

HAL-SAFI LOCAL COUNCIL
Report and Financial Statements for
the year ended 31 December 2021

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Obo Dconsulta Ltd,
(July 2022)

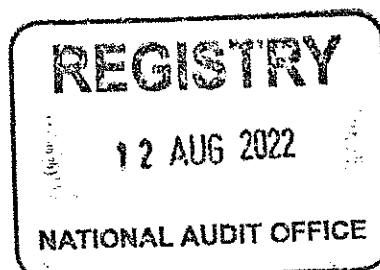


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HAL-SAFI LOCAL COUNCIL

STATEMENT OF COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S RESPONSIBILITIES

For the year ended 31 December 2021


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 statement of comprehensive income for the year and of the Local Council's retained funds at the end of the year. By virtue of the same regulations it is the duty of the Local Council and the Deputy Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with 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 Councils (Financial) Regulations, 1993, and the Local Council (Financial) Procedures, 1996 issued in terms of the said Act.

The Executive Secretary is responsible to ensure that an appropriate system of internal control is in operation, to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, 1993, the Local Council (Financial) Regulations, 1993, and the policies, systems and time scales referred to in the Local Council (Financial) Procedures, 1996. The Deputy Executive Secretary is also responsible to provide reasonable assurance that the assets of the Local Council are properly safeguarded, that fraud and other irregularities will be detected and that the operations of the Local Council are properly conducted in accordance with the Local Councils Act, 1993.

This statement was approved by the Council on 10th August 2022 and signed on its behalf by:



Johan Mula
Mayor


Maria Dolores Baldacchino
Executive Secretary

HAL-SAFI LOCAL COUNCIL

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the year ended 31 December 2021

	Notes	Year Ended 2021	Year Ended 2020
		€	€
Income			
Funds received from Central Government	3	314,356	301,950
Income raised under Council Bye-laws	4	11,001	9,742
Income from Local Enforcement System	5	2,215	1,039
General and other income	6	13,568	42,331
		<hr/>	<hr/>
		341,140	355,062
Expenditure			
Personnel emoluments	7	(95,592)	(95,596)
Operations and maintenance	8	(133,447)	(208,228)
Administrative and other expenditure	9	(83,923)	(72,425)
		<hr/>	<hr/>
		(312,962)	(376,249)
Operating Surplus/(Deficit) for the year		28,178	(21,187)
Finance income	10	-	5
Finance charge	11	(400)	(131)
Net Surplus/(Deficit) for the year		27,778	(21,313)
Total Comprehensive Income/ (Expense)		27,778	(21,313)

The notes on pages 6 to 25 form an integral part of these financial statements.

HAL-SAFI LOCAL COUNCIL

STATEMENT OF FINANCIAL POSITION As at 31 December 2021

	Notes	Year Ended 2021 €	Year Ended 2020 €
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	12	400,264	299,693
		<u>400,264</u>	<u>299,693</u>
<i>Current assets</i>			
Trade and other receivables	13	17,702	42,630
Cash and cash equivalents	14	218,444	281,617
		<u>236,146</u>	<u>324,247</u>
Total assets		<u>636,410</u>	<u>623,940</u>
 Reserves and liabilities			
<i>Reserves</i>			
Retained earnings		535,614	507,836
<i>Current liabilities</i>			
Short-term borrowings	15	1,450	5,877
Trade and other payables	16	99,346	110,227
		<u>100,796</u>	<u>116,104</u>
Total reserves and liabilities		<u>636,410</u>	<u>623,940</u>

The financial statements were approved by the Council on 10th August 2022 and signed on its behalf by:



Johan Mula
Mayor



Maria Dolores Baldacchino
Executive Secretary

The notes on pages 6 to 25 form an integral part of these financial statements.

HAL-SAFI LOCAL COUNCIL

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Retained earnings €	Total Earnings €
At 1 January 2020	529,149	529,149
Deficit for the year	(21,313)	(21,313)
Total comprehensive expense	507,836	507,836
At 31 December 2020	507,836	507,836
At 1 January 2021	507,836	507,836
Surplus for the year	27,778	27,778
Total comprehensive income	535,614	535,614
At 31 December 2021	535,614	535,614
Equity Interest	535,614	535,614

The notes on pages 6 to 25 form an integral part of these financial statement

HAL-SAFI LOCAL COUNCIL

STATEMENT OF CASH FLOWS For the year ended 31 December 2021

	Notes	2021	2020
		€	€
Cash flows from operating activities			
Surplus/(Deficit) for the year		27,778	(21,313)
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	12	18,798	23,258
Decrease in provision for bad debts		(292)	(942)
Finance income	10	-	(5)
Finance cost	11	400	131
		46,684	1,128
<i>Movements in working capital:</i>			
Decrease in receivables		25,220	26,512
Increase in payables		(10,881)	67,146
Net cash flows generated from operating activities		61,023	94,786
Cash flows used in investing activities			
Purchase of property, plant and equipment	12	(165,900)	(129,271)
Interest received	10	-	5
Interest paid	11	(400)	(131)
Net cash flows used in investing activities		(166,300)	(129,397)
Cash flows from financing activities			
Grants received		46,531	79,947
Net cash flows generated from financing activities		46,531	79,947
Net (decrease)/increase in cash and cash equivalents		(58,746)	45,336
Cash and cash equivalents at beginning of year		275,740	230,404
Cash and equivalents at end of year	14	216,994	275,740

The notes on pages 6 to 25 form an integral part of these financial statements.

HAL-SAFI LOCAL COUNCIL

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

1. General Information

The Hal-Safi Local Council (the “local council”) is a local authority of Malta set up in accordance with the Local Councils Act (1993). The office of the Local Council is situated at Dar il-Kunsill, Triq l-Iskola, Hal-Safi. These financial statements were approved for issue by the Council Members on the _____. The Local Council's presentations as well as functional currency are denominated in Euro (€). Its ultimate controlling party is the Department for Local Government within the Office of the Prime Minister.

2. Accounting Policies and Reporting Procedures

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

Accounting convention

These financial statements are prepared under the historical cost convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act, 1993 (Chap. 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 (IFRSs), as adopted by the EU.

These financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of Section 67 of the Local Councils Act, 1993 (Chap. 363).

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.

HAL-SAFI LOCAL COUNCIL

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

2. Accounting Policies and Reporting Procedures – continued

Leases

The Local Council as lessee

The Local Council assesses whether a contract is or contains a lease, at inception of the contract. The Local Council recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Local Council recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Local Council uses its incremental borrowing rate.

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.
- The amount expected to be payable by the lessee under residual value guarantees.
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Local Council remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The right-of-use assets are presented as a separate line in the statement of financial position. The Local Council applies IAS 36 to determine whether a right-of-use asset is impaired.

HAL-SAFI LOCAL COUNCIL

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

2. Accounting Policies and Reporting Procedures – continued

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, impairment and grants received for specific projects (which grants were treated through the balance sheet approach). Depreciation is calculated monthly 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 & Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Programmes (Projects)	10
Office Equipment	20
Computer Equipment	25
Motor Vehicles	20
Plant and Machinery	20
Road/Street Signs	Replacement basis
Litter Bins	Replacement basis
Playground Equipment	100
Street Lighting	100
Street Mirrors	Replacement basis
Plants	100

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 Local Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial year in which they are incurred.

HAL-SAFI LOCAL COUNCIL

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

2. Accounting Policies and Reporting Procedures – continued

Impairment of property, plant and equipment

At the end of each reporting year, the Local 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 Local 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.

Tangible 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 re-valued 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 re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

HAL-SAFI LOCAL COUNCIL

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

2. Accounting Policies and Reporting Procedures – continued

Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and at bank and bank balances overdrawn.

Receivables

Receivables are recognised initially at the transaction price, less provision for impairment. A provision for impairment of general receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

A provision for impairment is established when there is objective evidence that the Local 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 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.

Related parties

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

HAL-SAFI LOCAL COUNCIL

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

2. Accounting Policies and Reporting Procedures – continued

Income recognition

Income in general is stated when there is reasonable certainty that the income would be receivable and thus can be accrued for. Other income such as that derived from the organisation of courses, cultural, sporting, and social activities is only recognised on a cash basis.

Income from investment activities is recognised when the rights of receipt have been established.

Interest income from financial assets is recognised when it is probable that the economic benefits will flow to the Local Council and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal 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 asset to that asset's net carrying amount on initial recognition.

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. Up to the year ended 31st December 2017, government grants were accounted for using the income approach according to IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance." On 1st January 2018, the capital approach, according to IAS 20, has been adopted, in line with the directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting policy, and; according to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors," it has been accounted for retrospectively

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

Government grants are recognised in statement of comprehensive income on a systematic basis over the years in which the Local Council recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Local Council with no future related costs are recognised in statement of comprehensive income in the year in which they become receivable.

HAL-SAFI LOCAL COUNCIL

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

2. Accounting Policies and Reporting Procedures – continued

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'.

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.

HAL-SAFI LOCAL COUNCIL

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

Accounting Policies and Reporting Procedures – continued

Financial instruments - *continued*

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 trade 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 requirements include 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.

Classification and measurement of financial liabilities

The Local Council's financial liabilities include short-term borrowings and trade and other 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'.

HAL-SAFI LOCAL COUNCIL

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

2. Accounting Policies and Reporting Procedures – continued

Foreign currencies

Functional and presentation currency

These financial statements are presented in Euro (€), which is the Local Council's functional and presentation currency. In preparing the financial statements of the Council, transactions in currencies other than the Local Council's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting year, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical costs in a foreign currency are not retranslated.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for the intended use or sale.

Investment income on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in total comprehensive income for the year in which they are incurred.

Payables

Payables and accrued expenditure are recognised initially at the transaction price and subsequently measured at amortised cost. The difference between the proceeds and the amount payable is recognised over the period of the payable using the effective interest method.

Judgements in applying accounting policies and key sources of estimating uncertainty

In the process of applying the Local Council's accounting policies, the Council Members have made no judgements which can significantly affect the amounts recognised in the financial statements.

At the end of the reporting year, except as disclosed in note 20, there were no key assumptions concerning the future, or any other key sources of estimating uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

HAL-SAFI LOCAL COUNCIL

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

2. Accounting Policies and Reporting Procedures – continued

Provisions

Provisions are recognised when the Local Council has a present obligation (legal or constructive) as a result of a past event, it is probable that the Local Council will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting year, considering the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

3. Funds received from Central Government

	2021	2020
	€	€
In terms of section 55 of the Local Councils Act, 1993	289,496	279,149
Supplementary income	24,860	22,801
	<u>314,356</u>	<u>301,950</u>

4. Income raised under Council Bye-laws

	2021	2020
	€	€
Income from permits	9,463	8,304
Income from hire of football pitch	1,538	1,438
	<u>11,001</u>	<u>9,742</u>

5. Income from Law Enforcement System

	2021	2020
	€	€
Contraventions	<u>2,215</u>	<u>1,039</u>

HAL-SAFI LOCAL COUNCIL

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

5. Income from Law Enforcement System - continued

In accordance with the Law Enforcement System (LES) issued by the Ministry by virtue of Section 72 of the Local Councils Act, 1993, the income relating to contraventions was delegated to the local councils through Legal Notice 32 of 2000.

Up to the 31 August 2011, income from contraventions was based on cash received which represented 100% of the contravention.

As from the 1 September 2011 the contraventions previously accruing to the Council started accruing in favour of the 'Regjun Nofsinnhar'. The Council's income from the Law Enforcement System therefore started reflecting two revenue streams as of that date. The revenue streams are as follows:

- a) Receipts of funds accruing to the council up to the 31 August 2011;
- b) 10% on the contraventions accruing to all Regional Committees that were settled at the Council's cash point.

6. General and other income

	2021	2020
	€	€
Income from community and cultural activities	1,520	670
Income from local regions	5,637	243
Income from sponsorships	273	336
Income from library services	1,743	850
Income from MEPA guarantee	1,232	-
Income from Wasteserv	(776)	1,000
Income from EU funds	-	34,732
Other income	3,939	4,500
	<u>13,568</u>	<u>42,331</u>

7. Personnel emoluments

	2021	2020
	€	€
<i>Personnel emoluments include:</i>		
Mayor's honoraria	10,571	10,404
Council members' allowances	13,000	13,000
Executive salary	32,239	31,402
Employees' salary and allowances	34,140	35,147
Social security contribution	5,642	5,643
	<u>95,592</u>	<u>95,596</u>

HAL-SAFI LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

8. Operations and maintenance

	2021	2020
	€	€
<i>Operations and maintenance include:</i>		
Repairs and Upkeep:		
Road and street pavements	1,563	6,599
Road signs and markings	5,340	3,244
Other repairs & upkeep	3,527	8,997
Public property	23,163	89,774
Office furniture and equipment repairs	41	-
Plant & machinery and sundry repairs	5,179	3,215
Street lighting	5,186	7,072
	43,999	118,901
Contractual Services:		
Waste disposal	12,036	12,706
Refuse collection	28,411	28,489
Bulky refuse collection	4,265	2,948
Hire of open skips	-	89
Road and street cleaning	17,099	17,099
Cleaning and maintenance - public conveniences	3,900	3,900
Cleaning and Maintenance soft areas	2,516	2,516
Cleaning council premises	7,647	7,322
Other contractual service	13,035	13,928
LES related expenses	306	330
	89,215	89,327
Total Operations and Maintenance expenses	133,447	208,228

HAL-SAFI LOCAL COUNCIL

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

9. Administrative and other expenditure

	2021	2020
	€	€
Utilities	10,469	5,638
Operating materials and supplies	2,668	3,734
Participation fee national and EU organisations	217	355
Office services	3,046	5,035
Transport expenses	1,936	2,663
Information services	1,000	285
Library expenses	4,900	2,733
Insurance coverage	2,023	1,409
Bank charges	348	141
Professional services	17,597	11,366
ICT expenses	1,695	2,456
Community services and social events	13,735	10,233
Sundry minor expenses	52	31
Rent	5,731	4,030
Depreciation of property, plant and equipment	18,798	23,258
Decrease in provision for bad debts (LES)	(292)	(942)
	<u>83,923</u>	<u>72,425</u>

10. Finance income

	2021	2020
	€	€
Bank interest receivable	<u>-</u>	<u>5</u>

11. Finance costs

	2021	2020
	€	€
Bank interest paid	<u>400</u>	<u>131</u>

HAL-SAFI LOCAL COUNCIL

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

12. Property, plant and equipment

Cost	Assets Under Buildings and Construction Improvements		Construction Works		Office Furniture and Fittings		New Street Signs		Urban Improvements		Trees		Office and Computer Equipment machinery		Plant		Special Programmes		Total
	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	
At 1 January 2021	5,220	267,132	287,957	51,145	18,611	225,856	1,031	56,183	16,807	311,428	1,241,370								
Additions	118,091	-	42,237	1,230	-	4,090	-	252	-	-	165,900								
At 31 December 2021	123,311	267,132	330,194	52,375	18,611	229,946	1,031	56,435	16,807	311,428	1,407,270								
Grants																			
At 1 January 2021	-	-	156,033	400	-	100,579	-	6,571	6,677	27,247	297,507								
Additions	-	-	42,237	990	-	3,304	-	-	-	-	46,531								
At 31 December 2021	-	-	198,270	1,390	-	103,883	-	6,571	6,677	27,247	344,038								
Depreciation																			
At 1 January 2021	-	45,203	95,275	39,503	18,611	106,495	-	46,091	8,811	284,181	644,170								
Charge for the year	-	2,680	8,270	3,808	-	2,237	-	1,395	408	-	18,798								
At 31 December 2021	-	47,883	103,545	43,311	18,611	108,732	-	47,486	9,219	284,181	662,968								
Net Book Value at 31 December 2021	123,311	219,249	28,379	7,674	-	17,331	1,031	47,486	911	-	400,264								

HAL-SAFI LOCAL COUNCIL

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

12. Property, plant and equipment

	Assets Under Construction	Buildings & Improvements	Construction Works	Office Furniture & Fittings	New Street Signs	Urban Improvements	Trees	Office & Computer Equip. machinery	Plant & machinery	Special Programmes	Total
Cost	€	€	€	€	€	€	€	€	€	€	€
At 1 January 2020	(28,935)	267,132	279,876	50,184	18,611	222,919	1,031	52,992	16,807	311,428	1,192,045
Additions	5,220	-	8,081	961	-	2,937	-	3,191	-	-	20,390
Transfer to Income	28,935	-	-	-	-	-	-	-	-	-	28,935
At 31 December 2020	5,220	267,132	287,957	51,145	18,611	225,856	1,031	56,183	16,807	311,428	1,241,370
Grants											
At 1 January 2020	-	-	156,033	400	-	100,579	-	6,571	6,677	27,247	297,507
Additions	-	-	-	-	-	-	-	-	-	-	-
Transfer to Construction	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2020	-	-	156,033	400	-	100,579	-	6,571	6,677	27,247	297,507
Depreciation											
At 1 January 2020	-	42,523	82,216	35,732	18,611	104,414	-	44,832	8,403	284,181	620,912
Charge for the year	-	2,680	13,059	3,771	-	2,081	-	1,259	408	-	23,258
At 31 December 2020	-	45,203	95,275	39,503	18,611	106,495	-	46,091	8,811	284,181	644,170
Net book Value at 31 December 2020	5,220	221,929	36,649	11,242	-	18,782	1,031	3,521	1,319	-	299,693

HAL-SAFI LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

13. Trade and other receivables

	2021	2020
	€	€
Falling due within one year		
Receivables – LES (i)	90,657	90,949
Provision for doubtful debts – LES (i)	(90,657)	(90,949)
Trade receivables	5,120	19,194
Amounts owed by related parties	-	394
Other receivables	1,960	8,175
Prepayments and accrued income	10,622	14,867
	<u>17,702</u>	<u>42,630</u>

	2021	2020
	€	€
Falling due within one year:		
Within Credit period	3,750	10,680
Exceeding credit period but not impaired	1,370	17,083
Impaired and provided for	90,657	90,949
Provision for doubtful debts	(90,657)	(90,949)
	<u>5,120</u>	<u>27,763</u>

(i) Local Enforcement System (LES) debtors amount to €90,657 have been fully provided for. As at 31 December 2021, provision for doubtful debts amounted to €90,657 (2020: €90,949). At year end LES debtors which are two (2) years old or older have been fully provided for. All other receivables are within credit period allowed and receivable within 1 year.

HAL-SAFI LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

14. Cash and cash equivalents

Cash and cash equivalents comprise the following amounts:

	2021	2020
	€	€
Petty cash	120	120
Bank balances: Savings and current accounts	137,700	188,688
Bank balances: LES deposits account	69,609	81,795
Bank balances: football ground sinking fund account	11,015	11,014
Cash and cash equivalents in the statement of		
Financial position	218,444	281,617
Less bank balances overdrawn (note 15)	(1,450)	(5,877)
Cash and cash equivalents in the statement of cashflows	216,994	275,740

15. Short-term borrowings

	2021	2020
	€	€
Falling due within one year:		
Bank balances overdrawn	1,450	5,877

16. Trade and other payables

	2021	2020
	€	€
Falling due within one year		
Trade payables	29,535	61,407
Other creditors	586	479
Accruals	11,037	8,370
Deferred income	58,188	39,971
	99,346	110,227

HAL-SAFI LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

17. Capital commitments

	2021	2020
	€	€
<i>Details of capital commitments at the accounting date are as follows:</i>		
(i) Contracted for and partly provided for (note (a))	<u>56,000</u>	122,875
(ii) Approved but not yet contracted for (note (b))	<u>67,012</u>	<u>72,702</u>

Capital Commitments refer to projects as follows:

- (a) Restoration of Rubble Wall under the Rural Development Programme (2014 – 20200. Measure 4.4)
- (b) Promotion of Cultural Heritage and Development of Green Infrastructure project which has been selected for funding under the Rural Development Programme (2014 – 2020), Measure 4.4 of the Xlokk Local Development Strategy (M19.2). Funding for these projects will amount to €10,000 and €57,012 respectively.

18. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The ultimate controlling party of the Hal-Safi Local Council is the Local Councils Department within the Office of the Prime Minister.

All the companies, Authorities and Agencies set-up by the Central Government are also considered to be related parties to Safi Local Council but do not have significant control. All Regional Committees (from 1 September 2011), the Local Councils Association and the other Local Councils are also considered to be related parties.

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

Name of Entity:	Nature of Relationship
Department of Local Councils	Significant
Regional Committee - Local Law Enforcement	No Control
Bank of Valletta	No Control
Department of Education	No Control
Enemalta Corporation	No Control
Local Councils Association	No Control
Water Services Corporation	No Control
Wasteserv Malta Limited	No Control
Works Division - Director General Works	No Control

	2021	2020
	€	€
Income - annual financial allocation	<u>289,496</u>	<u>279,149</u>

HAL-SAFI LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

19. Financial Risk Management

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

Where applicable, any significant changes in the Local Council's exposure to financial risks or manner in which the Local Council manages and measures these risks are disclosed below.

Where possible, the Local Council aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of risk exposure associated with the financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

With respect to credit risk, the receivables are monitored continuously for recoverability. Receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Known bad debts are therefore maintained to the lowest possible, thereby lowering as much as possible the concentration of credit risk.

Liquidity risk

The Local Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and plans projects accordingly. The Council Members and Executive Secretary do not consider that it is significantly exposed to liquidity risk.

Capital management

It is the policy of the Local Council to maintain an adequate capital base in order to sustain the future development of the council and safeguard the ability of the council to continue operating. In this respect, the council monitors the operations and results of the Local Council. The council is not subject to externally imposed capital requirements. There were no changes in the Local Council's approach to capital management during the year.

Interest Rate risk

The Local Council's interest rate risk arises from the borrowings issued at variable rates which expose the Local Council to cash flow interest rate risk. In general, the Local Council's exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows are not deemed to be substantial in view of the nature of the assets and liabilities.

HAL-SAFI LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

19. Financial Risk Management – continued

Credit risk

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

Movement in provision for doubtful debts

	2021	2020
	€	€
Provision at 1 January	90,949	92,833
Movement	<u>(292)</u>	<u>(1,884)</u>
Provision at 31 December	<u>90,657</u>	<u>90,949</u>

Provision for doubtful debts is in respect of LES debtors. As at 31.12.2021, full provision has been made in this respect after correctly reflecting the amount due to the council in respect of LES as per Loqus (Datatrak) report.

20. Events after the reporting date

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of approval of the financial statements - _____ by the council members.

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-Safi Local Council set out on pages 2 to 25 which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, 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 opinion

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

Responsibilities of those charged with governance for the financial statements

As described on page 1 the Executive Secretary and the members of the Local Council are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Legislation, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

A handwritten signature in black ink, appearing to read "Mark Bugeja", written over a horizontal line.

Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

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10 August 2022