

Hal Kirkop Local Council

Annual Report and Financial Statements
31 December 2022



Table of Contents	Pages
Statement of Local Council Members' and Executive Secretary's Responsibilities	1
Statement of Comprehensive Income	2
Statement of Financial Position	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 – 29
Report of the Local Government Auditors on the Financial Statements	30 - 32

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 a statement of the Local Council's Comprehensive Income for the year and of the Council's Financial Position at the end of the 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 Comprehensive Income of the Local Council for the year and its Financial Position 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.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Government (Financial) Regulations 1993, and the Local Council (Financial) Procedures 1996. The Executive Secretary is also responsible for safeguarding the assets of the Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Local Council on the 23 May 2023 and signed on its behalf by:



Terence Agius
Mayor



Antonia Demicoli
Executive Secretary

Statement of Comprehensive Income

	Notes	2022 €	2021 €
Income			
Funds received from Central Government	3	301,491	305,189
Income raised under Local Enforcement System	4	1,537	1,570
General Income	5	48,170	70,057
		<u>351,198</u>	<u>376,816</u>
Expenditure			
Personal emoluments	6	130,249	113,355
Operations and Maintenance	7	138,707	146,506
Administrative and other Expenditure	8	148,500	101,048
		<u>417,456</u>	<u>360,909</u>
(Deficit)/Surplus for the year		<u>(66,258)</u>	<u>15,907</u>
Total comprehensive (expense)/ income for the year		<u>(66,258)</u>	<u>15,907</u>

The notes on pages 6 to 29 form an integral part of these financial statements

Statement of Financial Position

	Notes	2022 €	2021 €
ASSETS			
Non-current assets			
Intangible asset	9	1,551	2,572
Property, plant and equipment	10	292,314	286,446
		<u>293,865</u>	<u>289,018</u>
Current assets			
Receivables	11	40,797	44,295
Cash and cash equivalents	12	19,567	79,926
		<u>60,364</u>	<u>124,221</u>
Total Assets		<u>354,229</u>	<u>413,239</u>
RESERVES AND LIABILITIES			
Capital and reserves			
Retained earnings		297,257	363,515
LIABILITIES			
Current Liabilities			
Payables	13	56,972	49,724
Total Liabilities		<u>56,972</u>	<u>49,724</u>
Total Reserves and Liabilities		<u>354,229</u>	<u>413,239</u>

These financial statements were approved by the Local Council on the 23 May 2023 and are signed on its behalf by:


Terence Agius
Mayor


Antonia Demicoli
Executive Secretary

The notes on pages 6 to 29 form an integral part of these financial statements

Statement of Changes in Equity

	Retained earnings €	Total €
Balance at 1 January 2021	347,608	347,608
Total comprehensive income for the year	15,907	15,907
Balance at 31 December 2021	363,515	363,515
Balance at 1 January 2022	363,515	363,515
Total comprehensive loss for the year	(66,258)	(66,258)
Balance at 31 December 2022	297,257	297,257

The notes on pages 6 to 26 form an integral part of these financial statements

Statement of Cash Flows

	Notes	2022 €	2021 €
Cash flows (used in)/from operating activities			
(Deficit)/Surplus for the year		(66,258)	15,907
Adjustments for:			
Amortisation	9	1,021	756
Depreciation	10	38,084	23,196
Provision for bad debts		(11,254)	1,602
Loss on disposal		50	-
(Deficit)/Surplus for the period before working capital movements		(38,357)	41,461
Decrease/(Increase) in receivables		14,752	(3,624)
Increase/(Decrease) in payables		7,248	(74)
Net cash (used in)/generated from operating activities		(16,357)	37,763
Cash flows from investing activities			
Payment to acquire intangible asset	9	-	(1,416)
Payment to acquire property, plant and equipment	10	(44,002)	(23,719)
Net cash used in investing activities		(44,002)	(25,135)
Movement in cash and cash equivalents		(60,359)	12,628
Cash and cash equivalents at the beginning of the year		79,926	67,298
Cash and cash equivalents at the end of the year	12	19,567	79,926

**Notes to the Financial Statements
For the year ended 31 December 2022****1. Statutory Information**

The Hal Kirkop Local Council is a local government entity set up by the Local Council Act, 1993. The office of the Council is situated at 31, Triq San Benedittu, Kirkop. The financial statements of the Hal Kirkop Local Council for the year ended 31 December 2022 were approved and authorised for issue by the Council Members on the 23 May 2023.

2. Accounting policies

The principal accounting policies adopted 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. Basis of preparation

The 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, in accordance to the requirements of International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and comply with the Local Government Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Government (Financial) Procedures 1996.

b. Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

However, in the opinion of the Council members, there are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

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

2. Accounting policies - continued
- c. 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 Local Council's financial results or position.

Standards, amendments and interpretations to existing standards

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

New and amended standards adopted by the Council

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

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

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

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

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

Proceeds before Intended Use (Amendments to IAS 16)

The amendments introduce new guidance to IAS16 'Property, Plant and Equipment', which prohibit entities from deducting from the costs of PPE amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognise such sales proceeds and related costs in profit and loss.

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

2. Accounting policies – continued**c. New or revised standards or interpretations – continued****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 2024.

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2022

2. Accounting policies – continued

c. New or revised standards or interpretations – continued

The Councillors and Executive Secretary anticipate 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.

d. Intangible assets

Intangible assets comprise computer software. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of 25% using the straight-line method. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Where an indication of impairment exists, in that the carrying amount of an intangible asset is greater than its estimated recoverable amount, a charge is made to write down the value of the asset to its estimated recoverable amount (Accounting policy (i)).

e. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated on a monthly basis using the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives as follows:

• Land	0%
• Trees	0%
• Buildings	1%
• Office furniture and fittings	7.5%
• 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	100%
• Traffic and road signs	100%
• Playground furniture	100%
• Street lights	100%
• Street mirrors	100%

**Notes to the Financial Statements
For the year ended 31 December 2022****2. Accounting policies – continued****e. Property, plant and equipment**

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount, and are taken into account in determining operating profit.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (Accounting policy (i)).

f. Impairment of assets

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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

g. 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).

**Notes to the Financial Statements
For the year ended 31 December 2022****2. Accounting policies – continued****g. Leased assets– continued**

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.

h. Receivables

Receivables 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.

i. 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.

j. 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.

**Notes to the Financial Statements
For the year ended 31 December 2022****2. Accounting policies – continued****j. Financial instruments – 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 Local Council does not have any financial assets categorised as FVTPL and FVOCI in the periods presented.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within 'finance costs', 'finance income' or 'other financial items'.

Subsequent measurement of financial assets**Financial assets at amortised cost**

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Local Council's cash and cash equivalents, and most receivables fall into this category of financial instruments.

Notes to the Financial Statements
For the year ended 31 December 2022**2. Accounting policies – continued****j. Financial instruments – continued****Impairment of financial assets**

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Local Council considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. In applying this forward-looking approach, a distinction is made between:

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

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

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

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

Classification and measurement of financial liabilities

The Local Council's financial liabilities include payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Local Council designates a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

Notes to the Financial Statements
For the year ended 31 December 2022**2. Accounting policies – continued****j. Financial instruments – continued**

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'.

k. Cash and cash equivalents

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

l. Surpluses and deficits

Only surpluses and deficits that were realized at the date of the Statement of Financial Position are recognized in these Financial Statements. All foreseeable liabilities and potential losses arising up to the said date are accounted for even if they become apparent between the said date and the date on which the Financial Statements are approved.

m. Provisions

Provisions are recognised when the Local Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

n. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Local Council has an unconditional right to defer settlement of the liability for at least 12 months from the end of the reporting period.

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

2. Accounting policies – continued

o. 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.

p. 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.

q. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Hal Kirkop Local Council and the revenue can be reliably measured, regardless of when the payment is received.

Revenue is recognised upon transfer of funds from the Central Government when there are no significant uncertainties concerning the derivation of consideration or associated costs.

Interest income is recognised in the income statement as it accrued under finance income.

r. Functional and presentation currency

Items included in the Local Council's financial statements are measured using the currency of the primary economic environment in which the entity operates. The Local Council's financial statements are presented in Euro, which is the Local Council's functional currency.

s. Local Enforcement System

The amount disclosed in the financial statements under Local Enforcement Income represents the administrative charges to Regional Committees.

Notes to the Financial Statements

For the year ended 31 December 2022

2. Accounting policies – continued

t. Capital Management

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objectives are to ensure:

- that the Council's ability to continue as a going concern is still valid and
- that the Council maintains a positive working capital ratio.

To achieve the above, the Council carries out a quarterly review of the working capital ratio ('Financial Situation Indicator'). The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

3. Funds Received from Central Government

	2022 €	2021 €
In terms of Section 55 of the Local Councils Act (Cap 363)	261,784	254,364
Other Government Income	39,707	32,976
Supplementary government income – WasteServ allocation	-	17,849
	<u>301,491</u>	<u>305,189</u>

4. Income raised under Local Enforcement System

	2022 €	2021 €
Administrative charges to Regional Committees	1,537	1,570
	<u>1,537</u>	<u>1,570</u>

**Notes to the Financial Statements
For the year ended 31 December 2022****5. General Income**

	2022 €	2021 €
General income	6,227	8,641
Contributions	41,943	61,416
	<u>48,170</u>	<u>70,057</u>

6. Personal Emoluments

	2022 €	2021 €
Mayor's honoraria and allowance	10,742	10,571
Executive secretary salary	45,956	32,620
Employees' salaries	53,354	50,095
Social Security Contributions	7,197	7,069
Council members' allowance	13,000	13,000
	<u>130,249</u>	<u>113,355</u>

Average number of people employed

Employees	3	4
Mayor and Councillors	5	5

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

7. Operations and Maintenance

	2022	2021
	€	€
Repairs and Upkeep:		
Road and street pavements (Patching works)	684	990
Road Markings	3,547	14,144
Signs	3,007	830
Litter bins	506	1,777
Sundry repairs	5,841	3,058
	<u>13,585</u>	<u>20,799</u>
	2022	2021
	€	€
Contractual Services:		
Refuse collection (including bins on wheels)	52,595	53,284
Waste disposal	33,805	31,431
Bulky refuse collection (including open skips)	3,717	4,917
Road and street cleaning (mechanical and manual)	10,864	10,864
Other contractual services	-	285
Cleaning Council premises	3,924	3,036
Street Lighting	2,572	7,021
Cleaning and Maintenance of Public Convenience	5,343	4,720
Cleaning and Maintenance of Parks and Gardens	3,806	1,653
Contract Management	8,496	8,496
	<u>125,122</u>	<u>125,707</u>
	<u>138,707</u>	<u>146,506</u>

**Notes to the Financial Statements
For the year ended 31 December 2022****8. Administrative and other expenditure**

	2022	2021
	€	€
Utilities	25,934	26,089
Other repairs and upkeeps	2,831	4,113
Rent	1,784	1,337
Cleaning material	423	676
Library	941	892
Repairs of Office furniture and equipment	2,900	644
Office services	4,400	4,382
Transport	3,403	620
Information services	6,779	-
Insurance	4,957	4,558
Travel	4,092	1,782
Professional services	20,567	22,106
Community and hospitality	17,282	7,872
Social events	10,702	415
LES related expenses	-	(1,787)
Bank interest and charges	589	691
Depreciation and amortisation	39,105	23,952
Loss on disposal of assets	50	-
Provision for bad debts	107	1,602
Staff training and uniforms	886	345
Leases of equipment	768	759
	148,500	101,048

**Notes to the Financial Statements
For the year ended 31 December 2022****9. Intangible asset**

	Computer Software €
At 1 January 2021	
Cost	2,669
Accumulated amortisation	(757)
Net book amount	<u>1,912</u>
Movements for the year ended 31 December 2021	
Opening net book amount	1,912
Additions	1,416
Amortisation charge	(756)
Closing net book amount	<u>2,572</u>
At 31 December 2021	
Cost	4,085
Accumulated amortisation	(1,513)
Net book amount	<u>2,572</u>
Movements for the year ended 31 December 2022	
Opening net book amount	2,572
Additions	-
Amortisation charge	(1,021)
Closing net book amount	<u>1,551</u>
At 31 December 2022	
Cost	4,085
Accumulated amortisation	(2,534)
Net book amount	<u>1,551</u>

Amortisation of €1,021 (2021: €756) is included in administrative expenses.

**Notes to the Financial Statements
For the year ended 31 December 2022**
10a. Property, plant and equipment

Asset	Motor Vehicles	Office & Computer Equipment	Urban improvements	Plant and Machinery	Furniture and Fittings	Construction works	Assets Under Construction	Total
€	€	€	€	€	€	€	€	€
Cost								
As at 1 January 2022	15,969	65,799	138,911	6,092	66,318	2,409,696	15,898	2,718,683
Additions	-	2,782	32,917	534	1,388	6,381	-	44,002
Disposals	-	(274)	-	-	-	-	-	(274)
As at 31 December 2022	15,969	68,307	171,828	6,626	67,706	2,416,077	15,898	2,762,411
Grants and other disbursements								
As at 1 January 2022	-	2,873	6,812	-	-	2,000,944	-	2,010,629
Additions	-	-	-	-	-	-	-	-
As at 31 December 2022	-	2,873	6,812	-	-	2,000,944	-	2,010,629
Accumulated Depreciation								
As at 1 January 2022	4,525	49,511	121,059	3,681	43,879	198,953	-	421,608
Charge for the year	3,194	5,574	21,821	656	3,122	3,717	-	38,084
Released on disposal	-	(224)	-	-	-	-	-	(224)
As at 31 December 2022	7,719	54,861	142,880	4,337	47,001	202,670	-	459,458
Net Book Value								
As at 31 December 2022	8,250	10,573	22,136	2,289	20,705	212,463	15,898	292,314

**Notes to the Financial Statements
For the year ended 31 December 2022**
10b. Property, plant and equipment

Asset	Motor Vehicles	Office & Computer Equipment	Urban Improvements	Plant and Machinery	Furniture and Fittings	Construction works	Assets Under Construction	Total
€	€	€	€	€	€	€	€	€
Cost								
As at 1 January 2021	15,969	61,316	125,293	5,231	64,868	2,406,389	15,898	2,694,964
Additions	-	4,483	13,618	861	1,450	3,307	-	23,719
Disposals	-	-	-	-	-	-	-	-
As at 31 December 2021	15,969	65,799	138,911	6,092	66,318	2,409,696	15,898	2,718,683
Grants and other disbursements								
As at 1 January 2021	-	2,873	6,812	-	-	2,000,944	-	2,010,629
Additions	-	-	-	-	-	-	-	-
As at 31 December 2021	-	2,873	6,812	-	-	2,000,944	-	2,010,629
Accumulated Depreciation								
As at 1 January 2021	1,331	44,274	113,617	3,171	40,720	195,299	-	398,412
Charge for the year	3,194	5,237	7,442	510	3,159	3,654	-	23,196
Released on disposal	-	-	-	-	-	-	-	-
As at 31 December 2021	4,525	49,511	121,059	3,681	43,879	198,953	-	421,608
Net Book Value								
As at 31 December 2021	11,444	13,415	11,040	2,411	22,439	209,799	15,898	286,446

**Notes to the Financial Statements
For the year ended 31 December 2022****11. Receivables**

	2022	2021
	€	€
Receivables	30,241	37,062
Provision for Bad Debts	(2,796)	(2,010)
LES Debtors	131,081	143,121
Provision for Bad LES Debts	(131,081)	(143,121)
Accrued income	8,796	4,447
Financial assets	36,241	39,499
Prepayments	4,556	4,796
	40,797	44,295

The total financial assets for the year amounted to €36,241 (2021: €39,499).

LES Debtors are stated after a specific provision for doubtful debts amounting to €131,081. During the year under review, a movement of €11,361 was reflected as a bad debt write-off with a corresponding decrease in provision for doubtful debts.

12. Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following amounts in the Local Council Statement of Financial Position:

	2022	2021
	€	€
Bank balances:		
Ordinary funds	19,344	79,692
Cash in hand	223	234
	19,567	79,926

**Notes to the Financial Statements
For the year ended 31 December 2022****13. Payables**

	2022 €	2021 €
Payables	30,224	12,182
Other Payables	200	3,016
Accruals	13,626	21,604
Financial Liabilities	44,050	36,802
Deferred Income	12,922	12,922
	56,972	49,724

The total financial liabilities for the year amounted to €44,050 (2021: €36,802).

14. Contingent liabilities

The Local Council is defendant in proceedings in which an individual is claiming compensation for damages amounting to € 15,000 (fifteen thousand Euro), which were allegedly sustained by the plaintiff following works carried out by the Council. The Council is contesting the claim vigorously and the Council members firmly believe that such an action ought to be dismissed. Nevertheless, the outcome of the action remains uncertain and the claim may finally be decided in favour of the Local Council.

15. Related party transactions

During the year, the Local Council had affected transactions with related parties resulting mainly in connection with income and administrative transactions. The following were the related parties:

Name of Entity	Nature of relationship
Department of Local Councils	Significant Control
Gozo Regional Committee	No Control
Central Regional Committee	No Control
North Regional Committee	No Control
South Regional Committee	No Control
South Eastern Regional Committee	No Control
Local Enforcement Systems Agency	No Control
ARMS Ltd	No Control
Commissioner of Data Protection	No Control
Department of Information	No Control
Ministry of Finance	No Control
Police General Head Quarters	No Control

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

15. Related party transactions- continued

Name of Entity	Nature of relationship
Malta Environment and Planning Authority	No Control
Water Services Corporation	No Control
Enemalta Corporation	No Control
Cleansing Directorate	No Control
Department of Lands	No Control
Wasteserv Malta Limited	No Control
Bank of Valletta plc	No Control
Department of Lands	No Control
Local Councils' Association	No Control
Central Bank of Malta	No Control
Department of Inland Revenue	No Control
Ministry for Justice, Culture and Local Government	No Control

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

	2022	2021
	€	€
(a) Funds received from Local Government	261,784	254,364

Key management compensation

Transactions with key management personnel are disclosed in note 8.

Ultimate controlling party

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, the Council also receives funds relating to specific projects as well as other funds for the improvement of the locality.

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

16. Financial risk management

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

Credit risk

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of 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 and is summarised as follows:

	2022 €	2021 €
Classes of financial assets – carrying amounts		
Trade and other receivables	40,797	39,499
Cash and cash equivalents	19,567	79,926
	60,364	119,425

Liquidity risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short-term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact, at year end, the Council has as cash in bank and in hand the amount of €19,567. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net current asset position of €167 meaning, that just enough funds are available to cover present liabilities as well as short term obligations and commitments arising.

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

16. Financial risk management – continued

At 31 December 2022, the council's financial liabilities had contractual maturities which are summarized below:

31 December 2022	Current within 1 year €	Non- current between 1 to 5 years €	Non- current later than 5 years €
Trade payables	30,224	-	-
Other payables	200	-	-
Accruals	13,626	-	-

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

31 December 2021	Current within 1 year €	Non- current between 1 to 5 years €	Non- current later than 5 years €
Trade Payables	12,182	-	-
Other payables	3,016	-	-
Accruals	21,604	-	-

Foreign currency risk

Foreign currency transactions arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Council does not trade in any foreign currencies.

Interest rate risk

Interest rate risk mainly arises through interest bearing liabilities and assets. The objectives of interest rate risk management are to optimise the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense.

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

16. Financial risk management – continued

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.

17. Fair values estimation

The nominal values less estimated credit adjustments of receivables and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair values.

18. Operating Lease

Operating leases relate to leases of Primary Health Care premises from Lands Department and a photocopier lease. Lease terms range between one and five years.

	2022 €	2021 €
Payments recognized as an expense		
Minimum lease payments	<u>1,784</u>	<u>1,337</u>
Non-cancellable operating lease commitments		
Not later than one year	1,454	1,454
Later than one year and not later than five years	2,339	3,793
More than five years	-	-
	<u>3,793</u>	<u>5,247</u>

Notes to the Financial Statements

For the year ended 31 December 2022

19. Summary of financial assets and liabilities

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

	2022 €	2021 €
Current assets		
Loans and receivables:		
Trade and other receivables	40,797	39,499
Cash and cash equivalents	19,567	79,926
	<u>60,364</u>	<u>119,425</u>
Current liabilities		
Financial liabilities measured at amortised costs:		
Payables	30,424	15,198
Accruals	13,626	21,604
	<u>44,050</u>	<u>36,802</u>

20. Capital commitments

There were no capital commitments at year end.

21. 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.

HAL KIRKOP LOCAL COUNCIL

INDEPENDENT AUDITORS' REPORT

To the Auditor General

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hal Kirkop Local Council, set out on pages 2 to 29 which comprise the statement of financial position as at 31 December 2022, the statement of comprehensive income, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Local Council as at 31 December 2022, and of its financial performance and cashflows 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 Auditors' Responsibilities for the Audit of the Financial Statement section of our report. We are independent of the Local Council in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements of Hal Kirkop Local Council for the year ended 31 December 2021, were audited by another auditor who expressed an unmodified opinion on those statements on 12 May 2022. We had to place a certain degree of reliance on balances brought forward.

Responsibilities of those charged with governance for the financial statements

As described on page 1, the Executive Summary and the members of the Local Council are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS as adopted by the EU, 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.

HEAD OFFICE:

13, Curate Fenech Street, Birzebbuga - BBG2032, Malta, EU

T +356 2165 4567 | M +356 7765 0000

E info@prtturner.com.mt | W www.parkerrussellturner.com

HAL KIRKOP LOCAL COUNCIL

INDEPENDENT AUDITORS' REPORT

Responsibilities of those charged with governance for the financial statements (continued)

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

HEAD OFFICE:

13, Curate Fenech Street, Birzebbuga - BBG2032, Malta, EU

T +356 2165 4567 | M +356 7765 0000

E info@prturner.com.mt | W www.parkerrussellturner.com

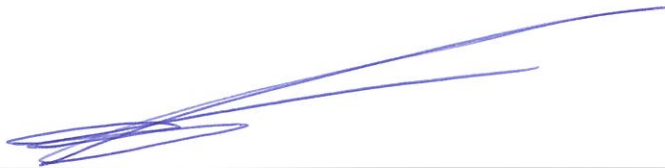
HAL KIRKOP LOCAL COUNCIL**INDEPENDENT AUDITORS' REPORT****Auditors' Responsibilities for the Audit of the Financial Statements (continued)**

If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Local Council to cease to continue as a going concern.

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

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

The principal authorised to sign on behalf of Parker Russell Turner on the audit resulting in this independent auditors' report is Mr. Arthur Douglas Turner.



Arthur Douglas Turner – Partner
On behalf of Parker Russell Turner

“Parker Russell Turner”,
13, Curate Fenech Street,
Birzebbugia
Malta

24 May 2023

HEAD OFFICE:

13, Curate Fenech Street, Birzebbugia - BBG2032, Malta, EU

T +356 2165 4567 | M +356 7765 0000

E info@prturner.com.mt | W www.parkerrussellturner.com

VAT Reg. No.: MT19559319 | Reg. No.: AB 26/ 84/65