

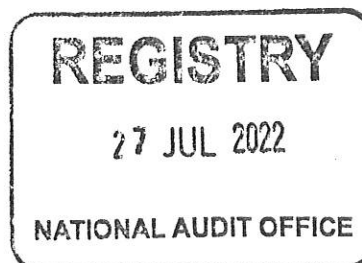
MARSA LOCAL COUNCIL

REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2021

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MARSA LOCAL COUNCIL

STATEMENT OF LOCAL COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S RESPONSIBILITIES
For the year ended 31 December 2021

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

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Council (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on 16 June 2022 and signed on its behalf by:


Josef Azzopardi
Mayor


Edward Spiteri Audibert
Executive Secretary

MARSA LOCAL COUNCIL
 STATEMENT OF TOTAL COMPREHENSIVE INCOME
 For the year ended 31 December 2021


	Notes	2021 €	2020 €
REVENUE			
Funds received from Central Government	3	794,366	784,771
Income raised under Local Council Bye-Laws	4	7	18
Income raised under Local Enforcement System	5	5,652	3,758
General Income	6	22,085	17,257
		822,110	805,804
EXPENDITURE			
Personal emoluments	7	143,141	124,339
Operations and maintenance	8	418,141	421,381
Administration and other expenses	9	207,224	223,219
		768,506	768,939
OPERATING PROFIT FOR THE YEAR		53,604	36,865
Finance income	10	-	3
Finance cost	10	(9,165)	(9,509)
PROFIT FOR THE YEAR	7	44,439	27,359

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

MARSA LOCAL COUNCIL
STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Notes	2021 €	2020 €
ASSETS			
NON-CURRENT ASSETS			
Intangible asset	11	3,773	5,567
Property, plant and equipment	12	574,937	559,197
		<u>578,710</u>	<u>564,764</u>
Current Assets			
Inventories	13	322	322
Receivables	14	43,661	90,262
Cash and cash equivalents	15	624,234	287,908
		<u>668,217</u>	<u>378,492</u>
TOTAL ASSETS		<u>1,246,927</u>	<u>943,256</u>
EQUITY			
RESERVES			
Retained earnings		491,745	447,306
NON-CURRENT LIABILITIES			
Long-term borrowings	17	176,863	194,700
CURRENT LIABILITIES			
Payables	16	560,362	284,063
Short-term borrowings	17	17,957	17,187
		<u>578,319</u>	<u>301,250</u>
TOTAL LIABILITIES		<u>755,182</u>	<u>495,950</u>
RESERVES AND LIABILITIES		<u>1,246,297</u>	<u>943,256</u>

The notes on pages 6 to 24 form an integral part of these financial statements. These financial statements were approved by the Council on 16 June 2022.


Josef Azzopardi
Mayor


Edward Spiteri Audibert
Executive Secretary

MARSA LOCAL COUNCIL
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Retained Earnings
	EUR
Year Ended 31 December 2020	
Balance as at 1 January 2020	419,947
Profit for the year	27,359
Balance as at 31 December 2020	<u>447,306</u>
Year Ended 31 December 2021	
Balance as at 1 January 2021	447,306
Profit for the year	44,439
Balance as at 31 December 2021	<u>491,745</u>

MARSA LOCAL COUNCIL
 STATEMENT OF CASH FLOWS
 For the year ended 31 December 2021

	Notes	2021 €	2020 €
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year		44,439	27,359
Reconciliation to cash generated from operations:			
Depreciation		91,773	90,911
Amortisation		1,794	560
Interest receivable		-	(3)
Operating profit before working capital changes		<u>138,006</u>	<u>118,827</u>
Decrease/ (increase) in receivables		46,601	(33,858)
Increase in payables		276,299	62,066
NET CASH FLOW FROM OPERATING ACTIVITIES		<u>460,906</u>	<u>147,035</u>
CASH FLOW USED IN INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(130,763)	(26,771)
Purchase of intangible assets		-	(4,691)
Interest received		-	3
Receipt of grants		23,250	7,640
NET CASH USED IN INVESTING ACTIVITIES		<u>(107,513)</u>	<u>(23,819)</u>
CASH FLOW USED IN FINANCIAL ACTIVITIES			
Repayment of short term borrowings		(17,067)	(16,360)
NET CASH USED IN FINANCING ACTIVITIES		<u>(17,067)</u>	<u>(16,360)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		336,326	106,856
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		287,908	181,052
CASH AND CASH EQUIVALENTS AT END OF YEAR	15	<u>624,234</u>	<u>287,908</u>

MARSA LOCAL COUNCIL
Financial Statements for the year ended 31 December 2021
Notes to the Financial Statements

1. GENERAL INFORMATION

Marsa Local Council is the local authority of Marsa incorporated in accordance with the Local Councils Act, 1993. The office of the Council is situated at Pont San Tumas, Marsa. These financial statements were approved for issue by the Council Members on 16 June 2022. The Local Council's presentation as well as functional currency is dominated in €.

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES

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

ACCOUNTING CONVENTION

These financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of Section 67 of the Local Councils Act (Cap 363). The financial statements are prepared under the historical cost convention as modified to include fair values stated in the accounting policies below. These financial statements are prepared in accordance to the requirements of International Financial Reporting Standards (IFRSs) as adopted by the EU and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

NEW AND AMENDED STANDARDS ADOPTED BY THE LOCAL COUNCIL

During the year under review, the Council adopted new standards, amendments and interpretations to existing standards that are mandatory for the Council's accounting year beginning on 1 January 2021. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Council's accounting policies.

Covid -19 related rent concessions beyond 30 June 2021 (Amendments to IFRS 16)

This pronouncement amended IFRS 16 'Leases' to provide lessees with an exemption from assessing whether a Covid-19 related rent concession is a lease modification. On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments effects only payments originally due on or before 30 June 2021. This amendment became effective for annual reports beginning on or after 1 April 2021.

Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments finalise the IFRS board response to the ongoing reform of inter-bank offered rates (IBOR) and other interest rate benchmarks and complement those issued and focus on effects on financial statements when an entity replaces the old interest rate benchmark with an alternative benchmark rate as a result of the reform. These amendments became effective for annual reports beginning on or after 1 January 2021.

These amendments do not have a significant impact on these financial statements and therefore the disclosures have not been made.

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

NEW IMPORTANT STANDARDS AND AMENDMENTS NOT YET ADOPTED

On 23 January 2020, the IASB issued 'Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place of the reporting date. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

On 18 May 2017, the IASB issued IFRS 17 'Insurance Contracts' that require insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 as is effective for annual reporting periods beginning on or after from 1 January 2023.

On 14 May 2020, the IASB issued 'Reference to the Conceptual Framework (Amendments to IFRS 3)'. The amendment update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

On 14 May 2020, the IASB issued 'Proceeds before Intended Use- Amendments to IAS 16'. The amendments prohibit deducting from the cost of an item of PPE and proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items , and the cost of producing those items in profit and loss. These amendments are effective for annual periods beginning on or after 1 January 2022.

On 14 May 2020, the IASB issued 'Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)'. The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. These amendments are effective for annual periods beginning on or after 1 January 2022.

On 14 May 2020, the IASB issued 'Annual Improvements to IFRS Standards 2018-2020'. These make amendments to IFRS 1, IFRS 9, IFRS 16 AND IAS 41. These amendments are effective for annual periods beginning on or after 1 January 2022.

The Councillors and Executive Secretary are assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Councillors and Executive Secretary anticipate that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application

REVENUE RECOGNITION

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Funds received from Central Government, income earned from Bye-Laws and interest income are recognised in the income statement as they accrue.

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

LOCAL ENFORCEMENT SYSTEM

Up till August 2011, the Council used to manage the Local Enforcement System as part of the Valletta Joint Committee. As from 1 September 2011, the Council started to form part of the Southern Region which took over the management of Local Enforcement System and the Council is receiving a 10% administration fee on every fine paid at the Council. As from October 2015 LESA took over the administration of the Local Enforcement System.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

INTANGIBLE FIXED ASSETS

In line with IAS 38, intangible assets are initially recorded at cost and are subsequently stated at cost less amortisation. Amortisation to write off the cost is calculated on a monthly basis using the straight line method.

	%
Computer software	25 - 100

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses to date. Depreciation is calculated on a monthly basis using the straight line method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

	%
Land	0
Trees	0
Buildings	1
Office furniture and fittings	7.5 - 100
Construction works	10 - 100
Urban improvements (street furniture)	10 - 100
Special projects	10 - 100
Office equipment	20 - 100
Motor vehicles	20
Plant and machinery	20 - 100
Computer equipment	25 - 100
Plants	100
Litter bins	100
Playground furniture	100
Traffic signs	100
Road signs	100
Street mirrors	100
Street lights	100

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

PROPERTY, PLANT AND EQUIPMENT (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Freehold land, land held on perpetual emphyteusis and assets in the course of construction are not depreciated. Directive issued in 2017 by the Department of Local Councils, applicable as from 1 January 2018, instructs the Council to depreciate non-current assets on a monthly basis using straight line method at the rates specified in the Local Council (Financial) Procedures (P1.X1).

Gains and Losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are considered in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each Statement of Financial Position date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

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

IMPAIRMENT OF ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs to sell and the value in use. Impairment losses are immediately recognised as an expense in the statement of total comprehensive income.

AMOUNTS RECEIVABLE

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount of the asset in the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

IFRS 9 Financial Instruments addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS39 that relate to the classification and measurement of Financial Instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measure at amortised cost. The determination is made at initial recognition. The classification depends on the entities business module for managing its financial instruments and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of IAS39 requirements. The main change is that, in cases of where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's credit risk is recorded in other Comprehensive Income rather than the Income Statement, unless this creates an accounting mismatch. The council adopted IFRS 9 for annual reporting periods beginning on or after 1 January 2018.

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

LEASES

For any new contracts entered into on or after 1 January 2019, the Local Council considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Local Council assesses whether the contract meets three key evaluations which are

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

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

The Local Council depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Local Council also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Local Council measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

RELATED PARTIES

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard 24.

GOVERNMENT GRANTS

Government Grants relating to operating expenditure are recognized 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 the change in accounting policy, and according to IAS 8 Accounting Policies, and Changes in Accounting Estimates and Errors, it has been accounted for retrospectively.

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

SURPLUSES AND DEFICITS

Only surpluses that were realised at the date of the statement of financial position are recognised in these financial statements. All foreseeable liabilities and potential 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.

CASH AND CASH EQUIVALENTS

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

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'.

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (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.

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).

MARSA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements

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'.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Executive Secretary, the accounting estimates and judgements made in the preparation of the financial statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS 1 (revised) - 'Presentation of Financial Statements'.

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 quarterly review of the working capital ratio (Financial Situation Indicator). This ratio was positive at the reporting date and has not changed significantly from the previous year. 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.

3 FUNDS RECEIVED FROM CENTRAL GOVERNMENT

	2021	2020
	€	€
In terms of section 55 of the Local Councils Act	601,336	585,838
Supplementary Government income	103,451	129,617
Other Government income	89,579	69,316
	<u>794,366</u>	<u>784,771</u>

4 INCOME RAISED FROM BYE-LAWS

	2021	2020
	€	€
Income from bye-laws	<u>7</u>	<u>18</u>

5 LOCAL ENFORCEMENT SYSTEM

	2021	2020
	€	€
LES administration fee	<u>5,652</u>	<u>3,758</u>

MARSA LOCAL COUNCIL
 Financial Statements for the year ended 31 December 2021
 Notes to the Financial Statements

	2021	2020
	€	€
Community services	54	42
Donations	3,500	150
Contributions	-	130
Income from permits	18,531	16,935
	<u>22,085</u>	<u>17,257</u>
6 PROFIT FOR THE YEAR		
	2021	2020
	€	€
Profit for the year is stated after charging:		
Staff Salaries	143,141	124,339
Depreciation on tangible assets	91,773	90,911
Amortisation on intangible assets	1,794	560
	<u>143,141</u>	<u>124,339</u>
Staff salaries		
Personal emoluments include, inter alia:		
Mayor's remuneration	15,270	15,027
Allowances	17,800	17,800
Executive secretary salary and allowances	35,308	34,446
Employees' salaries	66,138	49,739
Social security contributions	8,625	7,327
	<u>143,141</u>	<u>124,339</u>
7 OPERATIONS AND MAINTENANCE		
	2021	2020
	€	€
Repair and upkeep:		
Road and street pavements (patching works)	26,071	27,604
Street signs	2,400	1,088
Road markings	16,542	8,842
Office furniture and equipment	-	143
	<u>45,013</u>	<u>37,677</u>
Contractual Services:		
Refuse collection	174,154	222,419
Bulky refuse collection	14,426	12,243
Road and street collection	120,006	52,052
Cleaning and maintenance of public conveniences	18,984	18,984
Cleaning and maintenance of parks and gardens	21,238	17,391
Cleaning and maintenance of verges / non-urban	14,048	53,358
Other contractual services	10,272	7,257
	<u>373,128</u>	<u>383,704</u>
Total	<u>418,141</u>	<u>421,381</u>

MARSA LOCAL COUNCIL
 Financial Statements for the year ended 31 December 2021
 Notes to the Financial Statements

9 ADMINISTRATION AND OTHER EXPENSES

	2021	2020
	€	€
Utilities	13,414	12,493
Office services	4,186	6,249
Transport	239	8,939
Information services	3,596	2,382
Other contractual services	29,461	26,807
Insurance	3,074	3,656
Staff uniforms	-	187
Professional services	3,327	7,301
Legal disputes	-	23,660
Rent	696	700
Training costs	4,700	-
Community and hospitality	32,399	33,143
Depreciation on tangible assets	91,773	90,911
Amortisation on intangible assets	1,794	560
Office Expenditure and Repairs	18,565	6,231
	<u>207,224</u>	<u>223,219</u>

10 FINANCE INCOME / COST

	2021	2020
	€	€
Bank interest receivable	-	3
Interest payable from banks	<u>9,165</u>	<u>9,509</u>

11 INTANGIBLE ASSET

	€
Cost	
As at 1 st January 2021	9,868
Addition for the year	-
As at 31 st December 2021	<u>9,868</u>
Depreciation	
As at 1 st January 2021	4,301
Amortisation for the year	1,794
As at 31 st December 2021	<u>6,095</u>
Net Book Value	
As at 31 st December 2021	<u>3,773</u>
Net Book Value	
As at 31 st December 2020	<u>5,567</u>

MARSA LOCAL COUNCIL
 Financial Statements for the year ended 31 December 2021
 Notes to the Financial Statements

12 PROPERTY, PLANT AND EQUIPMENT

ASSET	Assets under Construction	Office furniture & fittings	Buildings	New Street signs	Office Equipment	Computer equipment	Plant & Machinery	Urban Improvements & Construction	Special Programmes	Total
	€	€	€	€	€	€	€	€	€	€
COST										
As at January 2020	1,100	156,214	329,212	15,046	32,511	9,053	64,021	1,171,424	1,075,563	2,854,144
Additions	-	-	7,920	-	2,410	5,176	-	11,265	-	26,771
As at 31 December 2020	1,100	156,214	337,132	15,046	34,921	14,229	64,021	1,182,689	1,075,563	2,880,915
GRANTS & OTHER REIMBURSEMENTS										
As at 1 January 2020	-	-	-	-	-	-	19,800	368,411	337,755	725,966
Charge for the year	-	-	-	-	-	-	-	7,640	-	7,640
As at 31 December 2020	-	-	-	-	-	-	19,800	376,051	337,755	733,606
ACCUMULATED DEPRECIATION										
As at 1 January 2020	-	72,549	18,976	15,046	28,603	9,053	44,221	707,064	601,689	1,497,201
Charge for the year	-	10,371	3,292	-	1,963	210	-	31,798	43,277	90,911
As at 31 December 2020	-	82,920	22,268	15,046	30,566	9,263	44,221	738,862	644,966	1,588,112
NET BOOK VALUE										
As at 31 December 2020	1,100	73,294	314,864	-	4,355	4,966	-	67,776	92,842	559,197

MARSA LOCAL COUNCIL
 Financial Statements for the year ended 31 December 2021
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12 PROPERTY, PLANT AND EQUIPMENT

ASSET	Assets under Construction	Office furniture & fittings	Buildings	New Street signs	Office Equipment	Computer equipment	Motor Vehicle	Plant & Machinery	Urban Improvements & Construction	Special Programmes	Total
	€	€	€	€	€	€	€	€	€	€	€
COST											
As at January 2021	1,100	156,214	337,132	15,046	34,921	14,229	38,940	64,021	1,182,689	1,075,563	2,880,915
Additions	74,806	-	-	-	-	-	38,940	5,400	11,617	-	130,763
As at 31 December 2021	75,906	156,214	337,132	15,046	34,921	14,229	38,940	69,421	1,194,306	1,075,563	3,011,678
GRANTS & OTHER REIMBURSEMENTS											
As at 1 January 2021	-	-	-	-	-	-	-	19,800	376,051	337,755	733,606
Charge for the year	-	-	-	-	-	-	23,250	-	-	-	23,250
As at 31 December 2021	-	-	-	-	-	-	23,250	19,800	376,051	337,755	756,856
ACCUMULATED DEPRECIATION											
As at 1 January 2021	-	82,920	22,268	15,046	30,566	9,263	-	44,221	738,862	644,966	1,588,112
Charge for the year	-	10,680	3,292	-	2,206	1,897	262	90	47,056	26,290	91,773
As at 31 December 2021	-	93,600	25,560	15,046	32,772	11,160	262	44,311	785,918	671,256	1,679,885
NET BOOK VALUE											
As at 31 December 2021	75,906	62,614	311,572	-	2,149	3,069	15,428	5,310	32,337	66,552	574,937

MARSA LOCAL COUNCIL
 Financial Statements for the year ended 31 December 2021
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13 INVENTORIES

	2021	2020
	€	€
Lapel badges / sets for resale	322	322

14 RECEIVABLES

	2021	2020
	€	€
Receivables (note 1)	7,527	65,718
LES debtors (note 2)	-	-
Other receivables	799	799
Accrued Income	32,422	22,422
Financial Assets	40,748	88,939
Prepayments	2,913	1,323
Total Receivables	43,661	90,262

Note 1: General receivables are analysed as follows:

	2021	2020
	€	€
Within Credit period	7,527	65,718
Exceeded credit period but not impaired	36,134	24,544
Impaired and provided for	7,930	7,930
Provision for doubtful debts	(7,930)	(7,930)
	43,661	90,262

Note 2: LES Debtors are stated after a specific provision for doubtful debts amounting to Eur 95,466 (2020: Eur 95,446).

The amount in the provision for doubtful debts is as follows:

	2021	2020
	€	€
LES Debtors	95,446	95,446
Provision for Doubtful Debts	(95,446)	(95,446)
	-	-

MARSA LOCAL COUNCIL
 Financial Statements for the year ended 31 December 2021
 Notes to the Financial Statements

15 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 balance sheet amounts:

	2021	2020
	€	€
Bank balances:		
Ordinary funds	621,512	286,769
Cash in hand	2,722	1,139
	<u>624,234</u>	<u>287,908</u>

16 PAYABLES

	2021	2020
	€	€
Financial liabilities		
Payables and other payables	70,484	211,547
Accruals	35,385	69,316
Financial liabilities	<u>105,869</u>	<u>280,863</u>
Deferred income	454,493	3,200
Total current liabilities	<u>560,362</u>	<u>284,063</u>

17 BORROWINGS

	2021	2020
	€	€
Non-Current		
Bank borrowings	<u>176,863</u>	194,700
Current		
Bank borrowings	<u>17,957</u>	17,187
Repayable within one year	17,957	17,187
Repayable between two and five years	81,568	90,718
Repayable between five years and more	95,295	103,982
	<u>194,820</u>	<u>211,887</u>

The two bank loans are secured by First General Hypothec over the assets of the Council and by a letter of undertaking by the Government of Malta to channel funds due to the Council. The loans bears interest at 4.15% (2020: 4.15%) per annum and are repayable over 20 years by monthly instalments of €1,682 and €456 respectively.

MARSA LOCAL COUNCIL
 Financial Statements for the year ended 31 December 2021
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18 CAPITAL COMMITMENTS

	2021	2020
	€	€
Details of capital commitments are as follows;		
Approved but not yet contracted for	217,758	-
Approved and contracted for	420,000	-
	<u>637,758</u>	<u>-</u>
Belt Kulturali 2022	217,758	-
Belvedere Garden	420,000	-
	<u>637,758</u>	<u>-</u>

The Local Council has already incurred expenses amounting to € 74,806 on Belvedere Garden. These are shown under Assets under Construction under note 12 to the financial statements. The total expenditure of the project is expected to amount to € 510,952. This amount will be full financed by the Development Planning Fund and Ambjent Malta.

The Local Council in 2021 was awarded the 'Belt Kulturali 2022' Project. It is expected that expenses of € 217,758 will be incurred in 2022 on various Cultural activities during 2022. An amount of € 199,000 is to be financed by the Department of Local Government.

The Local Council as at 31 December 2021 has already received an amount of € 293,283 on Belvedere Garden and an amount of € 161,210 on Belt Kulturali 2022. These amounts are included in note 16 to the financial statements under funds received in advance.

19 RELATED PARTY TRANSACTIONS

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

Name of Entity	Nature of relationship
Department for Local Government	Significant Control
South Eastern Regional Committee	Joint Control
Police General Head Quarters	No Control
Central Regional Committee	No Control
South Regional Committee	No Control
Gozo Regional Committee	No Control
North Regional Committee	No Control
Malta Environment and Planning Authority	No Control
Water Services Corporation	No Control
Enemalta Corporation	No Control
Cleansing Services Department	No Control
Director General – Works Division	No Control
Department of Lands	No Control
Bank of Valletta Plc	No Control
Wasteserv Malta Limited	No Control
Transport Malta	No Control
Local enforcement system agency	No Control

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

	2021	2020
Annual financial allocation	<u>€ 601,336</u>	<u>€ 585,838</u>

MARSA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements

20 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 a quality financial institution with a credit rating of BBB+. 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. The risk of default is negligible for both bank and debtors and hence there are no expected credit losses.

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:	Notes		
Trade and Other Receivables	14	40,748	88,939
Cash and Cash Equivalents	15	624,234	287,908
		<u>664,982</u>	<u>376,847</u>

20 FINANCIAL RISK MANAGEMENT – continued

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 and cash equivalents the amount of €624,232. This should ensure ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net current asset position of € 89,898 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

MARSA LOCAL COUNCIL
 Financial Statements for the year ended 31 December 2021
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At 31 December 2021 the Council's financial liabilities have contractual maturities which are summarised below:

	Current	Non Current		
		Payable within 1 year	Payable within 2 & 5 years	Payable after more than 5 years
		€	€	€
31 December 2021				
Payables		70,484	-	-
Accruals		35,385	-	-
Bank Borrowings		17,957	81,568	95,295
		123,826	81,568	95,295
31 December 2020				
Payables		211,547	-	-
Accruals		69,316	-	-
Bank Borrowings		17,187	90,718	103,982
		298,050	90,718	103,982

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 objective of interest rate risk management is to optimise the balance between minimising uncertainty caused by fluctuations in interest rates and maximising the net interest income and expense.

21 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:

Current Assets	Notes	2021	2020
		€	€
Loans and Receivables:			
Trade and Other Receivables	14	40,748	88,939
Cash and Cash Equivalents	15	624,234	287,908
		664,982	376,847
Current Liabilities			
Financial Liabilities measure at amortised cost:			
Payables	16	70,484	211,547
Accruals	16	35,385	69,316
Bank Borrowings	17	17,957	17,187
		123,826	298,050

MARSA LOCAL COUNCIL
Financial Statements for the year ended 31 December 2021
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22 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.

23 EVENTS AFTER THE REPORTING PERIOD

There were no particular important event or transactions affecting the council that have occurred since the end of the accounting period, which, though properly excluded from the financial statements, are of such importance that they should have been disclosed in the notes to the financial statements.

24 GOING CONCERN

The statement of financial position on page 3 and the notes thereto, with special reference to capital commitments, suggest that going concern assumption used in the preparation of these financial statements is dependent on further sources of funds other than the annual financial allocation by Central Government, on the collection of debts due to the Council and on the continued support of the Council's creditors. Any adverse change in either of these assumptions above, would not let the Council able to meet its financial obligations as they all due without curtailing its future commitments.

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 Marsa Local Council set out on pages 2 to 24 which comprise the statement of financial position as at 31 December 2021, and the statement of 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

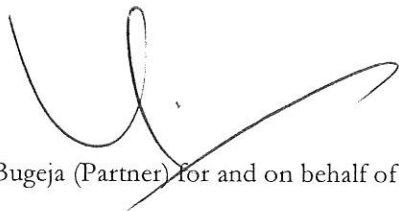
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

Fort Business Centre
Triq l-Intornjatur, Zone 1
Central Business District,
Birkirkara CBD 1050
Malta

16 June 2022