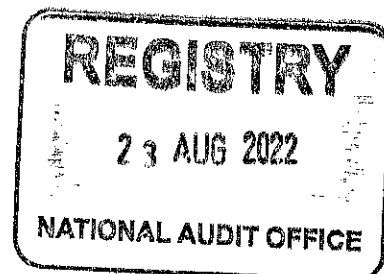


Local Council San Lawrenz
Annual Report and Financial Statements
For the year ended 31 December 2021

Prepared by: Pauliana Said



Contents


	Page
Statement of Local Council Members' and Executive Secretary's Responsibilities	3
Statement of Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 21
Report of the Local Government Auditor to the Auditor General	22 - 25

**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 the Local Council's statement of 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 the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, and the Local Councils (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, the Local Councils (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on 11/8/22 and signed on its behalf by:



Noel Formosa
Mayor



Sarah Formosa
Executive Secretary

Statement of Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 €	2020 €
Revenue			
Funds Received from Central Government	3	208,328	215,451
Income raised under the Local Enforcement System	4	299	277
General Income	5	24,129	17,949
		232,756	233,677
Expenditure			
Personal Emoluments	6	(81,443)	(81,229)
Operations and Maintenance	7	(53,302)	(46,766)
Administration and Other Expenditure	8	(83,914)	(91,112)
		(218,659)	(219,107)
Operating profit for the year	6	14,097	14,570
Finance Income	9	-	4
Finance charges		(568)	(309)
		(568)	(309)
Total comprehensive profit for the year	6	13,529	14,265

Statement of Financial Position

For the year ended 31 December 2021

	Notes	2021 €	2020 €
ASSETS			
Non-current assets			
Property, plant and equipment	10	163,551	163,546
Total non-current assets		163,551	163,546
Current assets			
Stocks	11	121	121
Receivables	12	58,271	79,827
Cash and cash equivalents	13	165,519	129,936
Total current assets		223,911	209,884
TOTAL ASSETS		387,462	373,430
RESERVES AND LIABILITES			
Retained earnings		176,281	162,752
Total reserves		176,281	162,752
LIABILITIES			
Payables	14	211,181	210,678
Total current liabilities		211,181	210,678
TOTAL RESERVES AND LIABILITES		387,462	373,430

These financial statements were approved by the Local council on 11/8/22 and signed on its behalf by:



Noel Formosa
Mayor



Sarah Formosa
Executive Secretary

Statement of Changes in Equity

For the year ended 31 December 2021

	Retained Funds €
At 1 January 2020	148,487
Profit for the year	14,265
At 31 December 2020	<u>162,752</u>
At 1 January 2021	162,752
Profit for the year	13,529
At 31 December 2021	<u>176,281</u>

Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 €	2020 €
Cash flow from operating activities			
Total comprehensive profit for the year		13,529	14,265
Reconciliation to cash generated from operations:			
Depreciation		19,840	19,217
Interest Receivable		-	(4)
Provision for bad debts		-	1,610
Recover of bad debts		(1,635)	-
		-----	-----
Operating profit before working capital changes		31,734	35,088
Decrease in inventories		-	-
Decrease in receivables		7,506	38,546
Decrease in payables		(26,470)	(32,286)
		-----	-----
Cash generated from operating activities		12,770	41,348
		-----	-----
Cash flows from investing activities			
Interest received		-	4
Purchase of property, plant and equipment		(49,705)	(109,193)
Receipt of Grant		97,079	36,884
		-----	-----
Cash generated from/(used in) investing activities		47,374	(72,305)
		-----	-----
Net increase/(decrease) in cash in the year		60,144	(30,957)
Cash and cash equivalents at beginning of year		105,375	136,332
		=====	=====
Cash and cash equivalents at end of year	13	165,519	105,375
		=====	=====

Notes to the Financial Statements

For the year ended 31 December 2021

1 General Information

The Local Council San Lawrenz is the local authority of San Lawrenz set up in accordance with the Local Councils Act (1993). The office of the Local Council is situated at Triq id-Duluri, San Lawrenz. These financial statements were approved for issue by the Council Members on 11/8/22. The Local Council's presentation as well as functional currency are denominated in €.

2 Accounting Policies and Reporting procedures

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

Accounting convention

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

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).

New and amended standards adopted by the Local Council

During the year under review, the Council has applied the following International Financial Reporting Standards as adopted by the EU:

Covid-19-Related Rent Concessions (Amendment to IFRS 16) - The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. Effective for annual reporting periods beginning on or after 1 June 2020.

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16) - The amendments in Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition. Effective for annual reporting periods beginning on or after 1 January 2021.

New Standards and amendments not yet adopted:

A number of new International Financial Reporting Standards and amendments and revisions thereto were in issue but not yet adopted by the EU during the financial period under review. These include the following:

Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) - The amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. Effective for annual reporting periods beginning on or after 1 April 2021.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) - The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. Effective for annual reporting periods beginning on or after 1 January 2023.

Reference to the Conceptual Framework (Amendments to IFRS 3) - The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard. Effective for annual reporting periods beginning on or after 1 January 2022.

Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16) - The amendments prohibit deducting from the cost of an item of property, plant and equipment any 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 or loss. Effective for annual reporting periods beginning on or after 1 January 2022.

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'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). Effective for annual reporting periods beginning on or after 1 January 2022.

Annual Improvements to IFRS Standards 2018-2020 - Makes amendments to the following standards:

IFRS 1 – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

IFRS 9 – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

IFRS 16 – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. Effective for annual reporting periods beginning on or after 1 January 2022.

Classification of Liabilities as Current or Non-current – Deferral of Effective Date (Amendment to IAS 1) - The amendment defers the effective date of the January 2020 amendments by one year, so that entities would be required to apply the amendment for annual periods beginning on or after 1 January 2023.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating 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 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 and 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.

Related Parties

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

Revenue

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. 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 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 therefrom are to be disclosed separately with expenses.

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises expenses for the related costs for which the grants are intended to compensate, which in the case of grants related to assets requires deducting it from the carrying amount of the asset, using the capital approach.

Foreign currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the Local Council operates. These financial statements are presented in €, which is the Council's functional and presentation currency.

Transactions denominated in foreign currencies are translated into € at the rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into euro at the rates of exchange prevailing at the date of the Statement of Financial Position.

Profits and losses

Only profits 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.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historic 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 IAS1 (revised) - 'Presentation of Financial Statement'.

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
- that the Council maintains a positive working capital

To achieve the above, the Council carries out a 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.

Financial Instrument

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

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

5 General Income

	2021 €	2020 €
Community Services	14,166	13,225
Cultural Events	1,506	-
Income from Permits	2,675	1,513
Contributions and other income	4,147	3,211
Reversal of provision for bad debts	1,635	-
	----- 24,129 =====	----- 17,949 =====

6 Profit for the year

Profit for the year is stated after charging:

	2021 €	2020 €
Staff Salaries	81,443	81,229
Depreciation of property, plant and equipment	19,840	19,217
	=====	=====

Staff Salaries

	2021 €	2020 €
Mayor's Remuneration	10,571	10,404
Mayor and Councillors' Allowances	13,400	13,000
Executive Secretary salary and allowances	32,963	33,378
Employees' Salaries	20,158	20,316
Social security contributions	4,351	4,131
	----- 81,443 =====	----- 81,229 =====

Average number of persons employed

Employees	2	2
Mayor and Councillors	5	5
	-----	-----

7 Operations and Maintenance

	2021 €	2020 €
<i>Repairs and upkeep</i>		
Street signs	2,071	2,122
Other repairs and upkeep	11,461	6,330
	----- 13,532 =====	----- 8,452 =====

10 Property, plant and equipment

a)

Cost	Assets under Construction	Property	Office Furniture & Fittings	New Street Signs	Urban Improvements	Office Equipment	Plant and Machinery	Computer Equipment	Motor Vehicles	Special Programmes	Total
	€	€	€	€	€	€	€	€	€	€	€
At 1 January 2020	3,023	2,583	57,789	4,072	75,850	44,462	19,226	10,523	-	1,856,058	2,073,586
Additions	-	-	-	-	12,384	-	1,510	1,154	45,028	49,117	109,193
Reversals	(3,023)	-	-	-	-	-	-	-	-	3,023	-
At 31 December 2020	-	2,583	57,789	4,072	88,234	44,462	20,736	11,677	45,028	1,908,198	2,182,779
Depreciation											
At 1 January 2020	-	-	29,499	4,072	62,348	33,897	12,047	9,916	-	508,543	660,322
Charge for the year	-	-	2,474	-	1,997	2,954	2,190	438	-	9,164	19,217
At 31 December 2020	-	-	31,973	4,072	64,345	36,851	14,237	10,354	-	517,707	679,539
Grants											
At 1 January 2020	-	-	-	-	-	1,537	-	-	-	1,248,992	1,250,529
Reallocations	-	-	-	-	-	-	-	-	45,028	44,137	89,165
At 31 December 2020	-	-	-	-	-	1,537	-	-	45,028	1,293,129	1,339,694
Net Book Amount											
At 31 December 2020	-	2,583	25,816	-	23,889	6,074	6,499	1,323	-	97,362	163,546

REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL - continued

Basis for Qualified Opinion - continued

As at 31 December 2017, the Local Council had deferred income amounting to €53,140 relating to projects that were not yet carried out as of that date. Yet, we noticed that when the comparative figures were restated following the change in the accounting policy on government grants, these grants were still allocated against property, plant and equipment rather than left under deferred income. Since then, €26,026 were reclassified back to deferred income. It transpired that these projects have not been done by 31 December 2021. Consequently, the deferred income and the property, plant and equipment are understated by €27,114.

We have requested a report from the architect about the projects that were completed during the year ended 31 December 2021 and the projects that were ongoing as of that date. This report was not received by the time of issuing this report. Consequently, we could not confirm whether there should have been any accruals as at 31 December 2021 relating to such projects that have not been reflected in these financial statements, which would result in an understatement of the accruals and of the property, plant and equipment.

During the year ended 31 December 2018, we noted that the note relating to property, plant and equipment, was not properly prepared following the changes in the accounting policies in accordance with Directive 01/2017. The amounts added to the grants, did not represent the gross amounts of grants received but the gross amounts of grants received less the amortisation up till 31 December 2016. The amortisation up till 31 December 2016 should have been netted off against the accumulated depreciation as of that date. This error in the presentation of figures was still not corrected in these financial statements as the same figures of previous years were brought forward in Note 10 both for the grants and for the accumulated depreciation.

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

REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL - continued

Other Information

The Executive Secretary and the Local Council Members are responsible for the other information. The other information comprises the Statement of Local Council Members' and Executive Secretary's Responsibilities. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Council Responsibilities for the Financial Statements

As described on page 3, the Executive Secretary and the Local Council Members are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Executive Secretary and the Local Council Members 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 Local Council Members are responsible for assessing the Local Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to presume that the Local Council will continue as a going concern.

The Executive Secretary and the Local Council Members 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 auditors' 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 ISAs, we exercise professional judgment and maintain professional skepticism 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.

REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL - continued

Auditor's Responsibilities for the Audit of the Financial Statements - continued

- 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 the Executive Secretary and the Local Council Members.
- Conclude on the appropriateness of the Executive Secretary's and the Local Council Members' 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 auditors' 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 the Executive Secretary and the Local Council Members 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.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been properly prepared in accordance with the Local Councils Act (Cap. 363), the Financial Regulations issued in terms of the said Act and the Local Councils (Financial) Procedures.



*This copy of the audit report has been signed by
Conrad Borg (Principal)
for and on behalf of*

RSM Malta
Registered Auditors

Date: 11th August 2022