



**IKLIN LOCAL COUNCIL**

**Annual Report and  
Financial Statements**

**For the year ended 31 December 2021**

**REGISTRY**

**19 JUL 2022**

**NATIONAL AUDIT OFFICE**

Prepared by: Laurence Manicaro  
Certified Public Accountant  
On behalf of Parker Randall Turner  
Chartered Certified Accountants & Auditors  
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Birzebbugia BBG 2032

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

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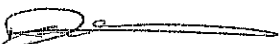
Financial Statements for the year ended 31 December 2021

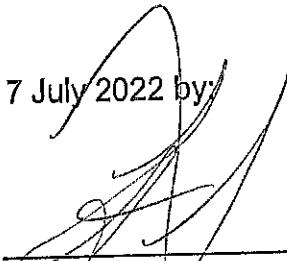
**Statement of Local Council Members' and Executive Secretary's Responsibilities**

The Local Government (Financial) Regulations 1993, 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 Government (Financial) Regulations 1993, and the Local Government (Financial) Procedures 1996, 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 Government Act, Local Government (Financial) Regulations 1993, and the Local Government (Financial) Procedures 1996. 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.

Approved by the Council and signed on its behalf on 7 July 2022 by:

  
Dorian Sciberras  
Mayor

  
Etienne Montfort  
Executive Secretary

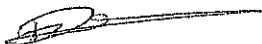
## STATEMENT OF FINANCIAL POSITION

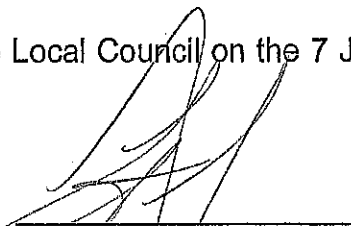
As at 31 December 2021

	Notes	2021 €	2020 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	175,955	221,984
Right of use assets	5	33,800	37,750
Intangible assets	3	3,159	-
		<b>212,914</b>	<b>259,734</b>
<b>Current Assets</b>			
Receivables	6	32,217	117,632
Cash and Cash Equivalents	7	193,551	269,233
Total current assets		<b>225,768</b>	<b>386,865</b>
<b>Total Assets</b>		<b>438,682</b>	<b>646,599</b>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Retained Fund		346,787	359,647
<b>Non-current Liabilities</b>			
Deferred income	8	10,070	10,070
Non-current payables	9	29,850	33,750
		<b>39,920</b>	<b>43,820</b>
<b>Current Liabilities</b>			
Deferred Income	8	18,793	98,643
Payables	9	33,182	144,489
		<b>51,975</b>	<b>243,132</b>
<b>Total liabilities</b>		<b>91,895</b>	<b>286,952</b>
<b>Total reserves and liabilities</b>		<b>438,682</b>	<b>646,599</b>

The notes on pages 8 to 29 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on the 7 July 2022 and signed on its behalf by:

  
 Dorian Sciberras  
 Mayor

  
 Etienne Montfort  
 Executive Secretary

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2021

	Notes	2021 €	2020 €
<b>REVENUE</b>			
Funds received from Central Government	10	355,982	369,414
Income from Law Enforcement System	11	5,232	1,688
General Income	13	23,004	20,569
		<u>384,218</u>	<u>391,671</u>
<b>EXPENDITURE</b>			
Personnel emoluments	14	(97,255)	(94,543)
Operations and maintenance	15	(163,492)	(174,967)
Administration and other expenditures	16	(136,338)	(117,053)
		<u>(397,085)</u>	<u>(386,563)</u>
Operating (loss)/ profit for the year		<u>(12,867)</u>	<u>5,108</u>
Interest income	12	7	79
<b>Total Comprehensive (Loss)/profit for the year</b>		<u>(12,860)</u>	<u>5,187</u>

The notes on pages 8 to 29 are an integral part of the financial statements.

**STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 December 2021

	Retained Funds 2021 €	Retained Funds 2020 €
At 1 January	359,647	354,460
Total Comprehensive loss/profit for the year	(12,860)	5,187
At 31 December	<u>346,787</u>	<u>359,647</u>

The notes on pages 8 to 29 are an integral part of the financial statements.

**STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2021

	Note	2021 €	2020 €
<b>Cash Flows from Operating Activities</b>			
Total Comprehensive (loss)/ income for the year		(12,860)	5,187
Adjustments for:			
Depreciation on property plant and equipment		37,979	39,611
Amortisation of intangible asset		440	
Depreciation on lease asset		3,950	3,950
Grant released to income		(7,000)	
Interest Income		(7)	(79)
Net cash generated before working capital changes		22,502	48,669
Decrease/ (increase) in receivables		85,415	(19,079)
Decrease in payables		(111,257)	(77,583)
Net Cash (used in)/ generated from operating Activities		(3,340)	(47,993)
<b>Cash flows from Investing Activities</b>			
Purchase of property, plant and equipment		(121,379)	(33,618)
Purchase of intangible asset		(3,599)	-
Interest Income		7	79
Grants received		2,331	-
Advanced payments received		54,248	-
Net Cash used in Investing Activities		(68,392)	(33,539)
<b>Cash flows from Financing Activities</b>			
Payment of lease obligations		(3,950)	(3,950)
Net movement in Cash and Cash Equivalents		(75,682)	(85,482)
Cash and Cash Equivalents at the beginning of Year		269,233	354,715
Cash and Cash Equivalents at the end of year	7	193,551	269,233

The notes on pages 8 to 29 are an integral part of the financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

**1. General Information**

Iklin Local Council is the local authority of Iklin setup in accordance with the Local Government Act. The office of the Local Council is situated at "Three Vilages", Triq ir-Rumanzieri, Iklin,

The financial statements were authorised for issue by the Council on the 7 July 2022.

**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.

**(a) 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.

**(b) Standards, amendments and interpretations to existing standards**

The new and revised standards that became effective for annual periods beginning on or after 1 January 2021 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 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:



**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

**(b) Standards, amendments and interpretations to existing standards - continued**

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 of the 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.

**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 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.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

**(b) Standards, amendments and interpretations to existing standards - continued**

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 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.

**(c) Revenue recognition**

Revenue is recognised when the amount of revenue and the associated costs can be measured reliably. Interest income is recognised in the statement of comprehensive income as it accrues.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

**(d) Local Enforcement System**

During 2021 the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is chargeable to the various Regional Committees/ LESA for contraventions paid at the Council.

**(e) Property, Plant and Equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss to date. As from 1 January 2018 depreciation was changed from the reducing balance method to the straight line method, after the Local Council adopted Directive 1/2017 issued by the Department of Local Government. Depreciation is calculated at rates 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 - 10
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	replacement basis
Playground furniture	100
Road and traffic Signs	replacement basis
Street Mirrors	replacement basis
Street Lights	100

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each financial reporting 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 Local Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

**(f) Leased assets**

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.

**(g) Government Grants**

Government grants are accounted for on the Capital Approach according to IAS 20 as the Council adopted Directive 1/2017 issued by the Department of Local Council. With the Capital Approach, any grants received are netted off against the cost of the asset to which they relate. Depreciation will be accounted on the resulting cost less grant.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2021 – continued

**(h) 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 cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the statement of comprehensive income.

**(i) 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 amounts 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.

**(j) 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 Euro, which is the Council's functional and presentation currency.

**(k) Surplus 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 deficits 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.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

**(l) Cash and 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.

**(m) Related parties**

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

During the year under review, the Local Council's related party that exercises a significant control was the Department for Local Government. The parties that exercise no control were Water Services Corporation and Malta Environment and Planning Authority whereas there was joint control with the Birkirkara Joint Committee.

**(n) Payables**

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

Amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the council.

**(o) 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 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).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021 – continued

### (o) 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, receivables and most other receivables fall into this category of financial instruments.

#### ***Impairment of financial assets***

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the new 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.

Recognition of credit losses is no longer dependent on the Local Council first identifying a credit loss event. Instead, the Local Council considers a broader 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:

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**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

**(o) Financial Instruments – continued**

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.

***Financial liabilities***

The council's financial liabilities include other payables. These are stated at their nominal amount which is a reasonable approximation of fair value.

All interest-related charges are included within 'finance costs'.

**(p) Capital management policies and procedures**

The council's capital consists of its net assets, including working capital, presented by its retained funds. The Council's management objective 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 this, the Council carries out a quarterly review of the working capital ratio (Financial Situation Indicator). This ratio was positive at the reporting date. 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.

**(q) Critical accounting estimates and judgements**

The preparation of financial statements in conformity with IFRS adopted by the EU requires council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis, Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.



**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

**(q) Critical accounting estimates and judgements – continued**

In the opinion of the council members, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

**3. Intangible Asset**

	2021	2020
Cost	-	
Additions	3,599	-
Depreciation Charge for the year	440	-
Net Book Value At 31 December	3,159	-

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2021 – continued

**4. PROPERTY, PLANT AND EQUIPMENT**

	Construction €	Office Furniture & Fittings €	New Street Signs & Lights €	Urban Improvements €	Office Equipment €	Plant and Machinery €	Special Programmes €	Motor Vehicle €	Projects Under Construction €	Total €
Cost										
At 1 Jan 2021	549,122	27,175	37,078	236,958	23,382	1,085	1,052,949	13,411	39,104	1,980,264
Additions	-	-	-	-	3,290	-	118,089	-	-	121,379
Reclassification	-	-	-	-	-	-	20,567	-	(20,567)	-
At 31 Dec 2021	549,122	27,175	37,078	236,958	26,672	1,085	1,191,605	13,411	18,537	2,101,643
Grants and other reimbursements										
At 1 Jan 2021	15,561	3,400	-	91,828	4,759	-	923,807	-	11,800	1,051,155
Additions	-	-	-	-	2,331	-	127,098	-	-	129,429
At 31 Dec 2021	15,561	3,400	-	91,828	7,090	-	1,050,905	-	11,800	1,180,584
Depreciation										
At 1 Jan 2021	477,918	20,014	37,078	80,554	11,700	1,046	66,580	12,235	-	707,125
Charge for the year	9,691	434	-	11,743	2,134	39	13,491	447	-	37,979
At 31 Dec 2021	487,609	20,448	37,078	92,297	13,834	1,085	80,071	12,682	-	745,104
Net Book Value										
At 31 Dec 2021	45,952	3,327	-	52,833	5,748	-	60,629	729	6,737	175,955

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2021 – continued

**4. PROPERTY, PLANT AND EQUIPMENT – Continued**

	Construction	Office Furniture & Fittings	New Street Signs & Lights	Urban Improvements	Office Equipment	Plant and Machinery	Special Programmes	Motor Vehicle	Projects Under Construction	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
At 1 Jan 2020	549,122	27,175	37,078	231,027	17,442	1,085	1,052,949	13,411	18,287	1,947,576
Additions	-	930	-	5,931	5,940	-	-	-	20,817	33,618
Disposal	-	(930)	-	-	-	-	-	-	-	(930)
<b>At 31 Dec 2020</b>	<b>549,122</b>	<b>27,175</b>	<b>37,078</b>	<b>236,958</b>	<b>23,382</b>	<b>1,085</b>	<b>1,052,949</b>	<b>13,411</b>	<b>39,104</b>	<b>1,980,264</b>
Grants and other reimbursements										
At 1 Jan 2020	15,561	3,400	-	91,828	4,759	-	923,807	-	11,800	1,051,155
Additions	-	-	-	-	-	-	-	-	-	-
<b>At 31 Dec 2020</b>	<b>15,561</b>	<b>3,400</b>	<b>-</b>	<b>91,828</b>	<b>4,759</b>	<b>-</b>	<b>923,807</b>	<b>-</b>	<b>11,800</b>	<b>1,051,155</b>
Depreciation										
At 1 Jan 2020	468,033	20,502	37,078	70,386	10,931	1,040	50,921	9,553	-	668,444
Charge for the year	9,885	442	-	10,168	769	6	15,659	2,682	-	39,611
Released on disposal	-	(930)	-	-	-	-	-	-	-	(930)
<b>At 31 Dec 2020</b>	<b>477,918</b>	<b>20,014</b>	<b>37,078</b>	<b>80,554</b>	<b>11,700</b>	<b>1,046</b>	<b>66,580</b>	<b>12,235</b>	<b>-</b>	<b>707,125</b>
<b>Net Book Value</b>										
<b>At 31 Dec 2020</b>	<b>55,643</b>	<b>3,761</b>	<b>-</b>	<b>64,576</b>	<b>6,923</b>	<b>39</b>	<b>62,562</b>	<b>1,176</b>	<b>27,304</b>	<b>221,984</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

	2021 €	2020 €
<b>5. Right-of-use assets</b>		
<u>Cost</u>	45,650	45,650
<u>Depreciation</u>		
At 1 January	7,900	3,950
Depreciation	3,950	3,950
	<u>11,850</u>	<u>7,900</u>
<b>Net Book value</b>	<u>33,800</u>	<u>37,750</u>

	2021 €	2020 €
<b>6. Receivables</b>		
<i>Financial assets</i>		
Amounts invoiced but not yet settled	7,197	21,774
Accrued income	20,271	64,434
	<u>27,468</u>	<u>86,208</u>
<i>Non-financial assets</i>		
Advance payments	-	30,198
Prepayments	4,749	1,226
	<u>32,217</u>	<u>117,632</u>

	2021 €	2020 €
<b>Amounts invoiced but not yet settled are analysed as follows:</b>		
Within the current period	7,197	5,555
Exceeded credit period but not yet impaired	-	16,219
	<u>7,197</u>	<u>21,774</u>

**7. Cash and Cash Equivalents**

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the statement of cash flow comprise the following amounts in the Local Council statement of financial position:

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2021 – continued

**7. Cash and Cash Equivalents (continued)**

	2021 €	2020 €
Bank Balances:		
Ordinary funds	183,615	165,404
Balances at Central Bank	9,883	103,766
Cash in hand	53	63
	<u>193,551</u>	<u>269,233</u>
Cash at bank and in hand		

**8. Deferred Income**

	2021 €	2020 €
Balance at 1 January	108,713	108,713
Advance payments received	54,248	-
	<u>162,961</u>	<u>108,713</u>
Released to Property plant and equipment	(127,098)	-
Released to other government income	(7,000)	-
	<u>28,863</u>	<u>108,713</u>
Balance at 31 December	(18,793)	(98,643)
Less current portion	<u>10,070</u>	<u>10,070</u>
	<u>10,070</u>	<u>10,070</u>
Between 1 and 2 years		

**9. Payables**

	2021 €	2020 €
Trade creditors	19,728	78,588
Amounts due to other parties	167	-
Financial obligations under finance lease	33,800	37,750
Accruals	9,337	61,901
	<u>63,032</u>	<u>178,239</u>
Less non-current payables	(29,850)	(33,750)
	<u>33,182</u>	<u>144,489</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

**9. Payables (continued)**

	2021	2020
	€	€
Non-current payables		
Financial obligations under finance lease		
Between 1 and 2 years	3,950	3,950
Between 2 and 5 years	11,850	11,850
Over five years	14,050	17,950
Closing balance	<u>29,850</u>	<u>33,750</u>

**10. Funds received from Central Government**

	2021	2020
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	298,688	288,616
Supplementary government income	294	9,654
Other Government Income	57,000	71,144
	<u>355,982</u>	<u>369,414</u>

**11. Income raised from Local Enforcement System**

	2021	2020
	€	€
Income from Regional administration fee	2,474	1,443
Income from Joint Committee	2,758	245
	<u>5,232</u>	<u>1,688</u>

**12. Interest income**

	2021	2020
	€	€
Bank Interest Receivable	7	79

**13. General Income**

	2021	2020
	€	€
Income from permits	23,004	15,450
Other income	-	5,119
	<u>23,004</u>	<u>20,569</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021 – continued

14. Personnel Emoluments	2021 €	2020 €
Personnel emoluments include, inter alia:		
Mayor's Allowance	10,571	10,404
Councillors' Allowance	13,000	13,000
Executive Secretary salary and allowances	32,145	31,819
Employees' Salaries	35,820	33,744
Social Security Contributions	5,719	5,576
	<u>97,255</u>	<u>94,543</u>
Total		
	<u>97,255</u>	<u>94,543</u>
15. Operations and Maintenance	2021 €	2020 €
Operations and maintenance includes inertia:		
<b>Repairs and Upkeep:</b>		
Road and street maintenance	45,673	62,268
Other repairs and upkeep	7,106	5,708
	<u>52,779</u>	<u>67,976</u>
<b>Contractual Services:</b>		
Refuse Collection	41,836	40,561
Bulky Refuse Collection	7,409	7,848
Waste disposal	18,586	19,707
Road and street cleaning	34,280	31,235
Cleaning and maintenance of parks and gardens	1,195	1,195
Cleaning and maintenance council premises	1,021	1,332
Other contractual services	3,004	2,770
Street Lighting	1,080	2,072
LES related expenditure	2,302	271
	<u>110,713</u>	<u>106,991</u>
Total Operations and Maintenance Expenses	<u>163,492</u>	<u>174,967</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

	2021	2020
	€	€
<b>16. Administrative and other Expenditures</b>		
Water and electricity	3,135	2,355
Telecommunications	1,877	2,788
Uniforms	248	1,014
Meetings and conventions	-	86
Rent	13,182	12,882
Printing and stationery	7,330	8,193
Advertising	754	1,267
Sundry minor expenses	1,074	124
Studies and consultations	7,000	-
Professional services	38,129	29,932
Compensation for damages	9,742	-
Transport expenses	4,429	4,512
Community and hospitality	7,069	10,339
Depreciation on property plant and equipment	38,419	39,611
Depreciation on lease assets	3,950	3,950
	<u>136,338</u>	<u>117,053</u>

**17. Contingent liabilities**

As at 31 December 2021, the Local Council has a Cash pledge of € 2,000 on a performance bond.

**18. Capital Commitments**

At the end of the financial year there was one capital projects approved but not yet contracted for. This related to the construction of council premises.

Details of capital commitments are as follows	2021	2020
	€	€
Approved but not contracted for	99,063	143,485
Approved for but not contracted for:		
Replacement of concrete slab of council hall	-	6,000
Improvements to premises	10,000	-
Measure 4.4 – Rubble Walls	-	125,485
Urban improvements	54,000	7,000
Office equipment	-	5,000
Playing field equipment (note)	35,063	-
	<u>99,063</u>	<u>143,485</u>

Note: This commitment will be partly financed from grants receivable by the Local Council. Balance to be financed will amount to € 18,180.



**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

**19. Related Parties Disclosures**

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

Name of entity	Nature of relationship
Department of Local Councils	Significant control
Birkirkara Joint Committee for Local Enforcement	Joint control
Central Regional Committee for Local Enforcement	Joint control
Malta Environment and Planning Authority	
Arms Limited, Water Service Corporation, Enemalta Corporation, Inland Revenue Department, Direcor General Works Division, WasteServ Malta Ltd, Cleansing Services Department, Gozo Regional Committee, North Regional Committee, South Eastern Regional Committee, Police General Head Quarters, Bank of Valletta Plc and the Department of Lands	No control

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

	2021	2020
	€	€
Significant control Revenue:		
Annual financial allocation	298,688	288,616

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

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Local Council, directly or indirectly. The main key management personnel are the Major, Councillors and the Executive Secretary.

The significant transactions carried out with key management personnel are:

	2021	2020
Personal emoluments include, inter alia:		
Mayor's Allowance	10,571	10,404
Councillors' Allowance	13,000	13,000
Executive Secretary salary and allowances	32,145	31,819

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

**20. Risk management objectives and policies**

The Council's activities expose it to credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Council is not exposed to any market risk. The Council's risk management is coordinated by the council members and focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance actively securing the council's short to medium term cash flow by minimising exposure to financial risks.

The most significant financial risks to which the council is exposed are described below.

**20.1 Credit risk**

The council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period, as summarised below:

	2021	2020
	€	€
Class of financial assets – carrying amounts		
Trade and other receivables	27,468	86,208
Cash and Cash Equivalents	193,551	269,233
	221,019	355,441

The council continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The council's policy is to deal with only creditworthy counterparties.

The council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. The credit risk exposure on financial assets is low since all non-impaired trade receivables are all related to 'The Government of Malta'. See note 5 for further information on impairment of financial assets that are past due.

None of the council's financial assets is secured by collateral or other credit enhancements.

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. The Council's cash is placed with a quality financial institution with a credit rating of BBB+.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

**20. Risk management objectives and policies (continued)****20.2 Liquidity risk**

The council's exposure to liquidity risk arises from its obligations to meet its financial liabilities which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funds to meet the council's obligations when they become due.

The council manage its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. The council's liquidity is deemed to be sufficient in view of an excess of financial assets.

At 31 December 2021, the Council's financial liabilities have contractual maturities which are summarised as follows:

	Current Within 1 year	Non – Current	
		1 to 5 years	More than 5 years
	€	€	€
Payables	19,895	-	-
Accruals	9,337	-	-
Lease payments	3,950	15,800	14,050

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

	Current Within 1 year	Non – Current	
		1 to 5 years	More than 5 years
	€	€	€
Payables	78,588	-	-
Accruals	61,901	-	-
Lease payments	3,950	15,800	18,000

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

**20. Risk management objectives and policies - continued****20.3 Interest rate risk**

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 6), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

**20.4 Summary of the financial assets and liabilities by category**

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

<b>Current Assets</b>	<b>2021</b>	<b>2020</b>
	€	€
Financial assets measured at amortised costs:		
Trade and other receivables	27,468	86,208
Cash and Cash Equivalents	193,551	269,233
Other financial assets		-
	<b>221,019</b>	<b>355,441</b>
<b>Non-current liabilities</b>	<b>2021</b>	<b>2020</b>
	€	€
Lease payments	29,850	33,750
	<b>29,850</b>	<b>33,750</b>
<b>Current Liabilities</b>	<b>2021</b>	<b>2020</b>
	€	€
Financial liabilities measured at amortised costs:		
Payables	19,728	78,588
Amounts due to other parties	167	-
Accruals	9,337	61,901
Lease payments	3,950	3,950
	<b>33,182</b>	<b>144,439</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

**20. Risk management objectives and policies - continued**

**20.5 Capital risk management**

The Council's objectives when managing capital are to safeguard the Council's ability to continue as a going concern so that it can continue to provide a service to the residents of the Local Council by maintaining an optimal capital structure to reduce cost of capital.

The Council's equity, as disclosed in the statement of financial position, constitutes its capital. The Council's capital structure is monitored by the Executive Secretary and the Council with appropriate reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Council's activities, the capital level as at the end of the reporting period is deemed adequate by the Council.

**21. Fair value estimation**

At 31 December 2021 and 31 December 2020, the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

**22. Events after the statement of financial position date**

There have been no events whether favourable or unfavourable which occurred between the end of the reporting period and the date the financial statements have been authorised for issue.

# 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 Iklin Local Council set out on pages 4 to 29 which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Council as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

### Basis for opinion

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

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

As described on page 3 the Executive Secretary and the members of the Local Council are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Legislation, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

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

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

Mark Bugeja (Partner) for and on behalf of

**GRANT THORNTON**  
Certified Public Accountants

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Malta

7 July 2022