

QALA LOCAL COUNCIL

**Report and financial statements
For the year ended 31 December 2021**

Prepared by:

**John C Buttigieg
Certified Public Accountant
Capital Heights, Triq Gorg Borg Olivier,
Victoria VCT 2519 – Gozo**

QALA LOCAL COUNCIL

**Annual report and financial statements
for the year ended 31 December 2021**

<i>Section</i>	<i>Table of Contents</i>
	<i>Page</i>
Statement of Local Council Members' and Executive Secretary's Responsibilities	2
Statement of Comprehensive Income	3
Statement of Financial Position	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 20
Independent Auditors' Report	21 - 24

QALA LOCAL COUNCIL

**Annual report and financial statements
for the year ended 31 December 2021**

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

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's statement of comprehensive income for the year and of the Local Council's retained funds at the end of the year. By virtue of the same regulations it is duty of the Council and the Executive Secretary to ensure that the Financial Statements forming part of the report present fairly, in accordance with accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, 1993, and the Local Councils (Financial) Procedures, 1996 issued in terms of the said Act.

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

Approved by the Council and signed on its behalf on 08/08/23 by:


Paul Buttigieg
Mayor


Heidi Grech
Executive Secretary

QALA LOCAL COUNCIL

**Statement of Comprehensive Income
for the year ended 31 December 2021**

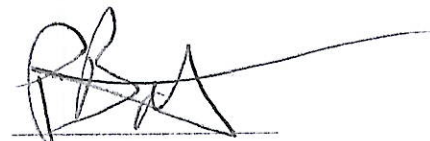
	Note	2021	2020
		€	€
Income			
Funds received from central government	3	354,074	356,381
Law Enforcement income	4	1,347	579
General income	5	24,953	48,183
		<u>380,374</u>	<u>405,143</u>
Expenditure			
Personal emoluments	6	75,500	75,653
Operations and maintenance	7	95,929	75,947
Administration and other expenditure	8	108,841	187,465
		<u>280,270</u>	<u>339,065</u>
Operating income for the year		€ 100,104	€ 66,078
Finance income	9	257	258
Finance cost	10	(196)	(132)
Total comprehensive income for the year		<u>€ 100,165</u>	<u>€ 66,204</u>

QALA LOCAL COUNCIL

**Statement of Financial Position
at 31 December 2021**

		31 Dec 2021	31 Dec 2020
Assets	Note	€	€
Non-current assets			
Property, plant and equipment	11	36,078	41,248
Current Assets			
Receivables	12	32,127	52,689
Cash and cash equivalents	13	1,273,976	1,441,231
		1,306,103	1,493,920
Total assets		€ 1,342,181	€ 1,535,168
Reserves and liabilities			
Reserves			
Retained funds		883,799	783,634
Current liabilities			
Payables and accruals	15	458,382	751,534
		458,382	751,534
Total Reserves and Liabilities		€ 1,342,181	€ 1,535,168

These Financial Statements were approved and authorised for issue by the Local Council on 08/08/23 and signed on its behalf by:


Paul Buttigieg
 Mayor


Heidi Grech
 Executive Secretary

QALA LOCAL COUNCIL

Statement of changes in equity for the year ended 31 December 2021

	Retained funds
	€
Balance at 01 January 2020	717,430
Total comprehensive income for the year	<u>66,204</u>
Balance at 31 December 2020	€ <u>783,634</u>
Balance at 01 January 2021	783,634
Total comprehensive income for the year	<u>100,165</u>
Balance at 31 December 2021	€ <u>883,799</u>

QALA LOCAL COUNCIL

Statement of Cash Flows for the year ended 31 December 2021

	2021	2020
Note	€	€
<i>Cash flows from operating activities</i>		
Total comprehensive income for the year	100,165	66,204
<i>Adjustment for:</i>		
Depreciation	16,779	86,906
Interest receivable	(257)	(258)
Interest payable	196	132
<i>Operating surplus before working capital movements</i>	<u>116,883</u>	<u>152,984</u>
Decrease/(Increase) in receivables	20,562	(14,988)
(Decrease) in payables	(80,063)	(43,427)
<i>Net cash generated from operating activities</i>	<u>57,382</u>	<u>94,569</u>
<i>Cash flows from investing activities</i>		
Purchase of property, plant and equipment	(243,497)	(6,396)
Grants received	18,799	7,500
Interest received	257	258
<i>Net cash flows (used in)/generated from investing activities</i>	<u>(224,441)</u>	<u>1,362</u>
<i>Cash flows from financing activities</i>		
Interest paid	(196)	(132)
<i>Net cash used for financing activities</i>	<u>(196)</u>	<u>(132)</u>
<i>Net (decrease)/increase in cash and cash equivalents</i>	(167,255)	95,799
Cash and cash equivalents at the beginning of the year	<u>1,441,231</u>	<u>1,345,432</u>
Cash and cash equivalents at the end of the year	<u>13</u> € <u>1,273,976</u>	€ <u>1,441,231</u>

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2021

1. General Information

Qala Local Council is the local authority of Qala setup in accordance with the Local Councils Act. The office of the Local Council is situated at :

'Civil Centre' Bishop Buttfigieg Street, Qala.

The Qala Local Council forms part of the Gozo Regional Committee.

2. Accounting policies and reporting procedures

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 the Local Government in terms of section 67 of the Local Councils Act, (CAP 363). The Financial Statements are prepared under the historical cost convention as modified to include fair values stated in the accounting policies below. These Financial Statements are prepared in accordance to the requirements of International Financial Reporting Standards as adopted by the EU and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

New and revised standards adopted by the Local Council

During the current year, the Local Council has adapted a number of new standards and interpretations, or amendments thereto, issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee, and endorsed by the European Union. The Council is of the opinion that the adoption of these standards, interpretations or amendments thereto, did not have any material impact on these financial statements.

New and revised standards in issue but not yet effective

At the end of the reporting period, certain new standards, interpretations or amendments thereto, were in issue but not yet effective for the current financial period. There have been no instances of early adoption of standards, interpretations or amendments ahead of their effective date. The Local Council anticipates that the adoption of the new standards, interpretations or amendments thereto, will not have a material impact on the financial statements upon initial application. The most relevant changes are the below:

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2021

Annual Improvements to IFRS Standards 2018–2020

IFRS 9 Financial Instruments - The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

a. Revenue recognition

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the statement of comprehensive income as it accrues.

Income from central government is not recognised until there is reasonable assurance that the Council will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross, and any deductions therefrom are to be disclosed separately with expenses.

b. Local Enforcement Systems

During the year, the amount disclosed in the financial statements under Local Enforcement System income represents the administrative fee of 10% that is now chargeable to the Regional Committees and the Law Enforcement System Agency for contraventions paid at the Council.

c. 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.

The depreciation rates are the following:

	%
Land	0
Trees	0
Buildings	1
Office furniture and fittings	7.5
Construction works	10
Urban Improvements	10
Special programmes	10
Office equipment	20
Motor vehicles	20
Plant and machinery	20
Computer equipment	25
Plants	100
Litter bins	replacement basis
Playground equipment	100
Road and Traffic signs	replacement basis
Street mirrors	replacement basis
Street lights	100

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each financial reporting date.

The carrying amount of an asset is written down immediately to its recoverable amount if the carrying

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2021

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 benefit 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.

d. Government Grants

Government grants relating to operating expenditure are recognised according to IAS 20 in the Statement of Comprehensive Income in the same period that the related expenditure is incurred. Grants relating to assets are deducted from the carrying amount of the asset using the capital approach.

e. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Comprehensive Income.

f. Amounts Receivable

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount of the asset 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.

g. Payables

Amounts 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.

Liabilities for trade and other amounts 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.

h. Foreign Currencies

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Local Council operates. These Financial Statements are presented in Euro (€) which is the Council's functional and presentation currency.

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

i. Profit and Losses

Only profits that were realised at the date of the Statement of Financial Position are recognised in these

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2021

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.

j. Cash and Equivalents

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

k. Related parties

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

Related parties to the Local Council comprise the Department for Local Government, the Regional Committee and other Government entities.

The related party that exercises a significant control is the Department for Local Government. Those that exercise no control are the Regional Committee and other Government entities such as Water Service Corp. and Wasteserve.

l. Critical accounting estimates and judgements

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

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

m. 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
- the the Council's 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.

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2021

n. Borrowings

Borrowings are initially recognised at cost, being the fair value of the consideration received and including acquisition charges associated with the borrowing.

Subsequent to initial recognition all interest-bearing borrowings, other than liabilities held for trading, are subsequently measured at amortised cost, using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on settlement. Borrowing costs are recognised as an expense in the period in which they are incurred.

o. Financial Instruments

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

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

Financial assets

For the purpose of subsequent measurement, financial assets of the Council are classified into loans and receivables upon initial recognition.

Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to loans and receivables are presented with 'finance income' or 'finance costs', except for impairment of receivables which is presented in 'administration and other expenditure'

Loans and receivables are non-derivating financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Council's other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that aren't considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2021

Financial liabilities

The Council's financial liabilities include other payables. These are stated at their nominal amount which is a reasonable approximation of fair value. All interest related charges are included within 'finance costs'.

3. Funds received from Central Government

	2021	2020
	€	€
In terms of Section 55 of the Local Councils Act (Cap 363)	354,074	344,044
Other Government Funds	-	12,337
	<u>354,074</u>	<u>356,381</u>
Total funds received from central government	€ 354,074	€ 356,381

4. Local Enforcement Income

	2021	2020
	€	€
Administrative fees from regional committees and LESA	€ 1,347	€ 579

5. General Income

	2021	2020
	€	€
Income from Permits	10,703	6,571
Cultural activities	-	22,731
Other income	14,250	18,881
	<u>24,953</u>	<u>48,183</u>
	€ 24,953	€ 48,183

6. Personal emoluments

	2021	2020
	€	€
Mayor's honoraria	10,571	10,404
Executive Secretary Salary and allowance	5,608	31,781
Acting Executive Secretary salary	27,300	-
Employees' Salaries	16,875	16,382
Social Security Contributions	2,146	4,086
Allowances for Councilors and Mayor	13,000	13,000
	<u>75,500</u>	<u>75,653</u>
	€ 75,500	€ 75,653

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2021

7. Operations and maintenance	2021	2020
	€	€
Signs	534	-
Road and street pavements (patching work)	3,499	580
Refuse collection	35,040	35,746
Bulky refuse collection	17,597	16,621
Road and street cleaning	28,118	11,508
Cleaning and maintenance of Public Conveniences	3,120	3,683
Waste Disposal fees	8,021	7,809
	<u>€ 95,929</u>	<u>€ 75,947</u>

8. Administration and other expenses

	2021	2020
	€	€
Utilities	8,168	2,887
Sundry material & supplies	18,273	5,346
Rent	5,150	4,071
National /International memberships	500	586
Office services	4,832	1,528
Transport	-	57
Travelling expenses	2,209	211
Advertising	20	100
Information services	4,194	2,065
Other contractual services	13,865	35,043
Staff training	-	295
Professional services	8,460	2,903
Community services and events	26,090	45,318
Uniforms	301	149
Depreciation	16,779	86,906
	<u>€ 108,841</u>	<u>€ 187,465</u>

9. Investment income

	2021	2020
Bank interest received	<u>€ 257</u>	<u>€ 258</u>

10. Finance cost

	2021	2020
Bank charges	<u>€ 196</u>	<u>€ 132</u>

QALA LOCAL COUNCIL

**Notes to the financial statements
for the year ended 31 December 2021**

11 a. Property, Plant and Equipment

	Trees	Office Furn. & fittings	Plant & Machinery	Computer Equipment	Office Equipment	New Street Signs	Urban Improvements	Construction programmes	Special	Total
Cost	€	€	€	€	€	€	€	€	€	€
At 01 January 2021	2,264	26,080	14,875	19,655	12,365	11,537	48,968	692,725	1,060,178	1,888,647
Additions	-	730	1,087	3,912	3,510	-	11,301	-	222,957	243,497
At 31 December 2021	2,264	26,810	15,962	23,567	15,875	11,537	60,269	692,725	1,283,135	2,132,144
<u>Grants and other reimbursements</u>										
At 01 January 2021	-	-	6,700	-	1,327	-	-	161,252	724,423	893,702
Additions	-	-	-	-	-	-	8,929	-	222,957	231,886
At 31 December 2021	-	-	6,700	-	1,327	-	8,929	161,252	947,380	1,125,588
<u>Depreciation</u>										
At 01 January 2021	-	20,154	7,050	16,934	8,982	11,537	43,466	519,416	326,158	953,697
Charge for the year	-	1,980	350	1,708	832	-	765	1,547	9,597	16,779
At 31 December 2021	-	22,134	7,400	18,642	9,814	11,537	44,231	520,963	335,755	970,476
<u>Net book value</u>										
At 31 December 2021	€ 2,264	4,676	1,862	4,925	4,734	-	7,109	10,510	-	36,080
At 31 December 2020	€ 2,264	5,926	-	2,721	-	-	5,502	12,057	9,597	41,248

QALA LOCAL COUNCIL

Notes to the financial statements
for the year ended 31 December 2021

11 b. Property, Plant and Equipment

	Trees	Office Furn. & fittings	Plant & Machinery	Computer Equipment	Office Equipment	New Street Signs	Urban Improvements	Construction programmes	Special	Total	
Cost	€	€	€	€	€	€	€	€	€	€	
At 01 January 2020	2,264	24,290	14,075	17,599	10,715	11,537	47,453	692,725	1,061,593	1,882,251	
Adjustment	-	-	-	-	-	-	-	-	(1,415)	(1,415)	
Additions	-	1,790	800	2,056	1,650	-	1,515	-	-	7,811	
At 31 December 2020	2,264	26,080	14,875	19,655	12,365	11,537	48,968	692,725	1,060,178	1,888,647	
<u>Grants and other reimbursements</u>											
At 01 January 2020	-	-	6,700	-	1,327	-	-	161,252	724,423	893,702	
Additions	-	-	-	-	-	-	-	-	-	-	
At 31 December 2020	-	-	6,700	-	1,327	-	-	161,252	724,423	893,702	
<u>Depreciation</u>											
At 01 January 2020	-	18,254	6,795	15,979	8,681	11,537	42,100	471,003	292,442	866,791	
Charge for the year	-	1,900	255	955	301	-	1,366	48,413	33,716	86,906	
At 31 December 2020	-	20,154	7,050	16,934	8,982	11,537	43,466	519,416	326,158	953,697	
<u>Net book value</u>											
At 31 December 2020	€	2,264	5,926	1,125	2,721	2,056	-	5,502	12,057	9,597	41,248
At 31 December 2019	€	2,264	6,036	-	1,620	-	-	5,353	60,470	44,728	121,758

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2021

12. Receivables	2021	2020
	€	€
Accounts receivable	7,058	26,994
Prepayments and accrued income	25,069	25,695
	<u>€ 32,127</u>	<u>€ 52,689</u>

Receivables are stated after a specific provision for doubtful debts:

Provision for bad debts

	€	€
Balance brought forward	2,227	3,191
Movement	-	(964)
Balance carried forward	<u>€ 2,227</u>	<u>€ 2,227</u>

Receivables are analysed as follows:

Within credit limit	10,546	4,775
Exceeded credit period but not impaired	21,581	47,914
	<u>€ 32,127</u>	<u>€ 52,689</u>

13. Cash and Equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the Local Council Statement of Financial Position:

	2021	2020
	€	€
Cash at Bank	1,257,420	1,424,670
Measure 313, 312, 125 and 413.4 funds	16,553	16,558
Cash in hand	3	3
	<u>€ 1,273,976</u>	<u>€ 1,441,231</u>

	2021	2020
	€	€
14. Deferred income		
Balance brought forward	555,394	552,462
Increased during the year	18,799	38,000
	<u>574,193</u>	<u>590,462</u>
Released during the year	260,025	35,068
Balance carried forward	<u>€ 314,168</u>	<u>€ 555,394</u>

QALA LOCAL COUNCIL

**Notes to the financial statement
for the year ended 31 December 2021**

14. Deferred income (cont.)

	2021	2020
<i>Current deferred income</i>	€ 314,168	€ 555,394

15. Payables and accruals

	2021	2020
	€	€
Accounts payable	45,867	128,246
Accruals and other payables	98,347	67,894
Deferred income (current portion)	314,168	555,394
	<u>€ 458,382</u>	<u>€ 751,534</u>

16. Capital Commitments

	2021	2020
	€	€
<i>(i) Details of capital commitments are as follows:</i>		
Approved but not yet contracted for (ii)	369,809	331,723
Contracted for but not provided in Financial Statements (iii)	-	223,914
	<u>369,809</u>	<u>331,723</u>
<i>(ii) Approved but not yet contracted for:</i>		
Surfacing of part of Pjazza San Guzepp and Triq it-28 ta' April 1688	245,140	245,140
Refurbishing of playing field	37,500	37,500
Commercial vehicle	36,000	36,000
Supple of trees	-	13,083
Urban squares - Triq is-Salib/Triq il-Kuncizzjoni	11,931	-
Paving and embellishment of part of Triq il-Kuncizzjoni	39,238	-
	<u>€ 369,809</u>	<u>€ 331,723</u>

(iii) Contracted for but not provided in Financial Statements:

	2021	2020
	€	€
Water culvert and asphalt works - Triq il-Kuncizzjoni,	-	223,914
	<u>€ -</u>	<u>€ 223,914</u>

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2021

17. Contingent liabilities

- i) Euro 15,392 being amount claimed by Mr Peter Paul Said which the Council did not recognise, is not accounted for.
- ii) Euro 11,687 being amount claimed by Perit Godwin Sultana which the Council did not recognise, is not accounted for.

18. Financial instruments

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

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

Credit risk

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

<i>Class of financial assets - carrying amounts</i>	2021 €	2020 €
Trade and other receivables	32,127	52,689
Cash and Cash Equivalents	1,273,976	1,441,231
	<u>€ 1,306,103</u>	<u>€ 1,493,920</u>

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

The Council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See note 12 for further information on impairments or financial assets that are past due.

None of the Council's financial assets are secured by collateral or other credit enhancements

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2021

18. Financial instruments (cont.)

Liquidity risk

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

The Council manage its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis.

	2021	2020
	€	€
Payables	458,382	751,534

Other risks

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

19. Related party transactions

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Councils	Significant control
Gozo Regional Committee	Joint Control
Central Regional Committee	No Control
Regional Committees	No Control
Water Services Corporation	No Control
Enemalta Corporation	No Control
Wasteserv Malta Limited	No Control
Malta Environment and Planning Authority	No Control
Department of Lands	No Control
Director General - Works Division	No Control
Police General Headquarters	No Control
Office of the Prime Minister	No Control

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2021

19. Related party transactions (cont.)

<i>Name of Entity</i>	<i>Nature of relationship</i>
Office of the Prime Minister	No Control
Office of the Commissioner for Data Protection	No Control
Association of Local Councils' Secretaries	No Control
Ministry for Resources and Rural Affairs	No Control

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

	2021	2020
Income		
Annual financial allocation	€ 354,074	€ 344,044

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

The Council also receives revenue from other Government entities such as Water Services Corporation for trenching works carried out in the locality, and for the reinstatement of roads as a result of the trenching works.

Key management compensation

Transactions with key management personnel are disclosed in note 6.

20. Fair value 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.