



Ir-Rabat Local Council

Annual Report and Financial Statements
31 December 2021



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

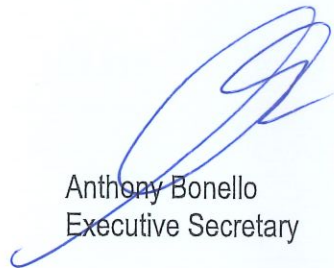
The Local Councils (Financial) Regulations 1993 require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's comprehensive income for the period and of the Council's retained funds at the end of the period. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Council (Financial) Regulations, 1993 and the Local Council (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 Council (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 13 July 2022 and signed on its behalf by:



Sandro Craus
Mayor



Anthony Bonello
Executive Secretary

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2021 €	2020 €
Income			
Funds received from central government	3	1,390,064	1,376,410
Income raised under Local Enforcement System	5	6,151	3,133
General income	6	54,634	39,571
Income from Bye Law	7	-	1,801
		<u>1,450,849</u>	<u>1,420,915</u>
Expenditure			
Personal emoluments	8	210,318	180,197
Operations and maintenance	9	1,127,697	812,862
Administrative and other expenditure	10	535,468	773,641
		<u>1,873,483</u>	<u>1,766,700</u>
Operating loss for the year		<u>(422,634)</u>	<u>(345,785)</u>
Finance income	4	1,532	2,594
Loss for the year		<u>(421,102)</u>	<u>(343,191)</u>
Total comprehensive loss for the year		<u>(421,102)</u>	<u>(343,191)</u>

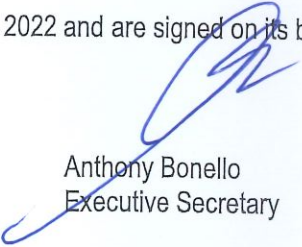
The notes on pages 6 to 27 form an integral part of these financial statements

Statement of Financial Position

	Notes	2021 €	2020 €
ASSETS			
Non-current assets			
Intangible asset	11	673	154
Property, plant and equipment	12	795,488	655,201
		<u>796,161</u>	<u>655,355</u>
Current assets			
Receivables	13	309,166	176,122
Cash and cash equivalents	14	1,348,807	1,910,467
		<u>1,657,973</u>	<u>2,086,589</u>
Total Assets		<u>2,454,134</u>	<u>2,741,944</u>
Reserves			
Retained earnings		1,319,214	1,740,316
Current Liabilities			
Payables	15	1,134,920	1,001,628
		<u>1,134,920</u>	<u>1,001,628</u>
Total Liabilities		<u>1,134,920</u>	<u>1,001,628</u>
Total Reserves and Liabilities		<u>2,454,134</u>	<u>2,741,944</u>

These financial statements were approved by the Local Council on the 13 July 2022 and are signed on its behalf by:


Sandro Craus
Mayor


Anthony Bonello
Executive Secretary

The notes on pages 6 to 27 form an integral part of these financial statements

Statement of Changes in Equity

	Retained earnings €
Balance at 1 January 2020	2,083,507
Total comprehensive loss for the year	(343,191)
Balance at 31 December 2020	1,740,316
Balance at 1 January 2021	1,740,316
Total comprehensive loss for the year	(421,102)
Balance at 31 December 2021	1,319,214

The notes on pages 6 to 27 form an integral part of these financial statements

Statement of Cash Flows

	Notes	2021 €	2020 €
Cash flows from operating activities			
Loss for the year		(421,102)	(343,191)
Adjustments for:			
Depreciation of property, plant and equipment	12	143,364	491,803
Amortisation of intangible assets	11	355	254
Recovery of bad debts	10	(692)	-
Finance income receivable	4	(1,532)	(2,594)
Loss on disposal of property, plant and equipment		-	34
Increase/Surplus for the period before working capital movements		(279,607)	146,306
Increase in receivables		(152,352)	(72,982)
Increase in payables		133,291	(79,392)
Net cash used in operating activities		(298,668)	(6,068)
Cash flows from investing activities			
Investment income receivable	4	1,532	2,594
Payment to acquire property, plant and equipment	12	(308,650)	(457,848)
Payment to acquire intangible asset	11	(874)	-
Net cash used in investing activities		(307,992)	(455,254)
Cash flows from financing activities			
Grants received		5,000	-
Cash generated from financing activities		5,000	-
Movement in cash and cash equivalents		(561,660)	(461,322)
Cash and cash equivalents at the beginning of the year		1,910,467	2,371,789
Cash and cash equivalents at the end of the year	14	1,348,807	1,910,467

Notes to the Financial Statements

For the year ended 31 December 2021

1. Statutory Information

Ir-Rabat Local Council (the "Local Council") is the local authority of Ir-Rabat setup in accordance with the Local Councils Act. The Office of the Local Council is situated at 8, Triq l-Isptar, Ir-Rabat, Malta. These financial statements were approved for issue by the Local Council members on 13 July 2022. The Local Council's presentation as well as functional currency is denominated in Eur (€).

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, as modified to include fair values stated in the accounting policies below. 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 Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (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 Local 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.

2. Accounting policies – continued**c. New or revised standards or interpretations****New standards adopted as at 1 January 2021**

Some accounting pronouncements which have become effective from 1 January 2021 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 that are not yet effective and have not been adopted early by the Local Council

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Local Council.

Management anticipates that all of the relevant pronouncements will be adopted in the Local Council's accounting policies for the first period beginning after the effective date of the pronouncement. No new standards, amendments and interpretations are expected to be relevant to the Local Council's financial statements.

d. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Ir-Rabat 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.

e. 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.

f. Local Enforcement System

The Rabat Local Council forms part of the Regjun Tramuntana. On 1st September 2011, all LES funds were diverted to five regions. With effect from 1st September 2011, the only income attributable to the Council is commission income based on the value of contraventions paid at Rabat Local Council. In line with Memo issued from the Department for Local Government dated 30th September 2015, the LES operations started gradually being phased out from the Regional Committee towards the Local Enforcement System Agency (LESA) with effect from 1st October 2015, until December 2015.

2. Accounting policies - continued**f. Local Enforcement System – continued**

Prior to 1st September 2011, the Rabat Local Council formed part of the North Joint Committee. The amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the Joint Committee after deducting the related expenses, which is accounted for on a cash basis, and the administrative charges to Regional Committees.

g. 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 live of 25%-42.87% 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 (k)).

h. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss to date. 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%-1.25%
• Office furniture and fittings	7.5%-26.67%
• Construction works	10%-92.31%
• Urban Improvements (Street Furniture)	10%-85.72%
• Special Projects	10%-92.31%
• Office Equipment	20%-79.99%
• Motor Vehicles	20%
• Plant and Machinery	20%-38.72%
• Plants	100%
• Computer Equipment	25%-42.86%
• Litter Bins	Replacement Basis
• Traffic and Road Signs	Replacement Basis
• Street Mirrors	Replacement Basis
• Street Lights	100%
• Playground Furniture	100%

2. Accounting policies - continued**h. Property, plant and equipment – continued**

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

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

i. Impairment of assets*Impairment of property, plant and equipment*

The carrying amounts of the Local Council's property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. 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.

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.

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).

2. Accounting policies - continued**J. Financial instruments - continued**

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.

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.

2. Accounting policies - continued**j. Financial instruments – continued**

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).

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.

2. Accounting policies - continued**l. Profits and losses**

Only profits 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. Leases

In the current year, the Local Council has applied IFRS 16, Leases that is effective for periods that begin on or after 1 January 2019. IFRS 16 introduced a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. Under the new standard, an asset (the right-of-use the leased item) and a financial liability to pay rentals are recognized, with the exception of short-term and low-value leases. IFRS 16 superseded the current lease guidance of IAS 17 and the related interpretations.

The adoption of IFRS 16 had no impact on the financial position and financial performance of the Local Council.

o. 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.

p. 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.

2. Accounting policies - continued**q. Capital Management**

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

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

To achieve the above, the Local Council carries out a quarterly review of the working capital ratio ('Financial Situation Indicator'). The Local 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.

r. Related parties

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

3. Funds Received from Central Government

	2021 €	2020 €
In terms of Section 55 of the Local Councils Act (Cap 363)	1,219,328	1,197,444
Other government income	160,077	121,628
Other supplementary income	10,659	57,338
	<u>1,390,064</u>	<u>1,376,410</u>

4. Finance income

	2021 €	2020 €
Bank interest receivable	1,532	2,594

5. Income raised under Local Enforcement System

	2021 €	2020 €
Administrative charges to Regional Committees	5,965	3,133
Contraventions	186	-
	<u>6,151</u>	<u>3,133</u>

6. General Income

	2021 €	2020 €
Income from permits	49,345	38,221
Contributions and donations	5,289	1,350
	<u>54,634</u>	<u>39,571</u>

7. Income from bye law

	2021 €	2020 €
Income from bye law	-	1,801

8. Personal Emoluments

	2021 €	2020 €
Mayor's allowance	15,270	15,027
Executive Secretary and allowances	37,168	36,311
Employees' salaries	122,338	95,477
Social Security contributions	13,232	10,852
Councillors' remuneration	22,310	22,530
	<u>210,318</u>	<u>180,197</u>

Average number of people employed

Employees	<u>7</u>	<u>7</u>
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9. Operations and Maintenance

	2021 €	2020 €
Repairs and Upkeep:		
Road and street pavements (Patching works)	100,044	215,915
Repair plant and equipment	373,940	69,147
Sundry repairs	8,551	5,140
	<u>482,535</u>	<u>290,202</u>

Contractual Services:

Refuse collection (including bins on wheels)	215,908	169,692
Waste disposal	51,120	104,043
Bulky refuse collection (including open skips)	10,029	10,988
Road and street cleaning (mechanical and manual)	197,854	120,033
Other contractual services	-	41,738
Cleaning and maintenance of non-urban roads	30,363	27,856
Cleaning and maintenance of public conveniences	33,930	16,275
Cleaning and maintenance of parks and gardens	105,958	32,035
	<u>645,162</u>	<u>522,660</u>
	<u>1,127,697</u>	<u>812,862</u>

10. Administrative and other expenditure

	2021	2020
	€	€
Utilities	12,258	8,190
Other repairs and upkeeps	3,830	9,924
Rent	61,547	39,509
National & international membership	-	86
Office services	11,593	9,017
Transport	16,168	16,453
Travel	731	-
Staff training	1,050	560
Information services	6,777	7,404
Other contractual services	43,051	15,467
Professional services	85,612	117,108
Community and hospitality	143,735	51,386
Social events	1,400	1,066
Uniforms	2,039	3,372
LES related expenses	1,912	82
Bank interest and charges	738	1,926
Depreciation of property, plant and equipment	143,364	491,803
Amortisation of intangible assets	355	254
Loss on disposal of property, plant and equipment	-	34
Recovery of bad debts	(692)	-
	<u>535,468</u>	<u>773,641</u>

11. Intangible asset

	Computer Software €
At 1 January 2020	
Cost	2,638
Accumulated amortisation	(2,230)
Net book amount	<u>408</u>
Movements for the year ended 31 December 2020	
Opening net book amount	408
Amortisation charge	(254)
Closing net book amount	<u>154</u>
At 31 December 2020	
Cost	2,638
Accumulated amortisation	(2,484)
Net book amount	<u>154</u>
Movements for the year ended 31 December 2021	
Opening net book amount	154
Additions	874
Amortisation charge	(355)
Closing net book amount	<u>673</u>
At 31 December 2021	
Cost	3,512
Accumulated amortisation	(2,839)
Net book amount	<u>673</u>

Amortisation of €355 (2020: €254) is included in administrative expenses.

12. Property, plant and equipment

	Property	Office furniture and fittings	Office equipment	Plant and machinery	Urban improvements	New street signs/lights	Computer equipment	Special programmes	Motor vehicles	Asset not yet capitalized	Total
Cost	€	€	€	€	€	€	€	€	€	€	€
As at 1 January 2021	281,326	48,223	57,186	9,622	3,836,991	65,985	53,351	1,274,836	11,644	60,387	5,699,551
Additions	-	179	666	1,300	156,134	-	1,059	69,220	70,160	9,932	308,650
As at 31 December 2021	281,326	48,402	57,852	10,922	3,993,125	65,985	54,410	1,344,056	81,804	70,319	6,008,201
Grants and other disbursements											
As at 1 January 2021	-	-	-	-	948,339	-	-	255,433	-	-	1,203,772
Additions	-	-	-	-	-	-	-	-	25,000	-	25,000
As at 31 December 2021	-	-	-	-	948,339	-	-	255,433	25,000	-	1,228,772
Accumulated Depreciation											
As at 1 January 2021	48,314	40,805	42,681	7,386	2,571,656	65,985	38,296	1,013,810	11,644	-	3,840,577
Charge for the year	3,156	974	3,528	671	106,633	-	4,997	18,603	4,802	-	143,364
As at 31 December 2021	51,470	41,779	46,209	8,057	2,678,289	65,985	43,293	1,032,413	16,446	-	3,983,941
Net Book Value											
As at 31 December 2021	229,856	6,623	11,643	2,865	366,497	-	11,117	56,210	40,358	70,319	795,488

12. Property, plant and equipment - continued

	Property	Office furniture and fittings	Office equipment	Plant and machinery	Urban improvements	New street signs/lights	Computer equipment	Special programmes	Motor vehicles	Asset not yet capitalized	Total
Cost	€	€	€	€	€	€	€	€	€	€	€
As at 1 January 2020	281,326	45,776	46,249	7,876	3,454,964	65,985	43,891	1,274,836	11,644	11,121	5,243,668
Additions	-	2,545	11,624	1,746	382,027	-	10,641	-	-	49,265	457,848
Disposals	-	(98)	(687)	-	-	-	(1,181)	-	-	-	(1,966)
As at 31 December 2020	281,326	48,223	57,186	9,622	3,836,991	65,985	53,351	1,274,836	11,644	60,386	5,699,550
Grants and other disbursements											
As at 1 January 2020	-	-	-	-	948,339	-	-	255,433	-	-	1,203,772
Accumulated Depreciation											
As at 1 January 2020	45,138	39,703	41,479	6,966	2,107,877	65,985	35,788	996,126	11,644	-	3,350,706
Charge for the year	3,176	1,166	1,889	420	463,779	-	3,689	17,684	-	-	491,803
Released on disposal	-	(64)	(687)	-	-	-	(1,181)	-	-	-	(1,932)
As at 31 December 2020	48,314	40,805	42,681	7,386	2,571,656	65,985	38,296	1,013,810	11,644	-	3,840,577
Net Book Value											
As at 31 December 2020	233,012	7,418	14,505	2,236	316,996	-	15,055	5,593	-	60,386	655,201

13. Receivables

	2021 €	2020 €
Receivables	31,816	122,292
Other receivables-Measure 4.3-Improving the Infrastructure of Rural Roads	229,915	-
Other receivables	164	277
Accrued income	36,894	45,539
Financial assets at amortised cost	298,789	168,108
Prepayments	9,377	6,441
Other receivables	1,000	1,573
Total receivables	309,166	176,122

The total financial assets for the year amounted to €298,789 (2020: €168,108).

The average credit period on sales of services is 60 days. Receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the company has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

	2021 €	2020 €
Age of receivables that are past due but not impaired		
60-90 days	18,768	24,454
91-120 days	8,035	7,045
More than 120 days	5,013	90,793
Total	31,816	122,292

13. Receivables - continued

	2021 €	2020 €
Movement in the allowance for doubtful debts		
Balance at beginning of the year	220,581	220,581
Amounts collected during the year	(692)	-
Balance at end of the year	<u>219,889</u>	<u>220,581</u>

In determining the recoverability of a receivable, the Local Council considers any change in the credit quality of the receivable from the date credit was initially granted up to the end of the reporting period. The impairment loss on receivables is included in administrative expenses in the statement of comprehensive income.

Receivables are stated net of a provision for doubtful debts of €219,889 (2020: €220,581).

14. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and cash in banks. Cash and cash equivalents included in the Statement of Financial Position and Statement of Cash Flows comprise of the following amounts:

	2021 €	2020 €
Term deposit 1 year	503,802	1,003,731
Bank balances:		
Measure 4.3	-	325,037
Ordinary funds	842,336	581,616
Cash on hand	2,669	83
	<u>1,348,807</u>	<u>1,910,467</u>

15. Payables

	2021	2020
	€	€
Payables	796,093	278,646
Other payables-Measure 4.3-Improving the Infrastructure of Rural Roads	-	325,037
Measure 4.3 Bank Account temporarily overdrawn	128	-
Advance payments	29,347	-
Other payables	12,233	3,331
Accruals	25,352	128,735
Financial liabilities measured at amortised cost	863,153	735,749
Deferred Income	263,388	257,500
Contractors' deposits	8,379	8,379
Total payables	1,134,920	1,001,628

The total financial liabilities for the year amounted to €863,153 (2020: €735,749)

16. Contingent liabilities

At 31 December 2021, guarantees amounting to €1,000 (2020: €1,000) were given by the Local Council to MEPA with regard to capital projects.

At 31 December 2021, the Local Council has an appeal against MEPA for which a fine of €3,059 (2020: €3,059) may be imposed.

17. Related party transactions

During the year, the Local Council had affected transactions with related parties resulting mainly in connection with income and administrative transactions, are disclosed in notes 8 and 10 to these financial statements. 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	Joint 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
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 Local Council with related parties having significant control:

	2021	2020
	€	€
(a) Funds received from Local Government	1,219,328	1,197,444

Key management compensation

The Mayor, Councillors and Executive Secretary of the Council make up the Key Management Personnel. 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 Local Council's main revenue is from the Government allocation received every quarter. Apart from the normal funds received from Government, the Local Council also receives funds relating to specific projects as well as other funds for the improvement of the locality.

18. Financial risk management

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

Credit risk

Financial assets which potentially subject the Local Council to concentrations of credit risk consist principally of cash at bank and debtors. The Local 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 Local 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 Local Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Local Council has no significant concentration of credit risk.

The Local 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:

	2021	2020
	€	€
Classes of financial assets – carrying amounts		
Receivables	68,874	168,108
Other receivables – Measure 4.3	229,915	-
Cash and cash equivalents	1,348,807	1,910,467
	<u>1,647,596</u>	<u>2,078,575</u>

Liquidity risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Local 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 Local 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 Local Council has as cash in bank and in hand the amount of €1,348,807. This should ensure an ongoing working capital of the Local Council for the next 12 months. The Local Council also maintains a positive working capital of €523,053 (2020: €1,084,961) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

At 31 December 2021 the Local Council's financial liabilities have contractual maturities which are summarised below:

18. Financial risk management -- continued

At 31 December 2021

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	796,093	-	-
Measure 4.3 Bank Account temporarily overdrawn	128	-	-
Advance payments	29,347	-	-
Other creditors	12,233	-	-
Accruals	25,352	-	-

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

At 31 December 2020

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	278,646	-	-
Other creditors	328,368	-	-
Accruals	128,735	-	-

Foreign currency risk

Foreign currency transactions arise when the Local Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Local 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.

19. Summary of financial assets and liabilities

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

	2021	2020
	€	€
Current assets		
Financial assets at amortised cost:		
Receivables	298,789	168,108
Cash and cash equivalents	1,348,807	1,910,467
	<u>1,647,596</u>	<u>2,078,575</u>
Current liabilities		
Financial liabilities measured at amortised costs:		
Payables	796,093	278,646
Other payables	41,708	328,368
Accruals	25,352	128,735
	<u>863,153</u>	<u>735,749</u>

20. Operating Lease

Operating leases relate to leases of garage from private individuals and a photocopier lease. In 2021, the Local Council leased new office premises being used whilst the Rabat Local Council premises are being refurbished. This lease is on a short-term basis, and renewable every 6 months.

	2021	2020
	€	€
Payments recognized as an expense		
Minimum lease payments	<u>39,509</u>	<u>39,509</u>
Non-cancellable operating lease commitments		
Not later than one year	1,570	1,570
Later than one year and not later than five years	1,122	1,122
	<u>2,692</u>	<u>2,692</u>

21. 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.

22. Capital commitments**Capital expenditure**

Commitments for capital expenditure not provided for in these financial statements are as follows:

	2021	2020
	€	€
Authorised but not contracted	<u>979,000</u>	<u>1,490,583</u>

23. Events after the reporting date

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of approval of the financial statements by the Local Council members.

Report of the Local Government Auditor

To the Auditor General

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Rabat Local Council set out on pages 2 to 27 which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Responsibilities of those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

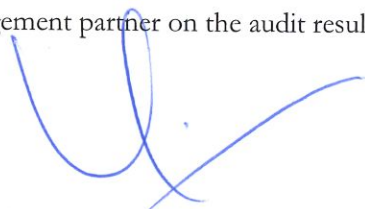
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

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

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

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



Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

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Malta

13 July 2022