12. 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.

|                                 | 2022           | 2021           |
|---------------------------------|----------------|----------------|
|                                 | €              | €              |
| <b>Bank Balances:</b>           |                |                |
| Current Accounts                | 5,734          | 6,592          |
| Savings Accounts                | 322,259        | 371,922        |
| Cash in Hand                    | 142            | 124            |
|                                 | <u>328,135</u> | <u>378,638</u> |
| Transfer to payables            | 803            | 4,864          |
| <b>Cash at bank and in hand</b> | <u>328,938</u> | <u>383,502</u> |

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# LIJA LOCAL COUNCIL

## Notes to the financial statements for the year ended 31 December 2022

### 13. DEFERRED INCOME

|                        | 2022          | 2021          |
|------------------------|---------------|---------------|
|                        | €             | €             |
| Opening Balance        | 83,906        | 84,902        |
| Allocation of funds    | 28,303        | 70,653        |
| Release of funds       | (60,895)      | (71,649)      |
| <b>Closing Balance</b> | <b>51,314</b> | <b>83,906</b> |

### 14. TRADE AND OTHER PAYABLES

|   | 2022           | 2021          |
|---|----------------|---------------|
|   | €              | €             |
| Overdrawn bank balance                  | 803            | 4,864         |
| Accounts payable                        | 31,761         | 14,840        |
| Accruals                                | 16,493         | 13,693        |
| Lease liabilities – current portion     | 13,800         | -             |
| <b>Current Liabilities</b>              | <b>62,857</b>  | <b>33,397</b> |
| Lease liabilities – non-current portion | 37,581         | -             |
| <b>Financial liabilities</b>            | <b>100,438</b> | <b>33,397</b> |

Lease Liabilities refer to the lease of the premises provided to the Council from where it operates, which lease expires on 1<sup>st</sup> May 2027.

### 15. CAPITAL COMMITMENTS

By the time these financial statements were approved, the Council has approved a project for the maintenance works on the Public Convenience for Eur41,146 and a project for the development/improvement to Playing Fields for Eur16,612, both of which will be partly co-financed by the Department for Local Government.

Another committed investment is the purchase of an electric van for an estimated cost of Eur40,850, which will be partly co-financed by LESA.

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# LIJA LOCAL COUNCIL

## Notes to the financial statements for the year ended 31 December 2022

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### 16. RELATED PARTY TRANSACTIONS

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

| <b>Name of Entity</b>                    | <b>Nature of relationship</b> |
|--|-------------------------------|
| 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:

|                             | 2022           | 2021           |
|-----------------------------|----------------|----------------|
|                             | €              | €              |
| Annual financial allocation | <u>316,976</u> | <u>309,524</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 Eur68,002 for 2022 (2021: Eur55,700).

### 17. 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.

# LIJA LOCAL COUNCIL

## Notes to the financial statements for the year ended 31 December 2022

### 17. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### 17.1 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:

|   |           | 2022           | 2021           |
|---|-----------|----------------|----------------|
|   |           | €              | €              |
| <b>Classes of financial assets – carrying amounts</b> |           |                |                |
| Trade and other receivables                           | (Note 11) | 22,936         | 6,209          |
| Cash and cash equivalents                             | (Note 12) | 328,938        | 383,502        |
|   |           | <u>351,874</u> | <u>389,711</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.

#### 17.2 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.

|   |  | 2022          | 2021          |
|---|--|---------------|---------------|
|   |  | €             | €             |
| <b>Current liabilities</b>                        |  |               |               |
| Financial liabilities measured at amortised cost: |  |               |               |
| Accounts payable                                  |  | 31,761        | 14,840        |
| Bank overdrawn                                    |  | 803           | 4,864         |
| Lease liabilities                                 |  | 13,800        | -             |
| Accruals  |  | 16,493        | 13,693        |
|   |  | <u>62,857</u> | <u>33,397</u> |
| <b>Non-current liabilities</b>                    |  |               |               |
| Financial liabilities measured at amortised cost: |  |               |               |
| Lease liabilities                                 |  | <u>37,581</u> | -             |



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# LIJA LOCAL COUNCIL

## Notes to the financial statements for the year ended 31 December 2022

### 17. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### 17.2 Liquidity Risk (continued)

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

| 31 December 2022                | Current<br>within<br>1 year<br>€ | Non-<br>current<br>1 to 5 years<br>€ | Later<br>than<br>5 years<br>€ |
|---------------------------------|----------------------------------|--------------------------------------|-------------------------------|
| Accounts payable                | 31,761                           | -                                    | -                             |
| Bank Overdrawn                  | 803                              | -                                    | -                             |
| Lease liabilities - current     | 13,800                           | -                                    | -                             |
| Accruals                        | 16,493                           | -                                    | -                             |
| Lease liabilities – non-current | -                                | 37,581                               | -                             |

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

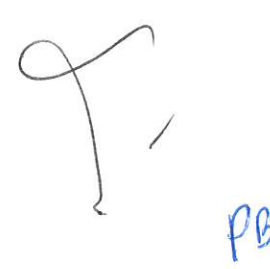
| 31 December 2021 | Current<br>within<br>1 year<br>€ | Non-<br>current<br>1 to 5 years<br>€ | Later<br>than<br>5 years<br>€ |
|------------------|----------------------------------|--------------------------------------|-------------------------------|
| Accounts payable | 14,840                           | -                                    | -                             |
| Bank Overdrawn   | 4,864                            | -                                    | -                             |
| Accruals         | 13,693                           | -                                    | -                             |

#### 17.3 Interest Rate Risk

The Council has no significant interest-bearing assets other than cash and cash equivalent (Note 12), 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.

#### 17.4 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 2022

### 17. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### 17.5 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:

|   | 2022           | 2021           |
|---|----------------|----------------|
|   | €              | €              |
| <b>Current assets</b>                             |                |                |
| Financial assets at amortised cost:               |                |                |
| Trade and other receivables                       | 22,936         | 6,209          |
| Cash and cash equivalents                         | 328,938        | 383,502        |
|   | <u>351,874</u> | <u>389,711</u> |
| <b>Current liabilities</b>                        |                |                |
| Financial liabilities measured at amortised cost: |                |                |
| Accounts payable                                  | 31,761         | 14,840         |
| Bank overdrawn                                    | 803            | 4,864          |
| Lease liabilities - current                       | 13,800         | -              |
| Accruals  | 16,493         | 13,693         |
|   | <u>62,857</u>  | <u>33,397</u>  |
| <b>Non-current liabilities</b>                    |                |                |
| Financial liabilities measured at amortised cost: |                |                |
| Lease liabilities – non-current                   | <u>37,581</u>  | -              |

#### 17.6 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.

### 18. Fair Value Estimation

As at 31 December 2022 and 31 December 2021, the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

# LIJA LOCAL COUNCIL

## Notes to the financial statements for the year ended 31 December 2022

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### 19. 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.

### 20. 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 has been recognized.

# 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 2022, 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 2022, 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

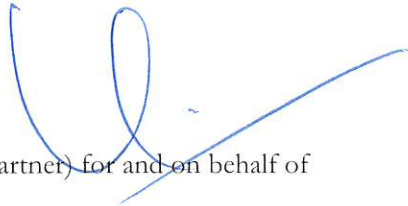
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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

13 June 2023