

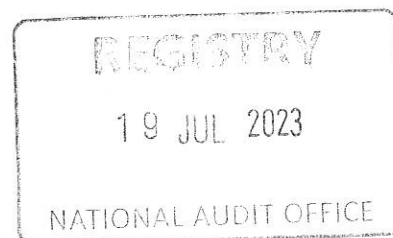
**MARSA LOCAL COUNCIL**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
For the year ended 31 December 2022

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Certified Public Accountant  
On behalf of Parker Russell Turner  
Chartered Certified Accountants & Auditors  
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MARSA LOCAL COUNCIL

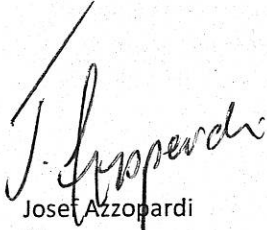
STATEMENT OF LOCAL COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S RESPONSIBILITIES  
For the year ended 31 December 2022

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The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which 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 20 June 2023 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 2022

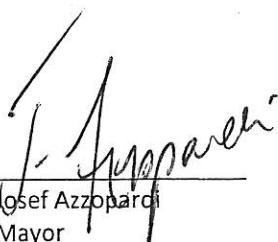
	Notes	2022 €	2021 €
<b>INCOME</b>			
Funds received from Central Government	3	994,439	794,366
Income raised under Local Council Bye-Laws	4	11	7
Income raised under Local Enforcement System	5	4,852	5,652
General Income	6	23,790	22,085
		<b>1,023,092</b>	<b>822,110</b>
<b>EXPENDITURES</b>			
Personal emoluments	7	174,499	143,141
Operations and maintenance	8	469,038	418,141
Administration and other expenses	9	422,268	207,224
		<b>1,065,805</b>	<b>768,506</b>
<b>OPERATING (DEFICIT)/ SURPLUS FOR THE YEAR</b>		<b>(42,713)</b>	<b>53,604</b>
Finance cost	10	(9,565)	(9,165)
<b>(DEFICIT)/ SURPLUS FOR THE YEAR</b>	7	<b>(52,278)</b>	<b>44,439</b>

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 2022

	Notes	2022 €	2021 €
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible asset	11	2,345	3,773
Property, plant and equipment	12	467,891	574,937
		<u>470,236</u>	<u>578,710</u>
<b>Current Assets</b>			
Inventories	13	322	322
Receivables	14	95,960	43,661
Cash and cash equivalents	15	201,883	624,234
		<u>298,165</u>	<u>668,217</u>
<b>TOTAL ASSETS</b>		<u>768,401</u>	<u>1,246,927</u>
<b>EQUITY AND LIABILITIES</b>			
<b>RESERVES</b>			
Retained Fund		<u>439,467</u>	<u>491,745</u>
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowings	17	<u>158,356</u>	<u>176,863</u>
<b>CURRENT LIABILITIES</b>			
Payables	16	151,914	560,362
Short-term borrowings	17	18,664	17,957
		<u>170,578</u>	<u>578,319</u>
<b>TOTAL LIABILITIES</b>		<u>328,934</u>	<u>755,182</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>768,401</u>	<u>1,246,297</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 20<sup>TH</sup> June 2023.

  
Josef Azzopardi  
Mayor

  
Edward Spiteri Audibert  
Executive Secretary

MARSA LOCAL COUNCIL  
STATEMENT OF CHANGES IN EQUITY  
For the year ended 31 December 2022

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	Retained Funds
	EUR
<b>Year Ended 31 December 2021</b>	
Balance as at 1 January 2021	447,306
Surplus for the year	44,439
Balance as at 31 December 2021	<u>491,745</u>
<b>Year Ended 31 December 2022</b>	
Balance as at 1 January 2022	491,745
Deficit for the year	(52,278)
Balance as at 31 December 2022	<u>439,467</u>

MARSA LOCAL COUNCIL  
 STATEMENT OF CASH FLOWS  
 For the year ended 31 December 2022

	2022	2021
Notes	€	€
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Deficit)/ surplus for the year	(52,278)	44,439
Reconciliation to cash generated from operations:		
Depreciation	57,345	91,773
Amortisation	1,428	1,794
	<hr/>	<hr/>
Operating profit before working capital changes	6,495	138,006
(Increase)/ decrease in receivables	(52,299)	46,601
(Decrease)/ increase in payables	(408,449)	276,299
	<hr/>	<hr/>
<b>NET CASH FLOW (USED IN)/ GENERATED FROM OPERATING ACTIVITIES</b>	<b>(454,253)</b>	<b>460,906</b>
<b>CASH FLOWS GENERATED FROM/ (USED IN) INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(325,728)	(130,763)
Receipt of grants	375,429	23,250
	<hr/>	<hr/>
<b>NET CASH GENERATED FROM/ (USED IN) INVESTING ACTIVITIES</b>	<b>49,701</b>	<b>(107,513)</b>
<b>CASH FLOWS USED IN FINANCIAL ACTIVITIES</b>		
Repayment of borrowings	(17,799)	(17,067)
	<hr/>	<hr/>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(17,799)</b>	<b>(17,067)</b>
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>	<b>(422,351)</b>	<b>336,326</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>624,234</b>	<b>287,908</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>15      201,883</b>	<b>624,234</b>

**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 20<sup>th</sup> June 2023. 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 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.

**STANDARDS, AMENDMENTS, AND INTERPRETATIONS TO EXISTING STANDARDS**

The new and revised standards that became effective for annual periods beginning on or after 1 January 2022 made several minor amendments to a number of IFRSs. None of the changes to IFRSs and interpretations has had, or is expected to have, a material impact on the council's financial statements.

**NEW AND AMENDED STANDARDS ADOPTED BY THE LOCAL COUNCIL**

Information on new standards, amendments and interpretations that are relevant to the Council's financial statements is provided below. Certain other new standards and interpretations not listed below have been issued but are not relevant and therefore are not expected to have any impact on the Council's financial statements.

The Council started to adopt the new accounting pronouncements which have become effective this year, and are as follows:

**Onerous Contract – Cost of Fulfilling a Contract (Amendments to IAS 37)**

This pronouncement amended IFRS 37 'Provisions, Contingent Liabilities and Contingent Assets' and clarifies that when assessing if a contract is onerous, the cost of fulfilling it includes all costs related directly to the contract. Such costs include both:

- the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract, like direct labor and materials); and
- an allocation of other costs that relate directly to fulfilling the contract (e.g. contract management and supervision, or depreciation of equipment used in fulfilling it).

**2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)**

Proceeds before Intended Use (Amendments to IAS 16)

The amendments introduce new guidance to IAS16 'Property, Plant and Equipment'. Proceeds from selling items before the related PPE is available for its intended use can no longer be deducted from the cost of PPE. Instead, such proceeds are recognized in profit or loss, together with the cost of producing those items (to which IAS 2<sup>4</sup> applies).

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

**NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE.**

At the date of authorisation of these financial statements, several new, but not effective Standards and amendments to existing standards, and Interpretations have been published by the IASB. None of these standards or amendments to existing standards have been adopted early by the Local Council. These are the following:

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 2023.

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 12 February 2021, the IASB issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2), that require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

On 12 February 2021, the IASB issued amendments to IAS 8, replacing the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

On 31 October 2023, the IASB issued amendments to IAS 1, that clarifies how conditions with which an entity must comply within twelve months after the reporting period effect the classification of a liability. The amendments are effective for annual reporting periods beginning on or after 1 January 2024.



**2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)**

The Councillors and Executive Secretary anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Local Council financial statements.

**REVENUE RECOGNITION**

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs and it can be measured reliably. Interest income is recognised in the statement of comprehensive income as it accrues.

Income from central government is not recognised until there is reasonable assurance that the Local Council will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross and any deductions made for non-compliance are to be disclosed separately with expenses.

**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.

**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.

**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 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

**2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)****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

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.

## 2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

### 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.

### RECEIVABLES

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.

### 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.

## 2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

### Short-term leases and leases of low-value assets

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

### RELATED PARTIES

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

### 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.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs. They are measured subsequently as described below.

#### 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).

## 2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

### FINANCIAL INSTRUMENTS (continued)

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.

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.

**2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)**

**FINANCIAL INSTRUMENTS (continued)**

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).

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'.

**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.

**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'.

MARSA LOCAL COUNCIL  
 Financial Statements for the year ended 31 December 2022  
 Notes to the Financial Statements

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**3 FUNDS RECEIVED FROM CENTRAL GOVERNMENT**

	2022	2021
	€	€
In terms of section 55 of the Local Councils Act	616,892	601,336
Supplementary Government income	-	103,451
Belt Kulturali 2022 grant	199,000	-
Other Government income	178,547	89,579
	<u>994,439</u>	<u>794,366</u>

**4 INCOME RAISED FROM BYE-LAWS**

	2022	2021
	€	€
Income from bye-laws	<u>11</u>	<u>7</u>

**5 LOCAL ENFORCEMENT SYSTEM**

	2022	2021
	€	€
LES administration fee	4,801	5,652
Les contraventions	51	-
	<u>4,852</u>	<u>5,652</u>

**6 GENERAL INCOME**

	2022	2021
	€	€
Community services	280	54
Donations	3,000	3,500
Contributions	1,053	-
Income from permits	19,457	18,531
	<u>23,790</u>	<u>22,085</u>

MARSA LOCAL COUNCIL  
 Financial Statements for the year ended 31 December 2022  
 Notes to the Financial Statements

**7 DEFICIT FOR THE YEAR**

	2022	2021
	€	€
<b>Deficit for the year is stated after charging:</b>		
Staff Salaries	174,499	143,141
Depreciation on tangible assets	57,345	91,773
Amortisation on intangible assets	1,428	1,794
	<u>174,499</u>	<u>143,141</u>
<b>Staff salaries</b>		
<b>Personal emoluments include, inter alia:</b>		
Mayor's remuneration	15,516	15,270
Allowances	17,800	17,800
Executive secretary salary and allowances	49,287	35,308
Employees' salaries	81,741	66,138
Social security contributions	10,155	8,625
	<u>174,499</u>	<u>143,141</u>

**8 OPERATIONS AND MAINTENANCE**

	2022	2021
	€	€
<b>Repair and upkeep:</b>		
Road and street pavements (patching works)	42,392	26,071
Street signs	94	2,400
Road markings	9,557	16,542
Office repairs	36,243	-
	<u>88,286</u>	<u>45,013</u>
<b>Contractual Services:</b>		
Refuse collection	144,862	174,154
Bulky refuse collection	13,571	14,426
Road and street collection	116,906	120,006
Cleaning and maintenance of public conveniences	19,901	18,984
Cleaning and maintenance of parks and gardens	36,906	21,238
Cleaning and maintenance of verges / non-urban	29,281	14,048
Other contractual services	19,325	10,272
	<u>380,752</u>	<u>373,128</u>
Total	<u>469,038</u>	<u>418,141</u>



MARSA LOCAL COUNCIL  
 Financial Statements for the year ended 31 December 2022  
 Notes to the Financial Statements

**9 ADMINISTRATION AND OTHER EXPENSES**

	2022	2021
	€	€
Utilities	17,263	13,414
Office services	6,127	4,186
Transport	2,113	239
Information services	12,000	3,596
Other contractual services	20,340	29,461
Insurance	7,803	3,074
Staff uniforms	139	-
Professional services	2,096	3,327
Legal disputes	558	-
Rent	700	696
Training costs	-	4,700
Community and hospitality	285,298	32,399
Depreciation on tangible assets	57,345	91,773
Amortisation on intangible assets	1,428	1,794
Office Expenditure and Repairs	9,058	18,565
	<u>422,268</u>	<u>207,224</u>

**10 FINANCE COST**

	2022	2021
	€	€
Interest payable from banks	<u>9,565</u>	<u>9,165</u>

**11 INTANGIBLE ASSET**

	€
<b>Cost</b>	
As at 1 <sup>st</sup> January 2022	9,868
Addition for the year	-
As at 31 <sup>st</sup> December 2022	<u>9,868</u>
<b>Depreciation</b>	
As at 1 <sup>st</sup> January 2022	6,095
Amortisation for the year	1,428
As at 31 <sup>st</sup> December 2022	<u>7,523</u>
<b>Net Book Value</b>	
As at 31 <sup>st</sup> December 2022	<u>2,345</u>
<b>Net Book Value</b>	
As at 31 <sup>st</sup> December 2021	<u>3,773</u>

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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
	€	€	€	€	€	€	€	€	€	€	€
<b>COST</b>											
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
<b>GRANTS &amp; OTHER REIMBURSEMENTS</b>											
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
<b>ACCUMULATED DEPRECIATION</b>											
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
<b>NET BOOK VALUE</b>											
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 2022

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	Motor Vehicle	Plant & Machinery	Urban Improvements & Construction	Special Programmes	Total
	€	€	€	€	€	€	€	€	€	€	€
As at January 2022	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
Additions	-	4,695	-	-	526	-	3,320	-	-	317,187	325,728
Reclassification	(74,806)	-	-	-	-	-	-	-	-	74,806	-
As at 31 December 2022	1,100	160,909	337,132	15,046	35,447	14,229	42,260	69,421	1,194,306	1,467,556	3,337,406
<b>GRANTS &amp; OTHER REIMBURSEMENTS</b>											
As at 1 January 2022	-	-	-	-	-	-	23,250	19,800	376,051	337,755	756,856
Additions for the year	-	-	-	-	-	-	11,000	-	-	364,429	375,429
As at 31 December 2022	-	-	-	-	-	-	34,250	19,800	376,051	702,184	1,132,285
<b>ACCUMULATED DEPRECIATION</b>											
As at 1 January 2022	-	93,600	25,560	15,046	32,772	11,160	262	44,311	785,918	671,256	1,679,885
Charge for the year	-	10,879	3,371	-	1,847	1,897	1,270	1,080	22,312	14,689	57,345
As at 31 December 2022	-	104,479	28,931	15,046	34,619	13,057	1,532	45,391	808,230	685,945	1,737,230
<b>NET BOOK VALUE</b>											
As at 31 December 2022	1,100	56,430	308,201	-	828	1,172	6,478	4,230	10,025	79,427	467,891

MARSA LOCAL COUNCIL  
 Financial Statements for the year ended 31 December 2022  
 Notes to the Financial Statements

**13 INVENTORIES**

	2022 €	2021 €
Lapel badges / sets for resale	322	322

**14 RECEIVABLES**

	2022 €	2021 €
Receivables (note 1)	23,530	7,527
LES debtors (note 2)	-	-
Other receivables	799	799
Accrued Income	68,695	32,422
<b>Financial Assets</b>	<b>93,024</b>	<b>40,748</b>
Prepayments	2,936	2,913
<b>Total Receivables</b>	<b>95,960</b>	<b>43,661</b>

Note 1: General receivables are analysed as follows:

	2022 €	2021 €
Within Credit period	76,578	7,527
Exceeded credit period but not impaired	19,382	36,134
Impaired and provided for	7,930	7,930
Provision for doubtful debts	(7,930)	(7,930)
	<b>95,960</b>	<b>43,661</b>

Note 2: LES Debtors are stated after a specific provision for doubtful debts amounting to Eur 95,446 (2021: Eur 95,446).

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

	2022 €	2021 €
LES Debtors	95,446	95,446
Provision for Doubtful Debts	(95,446)	(95,446)
	-	-

MARSA LOCAL COUNCIL  
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**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:

	2022 €	2021 €
<b>Bank balances:</b>		
Ordinary funds	194,290	621,512
Cash in hand	7,593	2,722
	<u>201,843</u>	<u>624,234</u>

**16 PAYABLES**

	2022 €	2021 €
Financial liabilities		
Payables and other payables	43,239	70,484
Accruals	87,342	35,385
Financial liabilities	<u>130,581</u>	<u>105,869</u>
Deferred income	21,333	454,493
Total current liabilities	<u>151,914</u>	<u>560,362</u>

**17 BORROWINGS**

	2022 €	2021 €
Non-Current		
Bank borrowings	<u>158,356</u>	176,863
Current		
Bank borrowings	<u>18,664</u>	17,957
Repayable within one year	18,664	17,957
Repayable between two and five years	84,931	81,568
Repayable between five years and more	<u>73,425</u>	<u>95,295</u>
	<u>177,020</u>	<u>194,820</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% (2021: 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 2022  
 Notes to the Financial Statements

**18 CAPITAL COMMITMENTS**

	2022	2021
	€	€
Details of capital commitments are as follows;		
Approved but not yet contracted for	28,000	217,758
Approved and contracted for	-	420,000
	<u>28,000</u>	<u>637,758</u>
Playing field	28,000	-
Belt Kulturali 2022	-	217,758
Belvedere Garden	-	420,000
	<u>28,000</u>	<u>637,758</u>

**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:

	2022	2021
Annual financial allocation	<u>€ 616,892</u>	<u>€ 601,336</u>

**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:

		2022	2021
		€	€
Classes of financial assets – carrying amounts:	Notes		
Trade and Other Receivables	14	95,960	40,748
Cash and Cash Equivalents	15	201,883	624,234
		<u>297,843</u>	<u>664,982</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 €201,883. 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 € 127,587 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

At 31 December 2022 the Council's financial liabilities have contractual maturities which are summarised below:

	Current Payable within 1 year	Non Current Payable within 2 & 5 years	Payable after more than 5 years
	€	€	€
31 December 2022			
Payables	43,239	-	-
Accruals	87,342	-	-
Bank Borrowings	18,664	84,931	73,425
	149,245	84,931	73,425
31 December 2021			
Payables	70,484	-	-
Accruals	35,385	-	-
Bank Borrowings	17,957	81,568	95,295
	123,826	81,568	95,295

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.



# MARSA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2022

## Notes to the Financial Statements

### 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:

	Notes	2022 €	2021 €
<b>Current Assets</b>			
Loans and Receivables:			
Trade and Other Receivables	14	95,960	40,748
Cash and Cash Equivalents	15	201,883	624,234
		<u>297,843</u>	<u>664,982</u>
<b>Current Liabilities</b>			
Financial Liabilities measure at amortised cost:			
Payables	16	43,239	70,484
Accruals	16	87,342	35,385
Bank Borrowings	17	18,664	17,957
		<u>149,245</u>	<u>123,826</u>

### 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 2022, 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 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

#### Basis for opinion

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

#### Responsibilities of those charged with governance for the financial statements

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

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

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

### Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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



Mark Bugeja (Partner) for and on behalf of

**GRANT THORNTON**  
Certified Public Accountants

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Triq l-Intornjatur, Zone 1  
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20 June 2023