

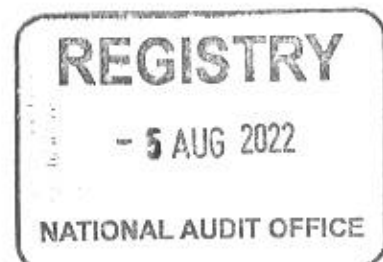
Siggiewi Local Council

Report and Financial Statements

For the year ended 31 December 2021

Prepared by:

PKF Malta Limited



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Financial Statements for the year ended 31 December 2021

Statement of Local Council Members' and Executive Secretary's Responsibilities

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

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, 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 Council on 04 July 2022 and signed on its behalf by:



Mr. Dominic Grech
Mayor



Ms. Ritienne Giorgino
Executive Secretary

Statement of Comprehensive Income for the year ended 31 December 2021

	Notes	2021 Euro	2020 Euro
Income			
Funds received from central government	4	968,688	911,313
Income raised from Bye-Laws	5	35,176	31,881
Local Enforcement Income	6	1,092	1,963
Investment Income	7	-	26
General Income	8	35	7,245
		<u>1,004,991</u>	<u>952,428</u>
Expenditure			
Personal emoluments	9	(123,757)	(119,172)
Operations and maintenance	10	(404,546)	(386,010)
Administration and other expenditure	11	(343,734)	(283,620)
Finance cost	12	(513)	-
		<u>(872,550)</u>	<u>(788,802)</u>
Surplus for the year		<u>132,441</u>	<u>163,626</u>
Other Comprehensive Income		-	-
Total Comprehensive Income		<u>132,441</u>	<u>163,626</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position as at 31 December 2021

	Notes	2021 Euro	2020 Euro
Assets			
Non-current Assets			
Property, Plant and Equipment	13	1,089,046	1,190,052
Right of Use Asset	14	9,611	-
		<u>1,098,657</u>	<u>1,190,052</u>
Current Assets			
Receivables	15	24,015	50,142
Cash and Cash Equivalents	16	1,279,847	1,035,783
		<u>1,303,862</u>	<u>1,085,925</u>
Total assets		<u>2,402,519</u>	<u>2,275,977</u>
Reserves and Liabilities			
Reserves			
Retained Funds		<u>2,130,236</u>	<u>1,997,795</u>
Non-Current Liabilities			
Lease Liability	18	<u>7,137</u>	-
Current Liabilities			
Bank Balances Overdrawn	16	-	69,038
Payables	17	262,483	209,144
Lease Liability	18	2,663	-
		<u>265,146</u>	<u>278,182</u>
Total Liabilities		<u>272,283</u>	<u>278,182</u>
Total reserves and liabilities		<u>2,402,519</u>	<u>2,275,977</u>

The above balance sheet should be read in conjunction with the accompanying notes.

The financial statements were approved by the Council on 04 July 2022 and were signed on its behalf by:



Mr. Dominic Grech
Mayor



Ms. Ritiene Giorgino
Executive Secretary

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

	Retained Funds
	Euro
Balance at 1 January 2020	1,834,169
Surplus for the year	163,626
Other Comprehensive Income	-
Total Comprehensive income	<u>163,626</u>
Balance at 31 December 2020	<u>1,997,795</u>
Balance at 1 January 2021	1,997,795
Surplus for the year	132,441
Other Comprehensive Income	-
Total Comprehensive income	<u>132,441</u>
Balance at 31 December 2021	<u>2,130,236</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows for the year ended 31 December 2021

		2021 Euro	2020 Euro
	Notes		
Cash flow from operating activities			
Surplus for the year		132,441	163,626
Adjustments for:			
Depreciation of property, plant & equipment		116,110	113,785
Depreciation of Right-of-use asset		2,746	-
Interest receivable		-	(26)
Interest payable		513	-
Release of deferred income		-	(25,070)
		<u>251,810</u>	<u>252,315</u>
Movement in payables		53,339	(14,272)
Movement in receivables		<u>26,127</u>	<u>74,187</u>
<i>Net cash from operating activities</i>		<u>331,276</u>	<u>312,230</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(42,132)	(47,089)
Interest received		-	26
Grants received from Government		<u>27,028</u>	<u>19,953</u>
<i>Net cash used in investing activities</i>		<u>(15,104)</u>	<u>(27,110)</u>
Cash flows from financing activities			
Lease payments		(2,557)	-
Lease interest paid		<u>(513)</u>	<u>-</u>
<i>Net cash used in financing activities</i>		<u>(3,070)</u>	<u>-</u>
Movement in cash and cash equivalents		<u>313,102</u>	<u>285,120</u>
Cash and cash equivalents at beginning of year		<u>966,745</u>	<u>681,625</u>
Cash and cash equivalents at end of year	16	<u>1,279,847</u>	<u>966,745</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to the Financial Statements for the year ended 31 December 2021**1. General Information**

The Siggiewi Local Council is a local government set up by the Local Councils Act, 1993. The office of the Council is situated at Siggiewi Civic Centre - 18, Pjazza San Nikola, Siggiewi. The Local Council's presentation as well as the functional currency are denominated in € (euro). The financial statements were authorised for issue by the Council on 04 July 2022. Siggiewi Local Council prepares the financial statements on a yearly basis from 1st January to 31st December.

2. Reporting procedures

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

Accounting Convention

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

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

Standards, interpretations and amendments to published standards as endorsed by the EU effective in the current year

In the current year, the Council has applied new and amended IFRS Standards issued by the International Accounting Standards Board (IASB) and adopted by the EU that are mandatorily effective in the EU for an accounting period that begins on or after 1 January 2021. The adoption of new and amended standards did not have a material impact on the Council's financial statements.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2 (effective for annual reporting periods beginning on or after 01 January 2021)
- Amendment to IFRS 16 COVID-19 Related Rent Concessions (effective for annual reporting periods beginning on or after 01 April 2021)

Notes to the Financial Statements for the year ended 31 December 2021**2. Reporting Procedures (Continued)****Standards, amendments and interpretations to published standards as endorsed by the EU that are not yet effective.**

At the date of the authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective and have not been adopted early by the Council. The Council anticipates that all the relevant pronouncements will be adopted in the Council's accounting policies upon their effective date.

- Amendments to IFRS 3 Reference to the Conceptual Framework (effective for annual reporting periods beginning on or after 1 January 2022)
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (effective for annual reporting periods beginning on or after 1 January 2022)
- Amendments to IAS 37 Onerous Contracts Cost of Fulfilling a Contract (effective for annual reporting periods beginning on or after 1 January 2022)
- Annual Improvements to IFRS Standards 2018-2020 (effective for annual reporting periods beginning on or after 1 January 2022)

Standards, interpretations and amendments to published standards that are not yet endorsed by the EU.

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current (effective for annual reporting periods beginning on or after 1 January 2023)
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 (effective for annual reporting periods beginning on or after 1 January 2023)
- Amendments to IAS 8 Definition of Accounting Estimates (effective for annual reporting periods beginning on or after 1 January 2023)
- IFRS 17 - Insurance Contracts (effective for annual reporting periods beginning on or after 1 January 2023)
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual reporting periods beginning on or after 1 January 2023)

The Council is still assessing the effect of these changes on the financial statements, however certain new standards and interpretations are not expected to have a material impact on the Council's financial statements.

Notes to the Financial Statements for the year ended 31 December 2021**3. Accounting policies****Income recognition**

Income is recognised at the fair value of the amount received or receivable, to the extent that it is probable that the future economic benefits will flow to the Council, and these can be measured reliably.

Interest income is accrued on a time basis, by reference to the principle outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount.

Government grants are recognised when there is a reasonable assurance that all conditions attaching to them are complied with and the grants will be received. Government grants related to income are recognised in profit or loss over the periods necessary to match them with the related costs which are intended to compensate, on a systematic basis. Such grants are presented as an income in the statement of comprehensive income.

During 2021, the amount disclosed in the financial statements under Local Enforcement Income represented the share of profit derived from the administrative fee of 10% that is chargeable to the respective Regional Committees for contraventions paid at the Council.

Leases

The Council has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means that comparative information is still reported under IAS 17 and IFRIC 4.

The Council as a lessee

The Council considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Council assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Council;
- the Council has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Council has the right to direct the use of the identified asset throughout the period of use. The Council assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Council recognises a right of use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Council, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the commencement date (net of any incentives received).

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

3. Accounting policies (Continued)

Leases (Continued)

The Council depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Council also assesses the right-of-use asset for impairment when such indicators exist.

At lease commencement date, the Council measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Council's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

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

On the statement of financial position, the Council has opted to disclose the right-of-use assets and lease liabilities as separate financial statement line items.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, impairment loss to date and grants received for specific projects. Depreciation is calculated on a monthly basis using the straight-line method of depreciation at rates estimated to write down the cost of all assets over their expected useful life, other than land and trees as follows:

	Rates in %
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
Playground furniture	100

Notes to the Financial Statements for the year ended 31 December 2021**3. Accounting policies (Continued)****Property, plant and equipment (Continued)**

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating surplus. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each year end. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit or Loss and Other Comprehensive Income during the financial year in which they are incurred.

Impairment of property, plant and equipment

At the end of each reporting period, the Council reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Council estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Notes to the Financial Statements for the year ended 31 December 2021**3. Accounting policies (Continued)****Related Parties**

Related parties are those persons or bodies of persons having relationships with the council as defined in IAS 24. During the year under review, the Local Council's related party that exercises a significant control was the Department for Local Government.

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.

Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Council will not be able to collect all amounts receivable.

Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are considered as indicators that the amount to be received is impaired. Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The amount of the provision is recognised in the Statement of Income and Expenditure.

Payables

Payables are recognised as an expense in the period in which they are incurred. Amounts payable comprise creditor payments, that is, the amounts payable for the procurement of supplies and services. When an invoice or request for payment is received from a supplier, this is checked to the purchase order previously issued or the service contract, before payment is released in favour of any vendor. All cheque payments are signed by the Mayor and Executive Secretary and then reconciled with the bank statements on a monthly basis.

Notes to the Financial Statements for the year ended 31 December 2021**3. Accounting policies (Continued)****Financial instruments***Recognition and de-recognition*

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

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

Classification and initial measurement of financial assets

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

Financial assets are classified into the following categories:

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

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

The classification is determined by both:

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

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

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

3. Accounting policies (Continued)**Financial instruments (Continued)****Subsequent measurement of financial assets***Financial assets at amortised cost*

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

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

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Council's cash and cash equivalents, and most receivables fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

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

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

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

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

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

Notes to the Financial Statements for the year ended 31 December 2021**3. Accounting policies (Continued)****Financial instruments (Continued)****Classification and measurement of financial liabilities**

The Council's financial liabilities include lease liabilities and payables.

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

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

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Council will comply with the conditions attaching to them and that the grants will be received.

As described in the property, plant and equipment note above the council was instructed to adopt the capital approach of government grants as from 1 January 2018, as opposed to the previously used income approach as per IAS 20.

Under the capital approach grants received are deducted from the respective asset's carrying account it was received for. This is shown as a separate line item in the property, plant and equipment note below.

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 presentation currency.

Surplus and deficits

Only surpluses that were realised at the date of the Statement of Financial Position are recognised in these Financial Statements. All foreseeable liabilities and potential 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.

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.

Notes to the Financial Statements for the year ended 31 December 2021**3. Accounting policies (Continued)****Critical accounting estimates and judgements**

The preparation of financial statements in conformity with IFRS requires council members to make judgements, 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 judgement 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 assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

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

Capital management policies and procedures

The council's Capital consists of its net assets, including working capital, represented by its retained funds. The council's management objective are to ensure the councils ability to continue as a going concern is still valid and that the council maintains a positive working capital ratio. To achieve this, the council carries out a quarterly review of the working capital ratio (financial situation indicator). This ratio was positive at the reporting date. The council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

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

	2021 Euro	2020 Euro
4. Funds received from central government		
In terms of section 55 of the Local Councils Act (Cap 363)	864,445	849,532
Supplementary Government Income	<u>104,243</u>	<u>61,781</u>
	<u>968,688</u>	<u>911,313</u>
	2021 Euro	2020 Euro
5. Income raised from Bye-Laws		
Income raised under Local Council Bye-Laws	<u>35,176</u>	<u>31,881</u>
	2021 Euro	2020 Euro
6. Local Enforcement Income		
Income from Contraventions	22	285
Regional Committees	<u>1,070</u>	<u>1,678</u>
	<u>1,092</u>	<u>1,963</u>
	2021 Euro	2020 Euro
7. Investment Income		
Bank interest	<u>-</u>	<u>26</u>
	2021 Euro	2020 Euro
8. General Income		
Income from other activities	<u>35</u>	<u>7,245</u>

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

	2021 Euro	2020 Euro
9. Personal Emoluments		
Mayor's allowance	15,268	15,027
Executive Secretary's salary	27,101	26,091
Employees' wages and salaries	56,768	53,691
Councillors' allowances	17,800	17,800
Social Security Contributions	6,820	6,563
	<u>123,757</u>	<u>119,172</u>

	2021 Euro	2020 Euro
10. Operations and Maintenance		
Repairs and upkeep:		
Road and street pavements (Patching works)	22,897	39,472
Walkways	-	4,520
Street signs	19,118	16,281
Road markings	4,589	2,449
	<u>46,604</u>	<u>62,722</u>
Contractual services:		
Refuse collection (including bins on wheels)	84,960	73,159
Bulky refuse collection (including open skips)	96,933	84,587
Road and street cleaning (mechanical and manual)	61,900	59,154
Cleaning and maintenance of non-urban roads	55,010	50,862
Cleaning and maintenance of public conveniences	9,735	8,352
Cleaning and maintenance of parks and gardens	18,706	28,075
Cleaning and maintenance of beaches and catchment areas	13,624	3,701
Street lighting	16,729	15,248
Local enforcement expenses	345	150
	<u>357,942</u>	<u>323,288</u>
	<u>404,546</u>	<u>386,010</u>

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

	2021 Euro	2020 Euro
11. Administration and other expenditure		
Utilities	18,713	16,098
Other repairs and upkeep	64,020	41,578
Rent	2,435	3,322
National and international memberships	6	700
Office services	12,457	7,389
Transport	4,982	3,559
Information services	12,005	14,673
Other contractual services	21,374	17,257
Professional services	32,571	27,513
Education and training	9,475	-
Social events	8,418	14,670
Cultural events	30,035	14,829
Donations	-	8,247
Community services	6,263	-
Bad debts written off	2,124	-
Depreciation of property, plant & equipment	116,110	113,785
Depreciation of right-of-use asset	2,746	-
	<u>343,734</u>	<u>283,620</u>
	2021 Euro	2020 Euro
12. Finance Costs		
Lease liability interest	<u>513</u>	<u>-</u>

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

13. Property, Plant and Equipment

	Council Premises		Office Furniture		New Street Signs		Office Equipment		Plant & Machinery		Urban Improvements		Special Prg. Re-surf		Asset Under Construction		Total	
	Euro		Euro		Euro		Euro		Euro		Euro		Euro		Euro		Euro	
Cost																		
As at 1 January 2021	532,927		15,156		25,283		48,737		9,738		1,344,008		3,245,536		5,196		5,226,581	
Additions	-		2,671		-		1,668		-		29,430		-		8,363		42,132	
As at 31 December 2021	532,927		17,827		25,283		50,405		9,738		1,373,438		3,245,536		13,559		5,268,713	
Grants and Other Reimbursements																		
As at 1 January 2021	-		-		-		(1,951)		-		(798,221)		(859,272)		-		(1,659,444)	
Additions	-		-		-		-		-		(27,028)		-		-		(27,028)	
As at 31 December 2021	-		-		-		(1,951)		-		(825,249)		(859,272)		-		(1,686,472)	
Depreciation																		
As at 1 January 2021	(36,044)		(4,452)		(25,283)		(35,768)		(9,738)		(370,117)		(1,895,683)		-		(2,377,085)	
Charge for the year	(5,122)		(1,037)		-		(5,261)		-		(34,097)		(70,593)		-		(116,110)	
As at 31 December 2021	(41,166)		(5,489)		(25,283)		(41,029)		(9,738)		(404,214)		(1,966,276)		-		(2,493,195)	
Net Book Value																		
As at 31 December 2021	491,761		12,338		-		7,425		-		143,975		419,988		13,559		1,089,046	

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

13. Property, Plant and Equipment (Continued)

	Council Premises		Office Furniture		New Street Signs		Office Equipment		Plant & Machinery		Urban Improvements		Special Prg. Re-surf		Asset Under Construction		Total	
	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
Cost																		
As at 1 January 2020	532,927	15,156	25,283	45,884	9,738	1,278,370	3,242,589	29,545	5,179,492									
Additions	-	-	-	2,853	-	65,638	2,947	-	71,438									
Disposals	-	-	-	-	-	-	-	(24,349)	(24,349)									
As at 31 December 2020	532,927	15,156	25,283	48,737	9,738	1,344,008	3,245,536	5,196	5,226,581									
Grants and other reimbursements																		
As at 1 January 2020	-	-	-	-	-	(780,219)	(859,272)	-	(1,639,491)									
Additions	-	-	-	(1,951)	-	(18,002)	-	-	(19,953)									
As at 31 December 2020	-	-	-	(1,951)	-	(798,221)	(859,272)	-	(1,659,444)									
Depreciation																		
As at 1 January 2020	(30,922)	(3,475)	(25,283)	(30,922)	(9,738)	(337,626)	(1,825,334)	-	(2,263,300)									
Charge for the year	(5,122)	(977)	-	(4,846)	-	(32,491)	(70,349)	-	(113,785)									
As at 31 December 2020	(36,044)	(4,452)	(25,283)	(35,768)	(9,738)	(370,117)	(1,895,683)	-	(2,377,085)									
Net Book Value																		
As at 31 December 2020	496,883	10,704	-	11,018	-	175,670	490,581	5,196	1,190,052									

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

14. Right of Use Asset

	Right of Use Asset
Cost	
As at 1 January 2021	-
Additions	12,357
As at 31 December 2021	<u>12,357</u>
Grants and Other Reimbursements	
As at 1 January 2021	-
Additions	-
As at 31 December 2021	<u>-</u>
Depreciation	
As at 1 January 2021	-
Charge for the year	(2,746)
As at 31 December 2021	<u>(2,746)</u>
Net Book Value	
As at 31 December 2021	<u>9,611</u>

	2021 Euro	2020 Euro
15a. Receivables		
Trade receivables	1,121	26,445
Provision for doubtful debts	(458)	(458)
LES	54,737	54,737
LES Provision	(54,737)	(54,737)
Other Debtors	1,000	1,000
Accrued income	15,771	19,512
Financial Asset	<u>17,434</u>	<u>46,499</u>
Advance payments to suppliers	1,385	279
Prepayments	5,196	3,364
	<u>24,015</u>	<u>50,142</u>

15b. Receivables

Trade Receivables are analysed as follows:

	2021 Euro	2020 Euro
Within Credit Period	-	3,443
Exceeded Credit Period	1,121	23,002
Provision for Doubtful Debts	(458)	(458)
	<u>663</u>	<u>25,987</u>

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

16. Cash and Cash Equivalents

Cash and cash equivalents included in the cash flow statement comprise the following amounts in the Local Council Statement of Financial Position:

	2021 Euro	2020 Euro
Cash at bank	1,279,847	1,035,783
Bank balances overdrawn	-	(69,038)
Cash and cash equivalents at year-end	<u>1,279,847</u>	<u>966,745</u>

	2021 Euro	2020 Euro
17. Payables		
<i>Current Liabilities</i>		
Trade payables	105,027	138,691
Accruals	83,359	18,479
Deferred income	74,097	51,974
	<u>262,483</u>	<u>209,144</u>

	Euro	Euro
<i>Deferred Income</i>		
Balance at the beginning of the year	51,974	77,043
Additions during the year	74,097	4,000
Release of deferred income	(51,974)	(27,118)
Adoption of the Capital Approach as per IAS20	-	(1,951)
Balance at the end of the year	<u>74,097</u>	<u>51,974</u>

Short-Term Deferred Income	<u>74,097</u>	<u>51,974</u>
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Long-Term Deferred Income	<u>-</u>	<u>-</u>
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Notes to the Financial Statements for the year ended 31 December 2021

18. Lease Liability	2021 Euro	2020 Euro
Lease liability	<u>9,800</u>	<u>-</u>

The maturity of lease commitments is analysed as follows:

	2021 Euro	2020 Euro
Less than one year	2,663	-
More than 1 year but less than 5 years	<u>7,137</u>	<u>-</u>
Total lease liabilities at 31 December	<u>9,800</u>	<u>-</u>
Current	<u>2,663</u>	<u>-</u>
Non-Current	<u>7,137</u>	<u>-</u>

Lease Liability refers to the lease of the Local Council Premises that have been leased out to the Siggiewi Local Council. It is a 15 years renewable lease that commenced on 1st July 2010. The council intends to renew this lease continuously. It will be renewed on 1st July 2025.

All works and repairs are a sole responsibility of the council. The rent of 3,070 Euro is payable half yearly in advance.

IFRS 16 exemptions were taken into consideration. However, since the lease started in the year 2010, which is long term, and the premises are not of low value, the exemptions under IFRS 16 do not apply.

	01 January 2021 Euro
Operating lease commitments (IAS 17)	13,815
Operating lease commitments discounted based on weighted average incremental borrowing rate of 4.15%	(1,458)
Lease liability (IFRS 16)	<u>12,357</u>

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

19. Capital Commitments

For the year ending 31 December 2021, the council approved the following Capital Commitments,

Authorised by the Local Council and contracted:

Description	Capital Commitments	Grants Approved
	€	€
Measure 4.3 - rural roads	878,366	790,529
Measure 4.4 - rubble walls (procurement stage)	172,953	138,362
Measure 4.4 – rubble walls	33,995	27,196
Measure 2 – Strengthening a healthy cultural identity	9,842	7,873
Measure 1 – Restoration of a statue	40,970	32,776

During 2021, the council approved the cancellation of Measure 4 – Majjistral Action Group – Development of Green Infrastructure.

20. Contingent Liabilities

The Siggiewi Local Council currently has two pending court cases in the following names:

"Cem Kofoglu vs Infrastructure Malta & Siggiewi Local Council" for damages to be determined and awarded by the Courts, and

"Gasamamo Insurance Ltd vs Siggiewi Local Council" to recoup damages paid by the insurance company amounting to €1,668.24 together with legal expenses and interest.

21. Post Balance Sheet Event

There were no particular important events affecting the operation of the council since the end of the accounting year.

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

22. Financial Risk Management

Financial assets include equity, other receivables and cash held at bank and in hand. Financial liabilities include other payables and long-term borrowings.

The Council is exposed to a variety of financial risks: market risk, credit risk and liquidity risk. The Council's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance.

The Council adopts an overall risk management to maintain and control its exposures.

Cash and cash equivalents

As at 31 December 2021, the Council held balances with Bank of Valletta p.l.c which is a local financial institution. The Council held no other balances at any other bank. The credit rating assigned to Bank of Valletta p.l.c is set at BBB and is considered satisfactory. The Council considers that there is a low probability of default relating to a local bank and that the counterparty has a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Council.

*Market risk**i) Cash flow and fair value interest rate risk*

As the Council has no interest-bearing assets, the Council's income and operating cash flows are independent of changes in market interest rates. Although the Council has borrowings issued at fixed rates, the exposure to fair value interest rate risk is limited and ultimately endorsed by Central Government.

ii) Credit Risk

Credit risk on amounts receivable is limited through the systematic monitoring of outstanding balances and the presentation of debtors' net of allowances for doubtful debts, where applicable. Cash is placed with reputable banks.

Credit risk arises ever increasing variances between the main council's income, that provided by Central Government, and the cost of its outsourced services which are mostly exposed to commodity risks. Furthermore, the huge reduction of other revenue from LES, following its restructuring through central government, and Permits could well expose the Council even more to credit issues unless this shortfall is recovered from other sources.

The maximum exposure to credit risk at the reporting date in respect of the financial assets mentioned above is disclosed in the respective notes to the financial statements. Assets recognised at the end of the reporting period and is summarised as follows:

Classes of Financial assets – Carrying Amounts	2021	2020
	Euro	Euro
Trade & Other Receivables (Note 15)	17,434	46,499
Cash and Cash Equivalents (Note 16)	<u>1,279,847</u>	<u>966,745</u>
	<u>1,297,281</u>	<u>1,013,244</u>

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

22. Financial Risk Management (Continued)

The Maximum Exposure to Credit Risk for Trade Receivables at the reporting Date, net of impairment losses, by type of customer is as follows:

Classes of Financial assets – Carrying Amounts	2021 Euro	2020 Euro
Amount Invoiced Not yet Settled by Class:		
Government Owned Entities	663	25,987
	<u>663</u>	<u>25,987</u>

The council assesses the credit quality of its customers by taking into Account their Financial Standing and past experience. The council considers the credit quality of its financial Assets as being acceptable.

Included in the Council's trade receivables there are no balances which are past due and which have not been provided for.

	2021 Euro	2020 Euro
Current	-	-
30 Days	-	3,443
60 Days	19	6,098
90 Days	75	-
120+ Days	1,027	16,904
	<u>1,121</u>	<u>26,445</u>

iii) Liquidity risk

Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve-month period and ensures that no additional financing facilities are expected to be required over the coming year.

	2021			
	Less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years
Trade Payables	105,027	-	-	-
Other Payables	-	-	-	-
Lease Liability	1,332	1,331	7,137	-
Accruals	83,359	-	-	-
	<u>189,718</u>	<u>1,331</u>	<u>7,137</u>	<u>-</u>

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

22. Financial Risk Management (Continued)

	2020			
	Less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years
Trade Payables	138,691	-	-	-
Other Payables	-	-	-	-
Accruals	18,479	-	-	-

Fair Value Estimation

The Nominal Values less Estimated Credit Adjustments of receivables and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair values.

Summary of Financial Assets and Liabilities

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

	2021 Euro	2020 Euro
Current Assets		
Receivables:		
Trade and other receivables	17,434	46,499
Cash and cash equivalents	1,279,847	966,745
	<u>1,297,281</u>	<u>1,013,244</u>
Non-Current Liabilities		
Lease liability	<u>7,137</u>	<u>-</u>
Current Liabilities		
Financial liabilities measured at amortised Cost:		
Trade payables	105,027	138,691
Lease liability	2,663	-
Accruals	83,359	18,479
	<u>191,049</u>	<u>157,170</u>

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

23. Related Party Transactions

Identity of Related Parties

All the Authorities set up by Central Government and all the entities which are owned by Central Government are considered to be related parties to the Siggiewi Local Council.

The Siggiewi Local Council has the following related parties exercising:

- I. Significant Control – as per Local Councils Act 1993, Department for Local Government is the major and ultimate controlling related party.
- II. Joint control – South Joint Committee for Local enforcement, South Regional Committee
- III. No Control– Malta Post, Courts of Justice, Waste Services Malta Ltd

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

	2021	2020
	Euro	Euro
Annual Financial Allocation	864,445	849,532
Key Management Emoluments		
<i>Executive Secretary</i>	27,101	26,091
<i>Mayor Honoraria</i>	15,268	15,027
<i>Councillors Allowance</i>	17,800	17,800

Report of the Local Government Auditor

To the Auditor General

Report on the audit of the financial statements

Qualified opinion

We have audited the financial statements of Siggiewi Local Council set out on pages 4 to 30 which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for qualified opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the 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).

Basis for qualified opinion

1. Up to 31 August 2011, all income and expenditure from the Local Enforcement System (LES) were centralised through the Central Joint Committee. The Joint Committee ceased operations on that date. No audited financial statements of the Joint Committee have been made available to us and consequently we were unable to determine whether the Council is entitled to receive any further income from the Joint Committee.
2. Procedures on trade payables revealed that amounts shown as due to third parties are overstated by €31,782.77. We were not provided with satisfactory explanations and documentation about the difference.

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 qualified opinion.

Responsibilities of those charged with governance for the financial statements

As described on page 3 the Executive Secretary and the members of the 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.

A handwritten signature in blue ink, appearing to be "Mark Bugeja", written over a faint horizontal line.

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 CBD 1050
Malta

4 July 2022