

Hal Kirkop Local Council

Annual Report and Financial Statements
31 December 2021

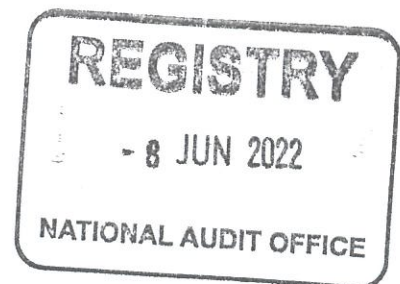


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Statement of Local Council Members' and Executive Secretary's Responsibilities

The Local Councils (Financial) Regulations 1993 require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's Profit or Loss and Other Comprehensive Income for the year and of the Council's Financial Position at the end of the 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 Comprehensive Income of the Local Council for the year and its Financial Position as at the year end, and that they comply with the Act, the Local Council (Financial) Regulations, 1993 and the Local Council (Financial) Procedures, 1996.

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 1993, and the Local Council (Financial) Procedures 1996. The Executive Secretary is also responsible for safeguarding the assets of the Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Local Council on the 12 May 2022 and signed on its behalf by:



Terence Agius
Mayor



Antonia Demicoli
Executive Secretary

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2021 €	2020 €
Income			
Funds received from Central Government	3	305,189	272,171
Investment Income	4	0	3
Income raised under Local Enforcement System	5	1,570	984
General Income	6	70,057	34,820
		<u>376,816</u>	<u>307,978</u>
Expenditure			
Personal emoluments	7	113,355	105,656
Operations and Maintenance	8	146,506	150,114
Administrative and other Expenditure	9	101,048	114,829
		<u>360,909</u>	<u>370,599</u>
Surplus/(Deficit) for the year		<u>15,907</u>	<u>(62,621)</u>
Total comprehensive income/(expense) for the year		<u>15,907</u>	<u>(62,621)</u>

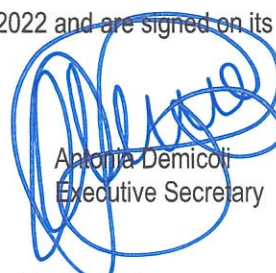
The notes on pages 6 to 26 form an integral part of these financial statements

Statement of Financial Position

	Notes	2021 €	2020 €
ASSETS			
Non-current assets			
Intangible asset	10	2,572	1,912
Property, plant and equipment	11	286,446	285,923
		<u>289,018</u>	<u>287,835</u>
Current assets			
Receivables	12	44,295	42,273
Cash and cash equivalents	13	79,926	67,298
		<u>124,221</u>	<u>109,571</u>
Total Assets		<u>413,239</u>	<u>397,406</u>
RESERVES AND LIABILITIES			
Capital and reserves			
Retained earnings		<u>363,515</u>	<u>347,608</u>
LIABILITIES			
Current Liabilities			
Payables	14	49,724	49,798
		<u>49,724</u>	<u>49,798</u>
Total Liabilities		<u>49,724</u>	<u>49,798</u>
Total Reserves and Liabilities		<u>413,239</u>	<u>397,406</u>

These financial statements were approved by the Local Council on the 12 May 2022 and are signed on its behalf by:


Terence Agius
Mayor


Antonia Demicoli
Executive Secretary

The notes on pages 6 to 26 form an integral part of these financial statements

Statement of Changes in Equity

	Retained earnings	Total
	€	€
Balance at 1 January 2020	410,229	410,229
Total comprehensive loss for the year	(62,621)	(62,621)
Balance at 31 December 2020	347,608	347,608
Balance at 1 January 2021	347,608	347,608
Total comprehensive income for the year	15,907	15,907
Balance at 31 December 2021	363,515	363,515

The notes on pages 6 to 26 form an integral part of these financial statements

Statement of Cash Flows

	Notes	2021 €	2020 €
Cash flows from/(used in) operating activities			
Surplus/(Deficit) for the year		15,907	(62,621)
Adjustments for:			
Amortisation	10	756	667
Depreciation	11	23,196	33,169
Provision for bad debts		1,602	(1,643)
Investment income receivable		0	(3)
		<hr/>	<hr/>
Surplus/(Deficit)/ for the period before working capital movements		41,461	(30,431)
(Increase)/Decrease in receivables		(3,624)	77,625
(Decrease) in payables		(74)	(16,590)
		<hr/>	<hr/>
Net cash generated from/(used in) operating activities		37,763	30,604
		<hr/>	<hr/>
Cash flows used in investing activities			
Investment income receivable		0	3
Payment to acquire intangible asset	10	(1,416)	0
Payment to acquire property, plant and equipment	11	(23,719)	(89,393)
Proceeds received from grant	11	0	5,110
		<hr/>	<hr/>
Net cash used in investing activities		(25,135)	(84,280)
		<hr/>	<hr/>
Movement in cash and cash equivalents		12,628	(53,676)
		<hr/>	<hr/>
Cash and cash equivalents at the beginning of the year		67,298	120,974
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year	13	79,926	67,298
		<hr/>	<hr/>

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

1. Statutory Information

The Hal Kirkop Local Council is a local government entity set up by the Local Council Act, 1993. The office of the Council is situated at 31, Triq San Benedittu, Kirkop. The financial statements of the Hal Kirkop Local Council for the year ended 31 December 2021 were approved and authorised for issue by the Council Members on the 12 May 2022.

2. Accounting policies

The principal accounting policies adopted 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.

a. Basis of preparation

The 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). The financial statements are prepared under the historical cost convention, in accordance to the requirements of International Financial Reporting Standards (IFRSs) as adopted by the European Union (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. Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

However, in the opinion of the Council members, there are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

**Notes to the Financial Statements
For the year ended 31 December 2021****2. Accounting policies - continued****c. New or revised standards or interpretations****New standards adopted as at 1 January 2021**

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

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

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

Management anticipates that all of the relevant pronouncements will be adopted in the Local Council's accounting policies for the first period beginning after the effective date of the pronouncement. No new standards, amendments and interpretations are expected to be relevant to the Local Council's financial statements.

d. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Hal Kirkop Local Council and the revenue can be reliably measured, regardless of when the payment is received.

Revenue is recognised upon transfer of funds from the Central Government when there are no significant uncertainties concerning the derivation of consideration or associated costs.

Interest income is recognised in the income statement as it accrued under finance income.

e. Functional and presentation currency

Items included in the Local Council's financial statements are measured using the currency of the primary economic environment in which the entity operates. The Local Council's financial statements are presented in Euro, which is the Local Council's functional currency.

f. Local Enforcement System

The amount disclosed in the financial statements under Local Enforcement Income represents the administrative charges to Regional Committees.

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

2. Accounting policies - continued

g. Intangible assets

Intangible assets comprise computer software. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of 25% using the straight-line method. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Where an indication of impairment exists, in that the carrying amount of an intangible asset is greater than its estimated recoverable amount, a charge is made to write down the value of the asset to its estimated recoverable amount (Accounting policy (i)).

h. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated on a monthly basis using 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	100%
• Traffic and road signs	100%
• Playground furniture	100%
• Street lights	100%
• Street mirrors	100%

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount, and are taken into account in determining operating profit.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (Accounting policy (i)).

Notes to the Financial Statements
For the year ended 31 December 2021**2. Accounting policies - continued****i. Impairment of assets**

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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

j. Financial instruments**Recognition and derecognition**

Financial assets and financial liabilities are recognised when the Local 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 Local 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

2. Accounting policies – continued

j. 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 Local 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 forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the 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.

The Local Council considers a broad 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****2. Accounting policies – continued****j. Financial instruments – continued****Classification and measurement of financial liabilities**

The Local Council's financial liabilities include payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Local 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'.

k. Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

l. Profits and losses

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

m. Provisions

Provisions are recognised when the Local Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

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

2. Accounting policies - continued

n. Finance leases

In the current year, the Local Council has applied IFRS 16, Leases that is effective for periods that begin on or after 1 January 2019. IFRS 16 introduced a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. Under the new standard, an asset (the right-of-use the leased item) and a financial liability to pay rentals are recognized, with the exception of short-term and low-value leases. IFRS 16 superseded the current lease guidance of IAS 17 and the related interpretations.

The adoption of IFRS 16 has not had an impact on the financial position and financial performance of the Local Council.

o. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Local Council has an unconditional right to defer settlement of the liability for at least 12 months from the end of the reporting period.

p. Government grants

Government grants relating to operating expenditure are recognised in the Statement of Comprehensive Income in the same period that the related expenditure is incurred.

Government grants relating to the purchase of property, plant and equipment are accounted for using the capital approach and are thus deducted from the carrying amount of the relative non-current asset.

q. Capital Management

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

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

To achieve the above, the Council carries out a quarterly review of the working capital ratio ('Financial Situation Indicator'). 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****3. Funds Received from Central Government**

	2021 €	2020 €
In terms of Section 55 of the Local Councils Act (Cap 363)	254,364	236,683
Other Government Income	32,976	34,416
Supplementary government income – WasteServ allocation	17,849	1,072
	<u>305,189</u>	<u>272,171</u>

4. Investment income

	2021 €	2020 €
Bank interest receivable	<u>0</u>	<u>3</u>

5. Income raised under Local Enforcement System

	2021 €	2020 €
Administrative charges to Regional Committees	1,570	984
	<u>1,570</u>	<u>984</u>

6. General Income

	2021 €	2020 €
General income	8,641	9,124
Contributions	61,416	25,696
	<u>70,057</u>	<u>34,820</u>

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

7. Personal Emoluments

	2021 €	2020 €
Mayor's honoraria and allowance	10,571	10,404
Executive secretary salary	32,620	31,782
Employees' salaries	50,095	44,498
Social Security Contributions	7,069	5,972
Council members' allowance	13,000	13,000
	<u>113,355</u>	<u>105,656</u>
 Average number of people employed		
Employees	4	3
Mayor and Councillors	5	5

Notes to the Financial Statements

For the year ended 31 December 2021

8. Operations and Maintenance

	2021	2020
	€	€
Repairs and Upkeep:		
Road and street pavements (Patching works)	990	10,033
Road Markings	14,144	4,964
Signs	830	6,014
Litter bins	1,777	0
Sundry repairs	3,058	3,325
	<u>20,799</u>	<u>24,336</u>

	2021	2020
	€	€
Contractual Services:		
Refuse collection (including bins on wheels)	53,284	53,033
Waste disposal	31,431	34,261
Bulky refuse collection (including open skips)	4,917	3,631
Road and street cleaning (mechanical and manual)	10,864	10,864
Other contractual services	285	713
Cleaning Council premises	3,036	4,368
Street Lighting	7,021	982
Cleaning and Maintenance of Public Convenience	4,720	5,579
Cleaning and Maintenance of Parks and Gardens	1,653	3,851
Contract Management	8,496	8,496
	<u>125,707</u>	<u>125,778</u>
	<u>146,506</u>	<u>150,114</u>

Notes to the Financial Statements

For the year ended 31 December 2021

9. Administrative and other expenditure

	2021	2020
	€	€
Utilities	26,089	27,574
Other repairs and upkeeps	4,113	6,097
Rent	1,337	1,341
Cleaning material	676	1,345
Library	892	573
Repairs of Office furniture and equipment	644	2,144
Office services	4,382	4,483
Transport	620	783
Information services	0	10
Insurance	4,558	3,687
Travel	1,782	335
Professional services	22,106	27,292
Community and hospitality	7,872	4,736
Social events	415	0
LES related expenses	(1,787)	(293)
Bank interest and charges	691	243
Depreciation and amortisation	23,952	33,836
Provision for bad debts	1,602	(1,643)
Write offs	0	1,300
Staff training and uniforms	345	275
Leases of equipment	759	711
	101,048	114,829

**Notes to the Financial Statements
For the year ended 31 December 2021****10. Intangible asset**

	Computer Software €
At 1 January 2020	
Cost	2,669
Accumulated amortisation	(90)
Net book amount	<u>2,579</u>
Movements for the year ended 31 December 2020	
Opening net book amount	2,579
Additions	0
Amortisation charge	(667)
Closing net book amount	<u>1,912</u>
At 31 December 2020	
Cost	2,669
Accumulated amortisation	(757)
Net book amount	<u>1,912</u>
Movements for the year ended 31 December 2021	
Opening net book amount	1,912
Additions	1,416
Amortisation charge	(756)
Closing net book amount	<u>2,572</u>
At 31 December 2021	
Cost	4,085
Accumulated amortisation	(1,513)
Net book amount	<u>2,572</u>

Amortisation of €756 (2020: €667) is included in administrative expenses.

Notes to the Financial Statements
For the year ended 31 December 2021
11a. Property, plant and equipment

Asset	Motor Vehicles	Office & Computer Equipment	Urban Improvements	Plant and Machinery	Furniture and Fittings	Construction works	Assets Under Construction	Total
	€	€	€	€	€	€	€	€
Cost								
As at 1 January 2021	15,969	61,316	125,293	5,231	64,868	2,406,389	15,898	2,694,964
Additions	-	4,483	13,618	861	1,450	3,307	-	23,719
Disposals	-	-	-	-	-	-	-	-
As at 31 December 2021	15,969	65,799	138,911	6,092	66,318	2,409,696	15,898	2,718,683
Grants and other disbursements								
As at 1 January 2021	-	2,873	6,812	-	-	2,000,944	-	2,010,629
Additions	-	-	-	-	-	-	-	-
As at 31 December 2021	-	2,873	6,812	-	-	2,000,944	-	2,010,629
Accumulated Depreciation								
As at 1 January 2021	1,331	44,274	113,617	3,171	40,720	195,299	-	398,412
Charge for the year	3,194	5,237	7,442	510	3,159	3,654	-	23,196
Released on disposal	-	-	-	-	-	-	-	-
As at 31 December 2021	4,525	49,511	121,059	3,681	43,879	198,953	-	421,608
Net Book Value								
As at 31 December 2021	11,444	13,415	11,040	2,411	22,439	209,799	15,898	286,446

**Notes to the Financial Statements
For the year ended 31 December 2020**
11b. Property, plant and equipment

Asset	Motor Vehicles	Office & Computer Equipment	Urban Improvements	Plant and Machinery	Furniture and Fittings	Construction works	Assets Under Construction	Total
€	€	€	€	€	€	€	€	€
Cost								
As at 1 January 2020	4,600	52,752	105,966	3,239	51,139	2,382,014	10,461	2,610,171
Additions	15,969	8,564	19,327	1,992	13,729	24,375	5,437	89,393
Disposals	(4,600)	-	-	-	-	-	-	(4,600)
As at 31 December 2020	15,969	61,316	125,293	5,231	64,868	2,406,389	15,898	2,694,964
Grants and other disbursements								
As at 1 January 2020	-	2,873	-	-	-	2,002,646	-	2,005,519
Additions	-	-	6,812	-	-	(1,702)	-	5,110
As at 31 December 2020	-	2,873	6,812	-	-	2,000,944	-	2,010,629
Accumulated Depreciation								
As at 1 January 2020	4,600	39,814	92,602	2,986	38,129	191,712	-	369,843
Charge for the year	1,331	4,460	21,015	185	2,591	3,587	-	33,169
Released on disposal	(4,600)	-	-	-	-	-	-	(4,600)
As at 31 December 2020	1,331	44,274	113,617	3,171	40,720	195,299	-	398,412
Net Book Value								
As at 31 December 2020	14,638	14,169	4,864	2,060	24,148	210,146	15,898	285,923

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

12. Receivables

	2021 €	2020 €
Receivables	37,062	38,107
Provision for Bad Debts	(2,010)	(2,010)
LES Debtors	143,121	143,156
Provision for Bad LES Debts	(143,121)	(143,156)
Accrued income	4,447	2,124
Financial assets	39,499	38,221
Prepayments	4,796	4,052
	44,295	42,273

The total financial assets for the year amounted to €39,499 (2020: €38,221).

13. Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following amounts in the Local Council Statement of Financial Position:

	2021 €	2020 €
Bank balances:		
Ordinary funds	79,692	67,089
Cash in hand	234	209
	79,926	67,298

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

14. Payables

	2021 €	2020 €
Payables	12,182	28,324
Accruals	21,604	14,904
Other Payables	3,016	3,802
Financial Liabilities	36,802	47,030
Deferred Income	12,922	2,768
	<u>49,724</u>	<u>49,798</u>

The total financial liabilities for the year amounted to €36,802 (2020: €47,030).

15. Contingent liabilities

The Local Council is defendant in proceedings in which an individual is claiming compensation for damages amounting to € 15,000 (fifteen thousand Euro), which were allegedly sustained by the plaintiff following works carried out by the Council. The Council is contesting the claim vigorously and the Council members firmly believe that such an action ought to be dismissed. Nevertheless, the outcome of the action remains uncertain and the claim may finally be decided in favour of the Local Council.

16. Related party transactions

During the year, the Local Council had affected transactions with related parties resulting mainly in connection with income and administrative transactions, are disclosed in notes 8 and 10 to these financial statements. The following were the related parties:

Name of Entity	Nature of relationship
Department of Local Councils	Significant Control
Gozo Regional Committee	No Control
Central Regional Committee	No Control
North Regional Committee	No Control
South Regional Committee	No Control
South Eastern Regional Committee	No Control
Local Enforcement Systems Agency	No Control
ARMS Ltd	No Control
Commissioner of Data Protection	No Control
Department of Information	No Control
Ministry of Finance	No Control
Police General Head Quarters	No Control

**Notes to the Financial Statements
For the year ended 31 December 2021**

16. Related party transactions- continued

Name of Entity	Nature of relationship
Malta Environment and Planning Authority	No Control
Water Services Corporation	No Control
Enemalta Corporation	No Control
Cleansing Directorate	No Control
Department of Lands	No Control
Wasteserv Malta Limited	No Control
Bank of Valletta plc	No Control
Department of Lands	No Control
Local Councils' Association	No Control
Central Bank of Malta	No Control
Department of Inland Revenue	No Control
Ministry for Justice, Culture and Local Government	No Control

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

	2021	2020
	€	€
(a) Funds received from Local Government	254,364	236,683

Key management compensation

Transactions with key management personnel are disclosed in note 8.

Ultimate controlling party

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

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

17. Financial risk management

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

Credit risk

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

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

	2021 €	2020 €
Classes of financial assets – carrying amounts		
Trade and other receivables	39,499	38,221
Cash and cash equivalents	79,926	67,298
	<u>119,425</u>	<u>105,519</u>

Liquidity risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short-term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact, at year end, the Council has as cash in bank and in hand the amount of €79,926. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net current asset position of €74,497 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

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

17. Financial risk management – continued

At 31 December 2021, the council's financial liabilities had contractual maturities which are summarized below:

31 December 2021	Current within 1 year €	Non- current between 1 to 5 years €	Non- current later than 5 years €
Trade payables	12,182	-	-
Other payables	3,016	-	-
Accruals	21,604	-	-

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

31 December 2020	Current within 1 year €	Non- current between 1 to 5 years €	Non- current later than 5 years €
Trade Payables	28,324	-	-
Other payables	3,802	-	-
Accruals	14,904	-	-

Foreign currency risk

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

Interest rate risk

Interest rate risk mainly arises through interest bearing liabilities and assets. The objectives of interest rate risk management are to optimise the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense.

18. Fair values 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.

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

19. Operating Lease

Operating leases relate to leases of Primary Health Care premises from Lands Department and a photocopier lease. Lease terms range between one and five years.

	2021 €	2020 €
Payments recognized as an expense		
Minimum lease payments	<u>1,337</u>	<u>1,341</u>
Non-cancellable operating lease commitments		
Not later than one year	1,454	1,454
Later than one year and not later than five years	3,793	4,876
More than five years	0	371
	<u>5,247</u>	<u>6,701</u>

20. Summary of financial assets and liabilities

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

	2021 €	2020 €
Current assets		
Loans and receivables:		
Trade and other receivables	39,499	38,221
Cash and cash equivalents	79,926	67,298
	<u>119,425</u>	<u>105,519</u>
Current liabilities		
Financial liabilities measured at amortised costs:		
Payables	15,198	32,126
Accruals	21,604	14,904
	<u>36,802</u>	<u>47,030</u>

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

21. Capital commitments

Capital expenditure

Commitments for capital expenditure not provided for in these financial statements are as follows:

	2021	2020
	€	€
Authorised but not contracted	<u>65,000</u>	<u>60,000</u>

The Capital Expenditure of €65,000 will be financed: €50,000 out of the Sebbah Pajjizek Fund and the balance out of Council funds.

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 Hal Kirkop Local Council set out on pages 2 to 26 which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other 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 Local 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 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 Local 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 Local 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 Local 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 Local Council's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

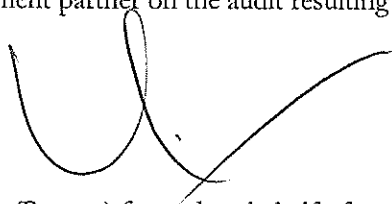
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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Malta

12 May 2022