

# **IL-GUDJA LOCAL COUNCIL**

**Report and Financial Statements**

**For the year ended 31 December 2022**

*Prepared by Ms Josianne Debono CPA  
Obo Dconsulta Ltd,  
(May 2023)*

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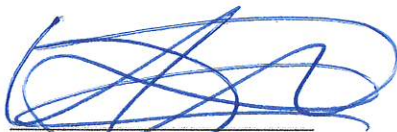
## II-GUDJA LOCAL COUNCIL

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

The Local Councils (Financial) Regulations 1993 require the Secretary to prepare a detailed Annual Administrative Report which includes a statement of the Council's statement of comprehensive income for the year and of the Council's retained funds at the end of the year. By virtue of the same regulations it is the duty of the 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 statement of comprehensive of the Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, 1993, and the Local Council (Financial) Procedures, 1996 issued in terms of the said Act.

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

This statement was approved by the Council on 23<sup>rd</sup> May 2023 and signed on its behalf by:



Dr Marija Sara Vella  
Mayor



Ms Lara Mascena  
Executive Secretary

## II-GUDJA LOCAL COUNCIL

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	Year Ended 2022	Year Ended 2021
		€	€
<b>Income</b>			
Funds received from Central Government	4	410,604	379,732
Income raised under Council By-laws	5	9,303	7,990
Income from Law Enforcement System	6	1,800	2,347
General Income	7	32,124	25,093
		<b>453,831</b>	<b>415,162</b>
<b>Expenditure</b>			
Personnel emoluments	8	116,682	83,023
Operations and maintenance	9	168,898	180,769
Administrative and other expenses	10	201,785	148,824
		<b>487,365</b>	<b>412,616</b>
<b>Operating (Deficit)/Surplus for the year</b>		<b>(33,534)</b>	<b>2,546</b>
Finance income	11	84	114
Finance costs		(412)	(302)
<b>(Deficit)/Surplus for the year</b>		<b>(33,862)</b>	<b>2,358</b>
<b>Total Comprehensive (Loss)/ Income</b>		<b>(33,862)</b>	<b>2,358</b>

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

II-GUDJA LOCAL COUNCIL

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	Year Ended 2022	Year Ended 2021
		€	€
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant and equipment	12	462,161	250,264
<i>Current assets</i>			
Trade and other receivables	13	55,929	510,760
Cash and cash equivalents	14	630,631	645,377
<b>Total current assets</b>		<b>686,560</b>	<b>1,156,137</b>
<b>Total assets</b>		<b>1,148,721</b>	<b>1,406,401</b>
<b>Reserves and liabilities</b>			
<i>Reserves</i>			
Retained earnings		655,518	689,380
<i>Current liabilities</i>			
Trade and other payables	15	493,203	717,021
<b>Total liabilities</b>		<b>493,203</b>	<b>717,021</b>
<b>Total reserves and liabilities</b>		<b>1,148,721</b>	<b>1,406,401</b>

The financial statements were approved by the Council on 23<sup>rd</sup> May 2023 and signed on its behalf by:



Dr Marija Sara Vella  
Mayor



Lara Mascena  
Executive Secretary

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

## II-GUDJA LOCAL COUNCIL

### STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2022

	Retained earnings €	Total earnings €
<b>At 1 January 2021</b>	687,022	687,022
Surplus for the year	2,358	2,358
Total comprehensive income	<hr/> 689,380	<hr/> 689,380
<b>At 31 December 2021</b>	<hr/> 689,380	<hr/> 689,380
<b>At 1 January 2022</b>		
(Deficit) for the year	(33,862)	(33,862)
Total comprehensive loss	<hr/> (33,862)	<hr/> (33,862)
<b>At 31 December 2022</b>	<hr/> <b>655,518</b>	<hr/> <b>655,518</b>

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

## II-GUDJA LOCAL COUNCIL

### STATEMENT OF CASH FLOWS For the year ended 31 December 2022

	Notes	2022	2021
		€	€
<b>Cash flows from operating activities</b>			
(Deficit)/Surplus for the year		(33,862)	2,358
<i>Adjustments for:</i>			
Depreciation		86,262	82,735
Interest payable		412	302
Interest receivable		(84)	(114)
Released to deferred income		(18,634)	-
		<u>34,094</u>	<u>85,281</u>
<i>Movements in working capital:</i>			
Decrease in receivables		458,038	27,438
Increase/(Decrease) in payables		69,450	(41,282)
<b>Net cash flows from operating activities</b>		<u>561,582</u>	<u>71,437</u>
<b>Cash flows from investing activities</b>			
Payments to acquire property, plant and equipment		(873,636)	(103,930)
Interest paid		(412)	(302)
Interest received		84	107
<b>Net cash flows from investing activity</b>		<u>(873,964)</u>	<u>(104,125)</u>
<b>Cash flows from financing activity</b>			
Grants received		297,636	203,836
<b>Net cash flows from financing activities</b>		<u>297,636</u>	<u>203,836</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(14,746)</b>	<b>171,148</b>
Cash and cash equivalents at beginning of year		<u>645,377</u>	<u>474,229</u>
<b>Cash and cash equivalents at end of year</b>	14	<u><u>630,631</u></u>	<u><u>645,377</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

**1. General Information**

Il-Gudja Local Council is a local authority of Malta set up in accordance with the Local Councils Act (1993). The office of the Local Council is situated at 88, Triq Raymond Caruana, Il-Gudja. These financial statements were approved for issue by the Council Members on 23<sup>rd</sup> May 2023. The Local Council's presentations as well as functional currency are denominated in Euro (€). Its ultimate controlling party is the Department for Local Government within the Ministry of Justice, Culture and Local Government (MJCL).

**2. Accounting Policies and Reporting Procedures**

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

*Accounting Convention*

These financial statements are prepared under the historical cost convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act, 1993 (Chap. 363), the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures, 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards, as adopted by the EU.

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

*Fair value measurements*

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability



## **II-GUDJA LOCAL COUNCIL**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2022**

#### **Accounting Policies and Reporting Procedures (continued)**

##### **New or revised Standards or Interpretations**

##### **New standards adopted as at 1 January 2022**

Some accounting pronouncements which have become effective from 1 January 2022 and have therefore been adopted do not have a significant impact on the Councils's financial results or position. Accordingly, the Council has made no changes to its accounting policies in 2022.

Other Standards and amendments that are effective for the first time in 2022 and could be applicable to the company are:

- Reference to the Conceptual Framework (Amendments to IFRS 3)
- COVID-19 – Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)
- Property, Plant and Equipment: Proceeds Before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements (2018-2020 Cycle):
  - Fees in the '10 per cent' Test for Derecognition of Liabilities (Amendments to IFRS 9)
  - Lease Incentives (Amendments to IFRS 16)

These amendments do not have a significant impact on these financial statements and therefore no additional disclosures have been made.

Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Council

At the date of authorisation of these financial statements, several new, but not yet 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 Council.

Other Standards and amendments that are not yet effective and have not been adopted early by the Council include:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Deferred Tax related to Assets and Liabilities from a Single Transaction
- Disclosure of Accounting Policies (Amendments to IAS 1)
- Definition of Accounting Estimates (Amendments to IAS 8)

These amendments are not expected to have a significant impact on the financial statements in the period of initial application and therefore no disclosures have been made.

The Council anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the 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 Council's financial statements.

## II-GUDJA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

#### Accounting Policies and Reporting Procedures (continued)

##### *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation, impairment and grants received for specific projects (which grants were treated through the balance sheet approach). Depreciation is calculated on a monthly basis using the **straight-line method of depreciation** at rates estimated to write down the cost of all assets over their expected useful life, other than land and trees, over their expected useful lives as follows:

	Rates in %
Land	0
Trees	0
Buildings	1
Office Furniture & Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Programmes (Projects)	10
Office Equipment and Computer Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Road/Street Signs	Replacement basis
Litter Bins	Replacement basis
Playground Equipment	100
Street Lighting	100
Street Mirrors	Replacement basis
Plants	100

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating surplus. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each year end. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2022**

**Accounting Policies and Reporting Procedures (continued)**

*Property, plant and equipment - continued*

*Impairment of property, plant and equipment*

At the end of each reporting year, the Council reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Council estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

*Cash and cash equivalents*

Cash and cash equivalents are carried in the Statement of Financial Position at face value. For the purpose of the Statement of cash flows, cash and cash equivalents comprise cash in hand and balances held at banks.

*Related Parties*

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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2022**

**Accounting Policies and Reporting Procedures (continued)**

***Income recognition***

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

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

Interest income from financial assets is recognised when it is probable that the economic benefits will flow to the Council and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

***Government grants***

Government grants relating to operating expenditure are recognised in the Statement of Comprehensive income in the same period that the related expenditure is incurred.

Government grants relating to the purchase of property, plant and equipment are accounted for using the capital approach; and are thus deducted from the carrying amount of the relative non-current asset.

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

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

The benefit of a Central Government loan at a below-market rate of interest is treated as a government grant, measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

***Financial instruments***

***Recognition and derecognition***

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 expires.

**Accounting Policies and Reporting Procedures (continued)**

***Classification and initial measurement of financial assets***

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

The 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 Council's cash and cash equivalents, trade receivables and most other receivables fall into this category of financial instruments.

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2022**

**Accounting Policies and Reporting Procedures (continued)**

***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 Council first identifying a credit loss event. Instead, the 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:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

**Classification and measurement of financial liabilities**

The Council's financial liabilities include trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the 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'.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

**Accounting Policies and Reporting Procedures (continued)**

*Foreign currencies*

*Functional and presentation currency*

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

*Borrowing costs*

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

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

All other borrowing costs are recognised in Total Comprehensive Income for the period in which they are incurred.

*General payables*

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

*Judgements in applying accounting policies and key sources of estimating uncertainty*

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

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

*Provisions*

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

Accounting Policies and Reporting Procedures (continued)

Provisions - continued

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

3. Deficit for the year

	Notes	2022	2021
		€	€
<i>Deficit for the year is stated after charging:</i>			
Personnel Emoluments	8	116,682	83,023
Depreciation	12	86,262	82,735

4. Funds Received from Central Government

	2022	2021
	€	€
In terms of section 55 of the Local Councils Act, 1993	340,280	328,472
Other Supplementary Government Income	70,324	51,260
	<u>410,604</u>	<u>379,732</u>

5. Income raised under Council By-laws

	2022	2021
	€	€
Permits	9,070	7,944
Kiosks	233	46
	<u>9,303</u>	<u>7,990</u>



## II-GUDJA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

#### 6. Income raised under Law Enforcement System

	2022	2021
	€	€
LES Share of Joint Committee Results	475	917
Income from Regional Committees	1,325	1,430
	<u>1,800</u>	<u>2,347</u>

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

The recording of income from contraventions, up to the 31 August 2011, was based on cash received from the Joint Committee.

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

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

#### 7. General Income

	2022	2021
	€	€
Commission of bills – WSC	684	(4)
Community and Cultural activities	6,283	525
EU Funds	25,000	-
Other income	157	24,572
	<u>32,124</u>	<u>25,093</u>

#### 8. Personnel emoluments

	2022	2021
	€	€
Personnel emoluments include:		
Mayors' honoraria	10,742	10,571
Council members' allowance	12,006	13,000
Executive salary and allowance	45,872	32,240
Employees' salaries	41,745	22,957
Social security contributions - employer's share	6,317	4,255
	<u>116,682</u>	<u>83,023</u>

## II-GUDJA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

#### 9. Operations and Maintenance

	2022	2021
	€	€
Operations and maintenance include:		
<b>Repairs and upkeep</b>		
Road and street pavements	15,524	10,198
Road markings & signs	4,064	9,914
Maintenance of office furniture & equipment	231	147
Maintenance of plant & machinery	1,278	3,754
Maintenance of public and council property	12,598	34,833
Other repairs & upkeep	11,864	3,202
	<u>45,559</u>	<u>62,048</u>
<b>Contractual Services</b>		
	2022	2021
	€	€
Operating materials & supplies	253	170
Waste disposal	17,039	16,257
Refuse collection	48,441	46,416
Open skips	3,519	2,484
Road & street cleaning	21,157	21,157
Cleaning & maintenance - public conveniences	4,796	4,918
Cleaning & maintenance – parks & gardens	3,597	11,207
Cleaning council premises	1,865	2,157
Street lighting	18,674	11,748
LES and other contractual services	3,998	2,207
	<u>123,339</u>	<u>118,721</u>
<b>Total operations and maintenance</b>	<u>168,898</u>	<u>180,769</u>

## II-GUDJA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

#### 10. Administrative and Other Expenses

	2022	2021
	€	€
Utilities incl. internet connectivity	4,481	6,038
Cleaning materials & supplies	593	1,053
Office services	2,732	2,300
Uniforms	119	202
Transport expenses (incl. fuel)	790	676
Information services	10	10
ICT expenses	2,124	1,239
Library expenses	6,210	6,751
Hire of equipment	50	-
Travelling and entertainment expenses	-	1,237
Insurance coverage	3,095	2,731
Bank charges	513	325
Professional and legal services	27,495	33,336
Participation fees	282	-
Community services, social & cultural events	52,991	9,931
EU Projects	14,038	-
Sundry minor expenses	-	260
Depreciation	86,262	82,735
	<b>201,785</b>	<b>148,824</b>

#### 11. Investment Income

	2022	2021
	€	€
Bank interest on savings	59	-
Bank interest on term deposits	25	114
	<b>84</b>	<b>114</b>

## II-GUDJA LOCAL COUNCIL

### Notes to the Financial Statements for the year ended 31 December 2022

#### 12. Property, plant and equipment

Cost	Assets under Construction	Trees	Construction & Special Programmes	Furniture & Fittings	New Street Signs Improve.	Urban Improve.	Office & Computer Equip.	Plant and Machinery	Total
€	€	€	€	€	€	€	€	€	€
As at 1 January 2022	119,587	384	1,461,458	47,022	2,784	139,229	50,779	6,058	1,827,301
Additions	231,129	-	617,163	-	-	24,742	602	-	873,636
As at 31 December 2022	350,716	384	2,078,621	47,022	2,784	163,971	51,381	6,058	2,700,937
<b>Grants and other reimbursements</b>									
As at 1 January 2022	-	-	681,291	1,000	-	8,444	8,868	-	699,603
Additions	-	-	562,650	-	-	12,827	-	-	575,477
As at 31 December 2022	-	-	1,243,941	1,000	-	21,271	8,868	-	1,275,080
<b>Depreciation</b>									
At 1 January 2022	-	-	676,729	40,009	2,784	115,278	38,430	4,204	877,434
Charge for the year	-	-	78,204	3,440	-	2,522	1,495	601	86,262
At 31 December 2022	-	-	754,933	43,449	2,784	117,800	39,925	4,805	963,696
<b>N.B.V. at 31 December 2022</b>	<b>350,716</b>	<b>384</b>	<b>79,747</b>	<b>2,573</b>	<b>-</b>	<b>24,900</b>	<b>2,588</b>	<b>1,253</b>	<b>462,161</b>

## I-GUDJA LOCAL COUNCIL

Notes to the Financial Statements  
for the year ended 31 December 2022

### 12. Property, plant and equipment

Cost	Assets under Construction	Trees	Construction & Special Programmes	Furniture & Fittings	New Street Signs	Urban Improve.	Office & Computer Equip.	Plant and Machinery	Total
€	€	€	€	€	€	€	€	€	€
As at 1 January 2021	16,934	384	1,461,458	47,022	2,784	139,229	50,779	4,781	1,723,371
Additions	102,653	-	-	-	-	-	-	1,277	103,930
As at 31 December 2021	119,587	384	1,461,458	47,022	2,784	139,229	50,779	6,058	1,827,301
<b>Grants and other reimbursements</b>									
As at 1 January 2021	-	-	681,291	1,000	-	8,444	8,868	-	699,603
Additions	-	-	-	-	-	-	-	-	-
As at 31 December 2021	-	-	681,291	1,000	-	8,444	8,868	-	699,603
<b>Depreciation</b>									
At 1 January 2021	-	-	601,704	36,569	2,784	113,242	36,774	3,626	794,699
Charge for the year	-	-	75,025	3,440	-	2,036	1,656	578	82,735
At 31 December 2021	-	-	676,729	40,009	2,784	115,278	38,430	4,204	877,434
<b>N.B.V. at 31 December 2021</b>	<b>119,587</b>	<b>384</b>	<b>103,438</b>	<b>6,013</b>	<b>-</b>	<b>15,507</b>	<b>3,481</b>	<b>1,854</b>	<b>250,264</b>

## II-GUDJA LOCAL COUNCIL

### Notes to the Financial Statements for the year ended 31 December 2022

#### 13. Trade and other Receivables

	2022	2021
	€	€
<b>Falling due within One Year</b>		
Receivables (Note i)	3,120	990
Advance payments	-	474,365
Other related undertakings (Note i)	21,934	13,522
Other receivables	8,974	9,028
Prepayments and accrued income	21,901	12,855
	<u>55,929</u>	<u>510,760</u>

	2022	2021
	€	€
(i) <i>Credit period analysis:</i>		

Within credit period	9,195	2,138
Exceeded credit period but not impaired	15,859	12,374
	<u>25,054</u>	<u>14,512</u>

#### 14. Cash and Cash Equivalents

Cash and cash equivalents in the statement of cash flows comprise the following amounts in the Council's statement of financial position:

	2022	2021
	€	€
Petty cash	42	165
Bank balances: Savings and Current accounts	630,589	545,212
Bank balances: Term Deposits	-	100,000
	<u>630,631</u>	<u>645,377</u>

Notes to the Financial Statements  
for the year ended 31 December 2022

15. Trade and Other Payables

	2022	2021
	€	€
<b>Falling due within One Year</b>		
Trade Payables	72,125	30,729
Amounts owed to Joint Committee	35	35
Other creditors	2,494	2,366
Accruals	37,727	9,801
Deferred income	380,822	674,090
<b>Total payables</b>	<b>493,203</b>	<b>717,021</b>

16. Capital commitments

	2022	2021
	€	€
Details of capital commitments at the accounting date are as follows:		
(i) Approved and contracted for (note a. and b.)	<u>353,040</u>	353,040
(ii) Approved but not yet contracted for (note c.)	<u>215,492</u>	71,642

- a. Paving works in Triq Santa Katerina, Triq J.Pace and Triq id-Dejqa, a percentage of which costs will also be funded by Development Planning Fund. The total outlay for this project is €262,036. Part of the funding has already been received in advance (€31,122)
- b. Rubble Wall Works Project as per BOQs part of which cost will be funded by European Agricultural funds for Rural Developments (Measure 4.4). Total project outlay will be €101,004. Funding received in advance for this project amount to €65,968
- c. Open Air Gym and Greening area in Vjal it-Torri part of which cost will be funded by LESA. Total project cost will be €194,000 Funding against this project will amount to €80,000.
- d. Resurfacing and paving works in Triq iz-Zebbuga, a percentage of which costs will also be funded by Development Planning Fund. Advance funding already received to undertake this project amount to €21,492 from Planning Authority under the PDF Funds

**Notes to the Financial Statements  
for the year ended 31 December 2022**

**17. Related party transactions**

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

The ultimate controlling party of II- Gudja Local Council is the Local Councils Department within the Ministry of Justice, Culture and Local Government (MJCL).

All the Companies, Authorities and Agencies set up by the Central Government are also considered to be related parties to II-Gudja Local Council, but do not have significant control. The Joint Committee (up to the 31 August 2011), All Regional Committees (from 1 September 2011), the Local Councils Association and the other Local Councils are also considered to be related parties.

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

<b>Name of Entity:</b>	<b>Nature of Relationship</b>
Department of Local Councils	Significant Control
Regional Committee - Local Law Enforcement	No Control
Bank of Valletta	No Control
Employment & Training Corporation	No Control
Enemalta Corporation	No Control
Head of School - Primary A & B	No Control
Kunsill Malti għall-Isport	No Control
Local Councils Association	No Control
Local Councils, other than Local Council Gudja	No Control
Police Commissioner	No Control
Water Services Corporation	No Control
Wasteserv Malta Limited	No Control
Works Division - Director General Works	No Control

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

	<b>2022</b>	2021
	€	€
Income - Annual Financial Allocation	<b>340,280</b>	328,472



Notes to the Financial Statements  
for the year ended 31 December 2022

18. Financial Risk Management

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

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

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

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

*Liquidity risk*

Liquidity risk is the risk that the Local Council will not be able to meet its financial obligations as they fall due.

The Local Council's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Generally, the Local Council ensures that it has sufficient cash on demand to meet expected operational expenditure, including the servicing of financial obligations.

At 31 December 2022 and 31 December 2021, the contractual maturities on the financial liabilities of the Council were as summarized below. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the Statement of Profit and Loss and Other Comprehensive Income.

	2022	2021
<b>Trade and other payables</b>	<b>€</b>	<b>€</b>
Less than 6 months	105,956	30,391
6 to 12 months	6,425	13,010
	<u>112,381</u>	<u>43,401</u>

**18. Financial Risk Management - continued**

*Capital management*

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

*Interest Rate risk*

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

*Credit risk*

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

**19. Events after the reporting period**

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of approval of the financial statements - 23<sup>rd</sup> May 2023 by the council members.