

ZEJTUN LOCAL COUNCIL

Report and Financial Statements

for the year ended 31 December 2021

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ZEJTUN LOCAL COUNCIL

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ZEJTUN LOCAL COUNCIL


Financial Statements for the year ended 31 December 2021

Statement of Council Members' and Executive Secretary's Responsibilities

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

This entails, inter alia, responsibility for ensuring that an appropriate system of internal control is in operation to provide them with reasonable assurance that the assets of the Council are properly safeguarded, that fraud and other irregularities will be detected and that the operations of the Council are properly conducted in accordance with the Local Councils Act, 1993, the Local Council (Financial) Regulations, 1993, and the policies, systems and time scales referred to in the Local Council (Financial) Procedures, 1996.

This statement was approved by the Council on 2 August 2022 and signed on its behalf by:


Abela Maria Dolores
Mayor


Anton Falzon
Executive Secretary

ZEJTUN LOCAL COUNCIL

Statement of Income	Notes	Year ended 31 December	
		2021 €	2020 €
Revenue			
Funds received from Central Government	5	1,057,805	1,034,377
Income raised under Council Bye-Laws	6	45,253	37,115
Income from Law Enforcement System	7	10,186	5,579
General Income	8	79,933	102,149
Total Income		<u>1,193,177</u>	<u>1,179,220</u>
Expenditure			
Personal emoluments	9	(214,063)	(177,606)
Operations and maintenance	10	(459,666)	(435,603)
Administrative and other expenditure	11	(420,195)	(474,532)
Total Expenditure		<u>(1,093,924)</u>	<u>(1,087,741)</u>
Operating surplus for the year		99,253	91,479
Finance income	12	-	25
Finance income - net		-	25
Surplus for the year		<u>99,253</u>	<u>91,504</u>

The notes on pages 7 to 37 form an integral part of these financial statements.

ZEJTUN LOCAL COUNCIL

STATEMENT OF FINANCIAL POSITION

		<u>As at 31 December</u>	
	Notes	2021	2020
		€	€
Assets			
Non-current assets			
Property, plant and equipment	13	1,604,537	1,725,626
Total non-current assets		<u>1,604,537</u>	<u>1,725,626</u>
Current assets			
Receivables	14	70,974	124,089
Cash and cash equivalents	15	1,644,714	1,462,536
Total current assets		<u>1,715,688</u>	<u>1,586,625</u>
Total assets		<u><u>3,320,225</u></u>	<u><u>3,312,251</u></u>

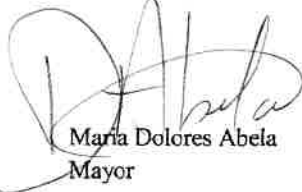
The notes on pages 7 to 37 form an integral part of these financial statements.

ZEJTUN LOCAL COUNCIL

STATEMENT OF FINANCIAL POSITION

		<u>As at 31 December</u>	
	Notes	2021	2020
		€	€
Reserves and liabilities			
Reserves			
Retained Earnings		2,999,150	2,899,897
Total Equity		<u>2,999,150</u>	<u>2,899,897</u>
Liabilities			
Non-current liabilities			
Financial liabilities	16	57,615	67,218
Total non-current liabilities		<u>57,615</u>	<u>67,218</u>
Current liabilities			
Payables	17	263,460	345,136
Total current liabilities		<u>263,460</u>	<u>345,136</u>
Total liabilities		<u>321,075</u>	<u>412,354</u>
Total reserves and liabilities		<u>3,320,225</u>	<u>3,312,251</u>

The financial statements were approved by the Council on 2 August 2022 and signed on its behalf by:


Maria Dolores Abela
Mayor


Anton Falzon
Executive Secretary

The notes on pages 7 to 37 form an integral part of these financial statements.

ZEJTUN LOCAL COUNCIL

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

	Retained Earnings €	Total €
Balance as at 1 January 2020	2,808,393	2,808,393
Total Surplus for the year	<u>91,504</u>	<u>91,504</u>
Balance as at 31 December 2020	<u>2,899,897</u>	<u>2,899,897</u>
Balance as at 1 January 2021	2,899,897	2,899,897
Total Surplus for the year	<u>99,253</u>	<u>99,253</u>
Balance as at 31 December 2021	<u>2,999,150</u>	<u>2,999,150</u>

The notes on pages 7 to 37 form an integral part of these financial statements.

ZEJTUN LOCAL COUNCIL

Statement of Cash Flows

for the year ended 31 December 2021

	Note	2021 €	2020 €
Cash generated from operating activities	23	306,565	328,876
Net cash generated from operating activities		<u>306,565</u>	<u>328,876</u>
Cash flows from investing activities			
Additions to property, plant and equipment		(180,763)	(275,672)
Interest received		-	25
Net cash used in investing activities		<u>(180,763)</u>	<u>(275,647)</u>
Cash flows from financing activities			
Grants received		56,376	73,072
Net cash generated from financing activities		<u>56,376</u>	<u>73,072</u>
Net increase in cash and cash equivalents		182,178	126,301
Cash and cash equivalents at beginning of year		1,462,536	1,336,235
Cash and equivalents at end of year	15	<u>1,644,714</u>	<u>1,462,536</u>

The notes on pages 7 to 37 form an integral part of these financial statements.

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2021

1. General Information

The Zejtun Local Council is a local authority of Malta set up in accordance with the Local Councils Act. The office of the Local Council is situated at 28, Triq Sant' Anglu, Zejtun. These financial statements were approved for issue by the Council Member on the 2 August 2022. The Local Council's presentation as well as functional currency are denominated in Euro (€). Its ultimate controlling party is the Department for Local Government within the Office of the Prime Minister.

2. Summary of the Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. A change in the depreciation from Reducing balance method to Straight line method has been effected according to the instructions in the DLG Directive 1/2017.

2.1 Basis of preparation

These financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap 363), the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996

The financial statements of the Zejtun Local Council have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) applicable to entities/companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Local Council's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2021

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2. 1.1 Changes in accounting policy and disclosures

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the company

At the date of authorisation of these financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards, amendments or Interpretations have been adopted early by the council.

The council anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. No new Standards, amendments and Interpretations are expected to have a material impact on the council's financial statements.

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2021

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IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The main areas of expected impact are as follows:

- o the classification and measurement of financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed
- o an expected credit loss-based impairment will need to be recognised on trade receivables

- o The new requirements in relation to financial liabilities address the problem of volatility in profit or loss arising from an issuer to measure its own debt at fair value. With the new requirements, any entity choosing to measure the liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within the profit or loss.

This standard is applicable for annual periods beginning on or after 1 January 2018. Amendments made to IAS 1 Presentation of Financial Statements following the release of IFRS 9 Financial Instruments now require the separate presentation of the following line items in the statement of profit or loss:

- (a) interest revenue calculated using the effective interest rate method, separately from other revenue
- (b) gains and losses from the derecognition of financial assets measured at amortised cost
- (c) impairment losses determined in accordance with section 5.5 of IFRS 9, including reversals of impairment losses or impairment gains
- (d) gains and losses recognised as a result of a reclassification of financial assets from measurement at amortised cost to fair value through profit or loss

Comparatives in first year after adoption of IFRS 9 Financial Instruments As a general rule, entities must provide comparative information in respect of the preceding period for all amounts reported in the current period's financial statements.

Impairment of financial assets: While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

In line with the Directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting policy, and according to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, it has been accounted for retrospectively.

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2021

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IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019. No impact was identified as the leased assets as the identified value was immaterial.

2.2 Functional and presentation currency

Items included in the financial statements of the Local Council Zejtun are measured using the currency of the primary economic environment in which the Council operates ('the functional currency'). The financial statements are presented in euro (€), which is the Council's presentation currency which is also the functional currency.

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2021

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2.3 Property, plant and equipment

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and grants received for specific projects. Depreciation is calculated on a monthly basis using the straight line balance method at rates estimated to write down the cost of all tangible fixed assets, other than land and trees over their expected useful lives as follows:

	Rates in %
Buildings	1.0 - 1.28
Office Furniture & Fittings	7.5 - 100.0
Construction Works	10.0 - 46.15
New Street Signs	Replacement
Urban Improvements (Street Furniture)	10.0 - 100.0
Special Programmes (Projects)	10.0 - 100.0
Office Equipment	20.0 - 100.0
Motor Vehicles	20.0
Plant and Machinery	20.0 - 100.0
Computer Equipment	25.0 - 100.0
Trees	0
Litter Bins	Replacement
Playground Equipment	100.0
Street Lighting	100.0

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the income statement.

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2.4 Impairment of property, plant and equipment

Property, plant and equipment 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of property, plant and equipment are reviewed for possible reversal at each reporting date.

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2021

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2.5 Financial Assets

2.5.1 Classification

The Council classifies its financial assets in the following categories: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Council's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

2.6. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.7. Impairment of financial assets

Assets carried at amortised cost

The Local Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2021

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For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

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.

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2021

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2.8 General Receivables

General receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

General receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

General receivables are expected to be settled within the short-term and as such cash flows relating to such receivables are not discounted since the effect of discounting is immaterial.

Known bad debts are written off at the end of the accounting period.

2.9 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and credit bank balance as per books.

2.10 General payables

General payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. 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.

General payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

General payables are expected to be settled within the short-term and as such cash flows relating to such payables are not discounted since the effect of discounting is immaterial.

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2021

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2. 11 Borrowing costs

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

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. 12 Financial instruments

Subsequent to initial recognition, the liability component of a financial instrument is measured at amortised cost using the effective interest method.

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

2. 13 Provisions

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2021

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2.14 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for Central Government allocation in terms of section 55 of the Local Councils Act, 1993, goods supplied services provided and other Central Government Grants. The Local Council Zejtun recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Council's activities, as described below. The Local Council Zejtun bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Central Government allocation in terms of section 55 of the Local Councils Act, 1993

The Council does not have control on the amount of this income stream or the timing of its actual transfer to the Council's bank accounts. The amount receivable under this heading is communicated to the Council through the Department for Local Government after the annual Central Government budget is approved by Parliament and is transferred directly to the Council's designated bank account at the beginning of each quarter. The receipt of such funds is usually net of any deductions deemed by the Department for Local Government and these deductions may include; penalties inflicted, use of the Central Government electronic infrastructure or any other cost that the Department for Local Government passes on to the Council.

The income under this heading accounts for major income stream to the Council and is primarily tied up to specific expenditure headings on which the Council is bound to allocate.

(b) Services provided

The Council derives income from permit fees issued to the general public.

The Council also derives income in the form of 10% commission on the payments of contraventions under the Local Law Enforcement system accruing to the five Regional Committees (up to the 30 September 2015) and (as from 1 October 2015) to the LESA Agency.

(c) Central Government Grants

Note 2. 15, refers to the treatment of grants that are aimed to finance the Council for the urban improvement of the locality.

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2021

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2.15 Government grants

Government grants relating to operating expenditure are recognized 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.

Up to the year ended 31st December 2017, government grants were accounted for using the income approach according to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. On 1st January 2018, the capital approach, according to IAS 20, has been adopted, in line with the Directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting policy, and according to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, it has been accounted for retrospectively.

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2021

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3. Financial Risk Management

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

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

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

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

Interest Rate risk

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

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2021

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Liquidity risk

The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and plans projects accordingly. The Council Members and Executive Secretary do not consider that it is significantly exposed to liquidity risk.

	Less than 3 month	Between 3 month and 1 year	Within 1 year	Between 1 and 2 years
	€	€	€	€
At 31 December 2021				
Payables under Private Public Partnership	-	-	-	-
General and other payables (excluding Grants deferred income)	51,610	27,572	93,396	-
	<u>51,610</u>	<u>27,572</u>	<u>93,396</u>	<u>-</u>
At 31 December 2020				
General and other payables (excluding Grants deferred income)	167,431	35,589	203,020	-
	<u>167,431</u>	<u>35,589</u>	<u>203,020</u>	<u>-</u>

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2021

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Credit risk

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

Included in the Council's receivables balance are the following debtors which are past due at the end of the reporting period net of an allowance for doubtful debts and excluding related party receivables. For balances with related parties refer note 20. The remaining amounts are still considered recoverable as these customers have not defaulted in the past. The credit period allowed by the Council to its debtors is 60 days.

	2021	2020
	€	€
30 to 60 days	24,297	27,394
61 to 90 days	11,514	10,440
+91 days	56	52,287
	<u>35,867</u>	<u>90,121</u>

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2021

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4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Council's accounting policies, which are described in note 2, the Council Members are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the Council Members have made in the process of applying the Council's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements

4.2 Useful lives of property, plant and equipment

As described at 2.3 above, the Council reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. The depreciation rates are dictated by the Local Councils Department and as such the Council is not in a position to change the useful lives of the property, plant and equipment. The review of the estimated useful lives of the property, plant and equipment is used to decide whether to write off the asset, the said asset or group of assets are no longer useful or to impair the asset as required.

5. Funds Received from Central Government	2021	2020
	€	€
In terms of section 55 of the Local Councils Act, 1993	959,657	940,103
Income from other entities	10,215	(473)
Grants released to income	24,248	33,563
Other government income	63,685	61,184
	<u>1,057,805</u>	<u>1,034,377</u>

ZEJTUN LOCAL COUNCIL

**Notes to the Financial Statements
for the year ended 31 December 2021**

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6. Income raised under Council Bye-Laws	2021	2020
	€	€
Permits related to construction	39,556	33,790
Advertising on street furniture	-	466
Trenching permits	347	558
Cultural Activities	400	-
Permits for use of skips	4,790	2,147
Permits from kiosks	160	154
	<u>45,253</u>	<u>37,115</u>

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2021

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7. Income raised under Law Enforcement System

	2021	2020
	€	€
a) LES Income from Regions	10,186	5,579
	<u>10,186</u>	<u>5,579</u>

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

The recording of income from Surplus of the LESA Committee was recognised on a cash basis.

As from September 2011 the contraventions previously accruing to the Joint Committee started accruing in favour of the 'Regjun Xlokk'.

On 1 October 2015 the contraventions previously accruing to the 'Regjun Xlokk' started accruing in favour of the LESA Regjun Xlokk.

The Council's income from the Law Enforcement System therefore reflects three revenue streams that are as follows:

- a) 10% on the contraventions income accruing to all Regional Committees up to 30 September 2015.
- b) 10% on the contraventions income accruing to all LESA Committees as from the 1st October 2015 that are settled at the Council's cash point.
- c) Receipts from the LESA Committee representing the Council's share of surplus on the Law Enforcement System accruing up to the 31 August 2011;
- d) LESA income distribution.

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2021

..... continued

8. General Income	2021	2020
	€	€
Contributions youth and sports	894	2,112
Rental income	7,005	11,707
Tribunal rent	18,690	18,145
Souvenirs	1,062	57
Other income	6,492	1,789
Document Info charges	4,025	3,444
Zejt z-Zejtun	-	7
Manucca CDCC	36,000	60,482
Contributions community activities	5,275	4,406
Educational Services	490	-
	<u>79,933</u>	<u>102,149</u>
9. Personal emoluments	2021	2020
	€	€
Personal emoluments include, inter alia:		
Mayor's Honoraria	15,270	15,027
Council Members' Allowance	22,600	22,600
Executive Secretary Salary and Allowance	32,978	37,003
Employees' Salaries	129,838	92,217
Social Security Contributions - Employer's Share	13,377	10,759
	<u>214,063</u>	<u>177,606</u>

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2021

..... continued

10. Operations and Maintenance

Operations and maintenance includes, inter alia:

	2021	2020
	€	€
Repairs and Upkeep:		
Road and Street Pavements	37,302	17,056
Street Signs	7,774	3,597
Office Furniture & Equipment	1,246	4
Other Repairs & Upkeep	5,869	1,821
Street Markings	5,474	2,577
Maintenance Council Property	5,577	8,938
	<u>63,242</u>	<u>33,993</u>
Contractual Services:		
Waste Disposal	58,574	65,331
Refuse Collection	128,796	110,602
Bulky Refuse Collection	39,150	25,729
Road & Street Cleaning	48,282	57,741
Cleaning and Maintenance of Non-Urban Roads	34,090	28,846
Clean. & Maint. - Public Conveniences	(93)	3,883
Cleaning Council Premises	5,571	5,433
Clean. & Maint. of Parks & Gardens	38,618	51,182
Street Lighting	47,865	37,001
Provision for bad debts	(4,429)	15,862
	<u>396,424</u>	<u>401,610</u>
Total Operations and Maintenance expenses	<u>459,666</u>	<u>435,603</u>

ZEJTUN LOCAL COUNCIL

**Notes to the Financial Statements
for the year ended 31 December 2021**

..... continued

11.1 Administration and Other Expenses	2021	2020
	€	€
Utilities	11,951	12,732
Operating Materials & Supplies	7,054	10,131
Cleaning Materials & Supplies	1,003	735
Uniforms	-	1,609
Upkeep of Photocopier	681	1,060
Rents	1,425	1,282
Membership - Local Organisations	-	643
Printing	6,029	1,451
Stationery	4,314	3,343
Postage	441	395
Public library services	2,757	1,520
Other Office Services	2,039	1,915
Fuel	4,156	1,788
Advertising	70	630
Insurance Coverage	4,721	5,363
Bank Charges	975	486
Other contractual service	37,054	35,920
IT Development Services	10,898	14,415
Balance carried forward to next page	<u>95,568</u>	<u>95,418</u>

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2021

..... continued

11.2 Administration and Other Expenses (cont.)	2021	2020
	€	€
Balance brought forward from previous page	95,568	95,418
Engineering Services	20,088	36,296
Accountancy Services	4,850	4,484
Professional fees	1,580	4,602
Other cost	456	24,566
Conference Expenses	-	(427)
Education	1,499	1,148
Other Hospitality Costs	2,847	2,291
Social Events: Community	6,798	839
Social Events: Youths and Sports	7,526	4,145
Social Activity: Zejt iz-Zejtun	1,200	1,832
Elderly persons with disability sub comm	-	802
Cultural Events	12,993	3,221
Community Services	2,382	-
Incidental Expenses	16,496	8,555
10% Administration fee	436	255
Depreciation Expense	245,476	286,505
	<u>420,195</u>	<u>474,532</u>
12. Finance income	2021	2020
	€	€
Bank interest	-	25
	<u>-</u>	<u>25</u>

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements
for the year ended 31 December 2021

13 Property, plant and equipment

Cost	Property €	Special Programmes €	Furniture & Fittings €	Street Signs €	Urban Improvements €	Office Equipment €	Plant & Machinery €	Trees €	Assets not yet capitalised €	Total €
At 1 January 2021	486,957	5,423,373	126,818	53,452	903,858	35,721	5,323	39,198	98,346	7,173,046
Reclassification	-	98,346	-	-	-	-	-	-	(98,346)	-
Additions	-	156,723	7,320	-	-	2,657	6,506	-	7,557	180,763
At 31 December 2021	486,957	5,678,442	134,138	53,452	903,858	38,378	11,829	39,198	7,557	7,353,809
Government Grants										
Less Government Grants as 1 Jan 2021	(50,000)	(1,392,567)	-	-	(428,306)	(2,078)	-	(4,026)	(40,276)	(1,917,253)
Reclassification	-	(40,276)	-	-	-	-	-	-	40,276	-
Less Government Grants 2021	-	(56,376)	-	-	-	-	-	-	-	-
	(50,000)	(1,489,219)			(428,306)	(2,078)		(4,026)		(56,376)
Depreciation										
At 1 January 2021	40,885	2,880,348	87,392	53,452	433,341	29,674	5,075	-	-	3,530,167
Charge for the year	3,040	228,242	6,884	-	4,517	1,999	794	-	-	245,476
	43,925	3,108,590	94,276	53,452	437,858	31,673	5,869	-	-	3,775,643
N.B.V. at 31.12.21	393,032	1,080,633	39,862	-	37,694	4,627	5,960	35,172	7,557	1,604,537
N.B.V. at 31.12.20	396,072	1,150,458	39,426	-	42,211	3,969	248	35,172	58,070	1,725,626

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements
for the year ended 31 December 2020

13 Property, plant and equipment

Cost	Property €	Special Programmes €	Furniture & Fittings €	Street Signs €	Urban Improvements €	Office Equipment €	Plant & Machinery €	Trees €	Assets not yet capitalised €	Total €
At 1 January 2020	486,957	5,214,195	125,141	53,452	871,525	35,496	5,323	39,198	66,087	6,897,374
Reclassification	-	33,754	-	-	32,333	-	-	-	(66,087)	-
Additions	-	175,424	1,677	-	-	225	-	-	98,346	275,672
At 31 December 2020	486,957	5,423,373	126,818	53,452	903,858	35,721	5,323	39,198	98,346	7,173,046

Government Grants

Less Government Grants as 1 Jan 2020
Less Government Grants 2020

(50,000)	(1,359,771)	-	-	-	(428,306)	(2,078)	-	(4,026)	-	(1,844,181)
(50,000)	(1,392,567)	-	-	-	(428,306)	(2,078)	-	(4,026)	(40,276)	(1,917,253)

Depreciation

At 1 January 2020
Charge for the year

37,591	2,662,030	79,848	53,452	396,245	28,214	5,004	-	-	-	3,262,384
3,294	218,318	7,544	-	37,096	1,460	71	-	-	-	267,783
40,885	2,880,348	87,392	53,452	433,341	29,674	5,075	-	-	-	3,530,167
396,072	1,150,458	39,426	-	42,211	3,969	248	35,172	58,070	1,725,626	

N.B.V. at 31.12.20

N.B.V. at 31.12.19

399,366	1,192,394	45,293	-	46,974	5,204	319	35,172	66,087	1,790,809	
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ZEJTUN LOCAL COUNCIL

**Notes to the Financial Statements
for the year ended 31 December 2021**

..... continued

14. Receivables		2021	2020
		€	€
Falling due within One Year			
Receivables	14. 1	5,767	6,640
Other Related Undertakings	14. 1	30,100	83,021
Grants receivable from Central Government	14. 2	33,616	33,573
Other receivables		175	175
Financial Assets		<u>69,658</u>	<u>123,409</u>
Prepayments, accrued income and deferred expenditure		1,316	680
		<u>70,974</u>	<u>124,089</u>

		2021	2020
		€	€
14. 1 Credit period analysis:			
Within credit period		24,287	27,394
Exceeded credit period but not impaired		11,580	62,267
Impaired and provided for		11,893	16,322
Provision for doubtful debts		<u>(11,893)</u>	<u>(16,322)</u>
		<u>35,867</u>	<u>89,661</u>

As at the date of the statement of financial position, the ageing analysis of the receivables is as follows:

	Total	current neither past due nor impaired	less than 30 days	Past due but not impaired		91 days and over
	€	€	€	31 to 60 days	61 to 90 days	€
At 2021	<u>35,867</u>	<u>17,017</u>	<u>7,269</u>	<u>6,541</u>	<u>4,983</u>	<u>57</u>
At 2020	<u>89,661</u>	<u>20,263</u>	<u>7,131</u>	<u>4,988</u>	<u>5,452</u>	<u>51,827</u>

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2021

..... continued

	2021 €	2020 €
14.2 Government Grants:		
Balance at the beginning of the year	33,573	33,474
Increase	3,957	28,989
Received	(3,914)	(28,890)
Forgone	-	-
	<u>33,616</u>	<u>33,573</u>
Amount receivable within one year	<u>14,775</u>	<u>10,780</u>
Amount receivable between one and two years	<u>18,841</u>	<u>22,793</u>

15. Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents in the statement of cash flows comprise the following amounts in the Council's Statement of Financial Position.

	2021 €	2020 €
Cash in hand	3,650	2,268
Bank balances: Savings accounts	1,641,064	1,460,268
	<u>1,644,714</u>	<u>1,462,536</u>

ZEJTUN LOCAL COUNCIL

**Notes to the Financial Statements
for the year ended 31 December 2021**

..... continued

16. Amounts payable under the PPP agreement	2021	2020
	€	€
	<i>Note</i>	
Non-Current		
Ministry for Transport, Infrastructure and Capital Projects	57,615	67,218
Current		
Public Private Partnership (PPP) Agreement & Penalty	17 9,603	9,603
Total Amount payable under the PPP Agreement & Penalty	<u>67,218</u>	<u>76,821</u>
Amount payable within one years	9,603	9,603
Amount payable between two and five years	57,615	67,218
	<u>67,218</u>	<u>76,821</u>
17. Payables	2021	2020
	€	€
Falling due within One Year		
Bank account - un-presented cheques	-	39,503
General payables	3,693	74,787
Amounts owed to related parties	57,520	92,644
Advanced payment	15,605	1,648
Accruals and deferred income	115,630	65,222
Other Payables	71,012	71,332
	<u>263,460</u>	<u>345,136</u>

The amount payable under the Public Private Partnership (PPP) will be 50% paid out of Central Government Funds and 50% out of the Council's general funds, in line with the PPP agreement reached between the Central Government and the Council.

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2021

..... continued

18. Financial Instruments

The Council manages its liquidity to ensure that it will be able to continue as going concerns while maximising the return through the optimisation of the debt and equity balance. The Council's overall strategy remains unchanged from 2020.

18.1 Categories of financial instruments	2021	2020
	€	€
<i>Financial Assets</i>		
<i>Current Assets</i>		
Grants Receivable	33,615	33,573
Receivables	35,867	89,661
Cash and cash equivalents	1,644,715	1,462,536
	<u>1,714,197</u>	<u>1,585,770</u>
<i>Financial Liabilities</i>		
Financial liabilities restated at amortised cost		
<i>Non-Current Liabilities</i>		
Payables under PPP agreement & Penalty	<u>57,615</u>	<u>67,218</u>
<i>Current Liabilities</i>		
Payables under PPP agreement	-	-
General Payables	51,610	167,431
Accruals	27,572	35,599
Bank Balance	-	39,503
	<u>79,182</u>	<u>242,533</u>

ZEJTUN LOCAL COUNCIL

**Notes to the Financial Statements
for the year ended 31 December 2021**

..... continued

19. Capital commitments

	2021	2020
	€	€
Details of capital commitments at the accounting date are as follows:		
(i) Approved but not yet contracted for:	200,882	243,479
	<u>200,882</u>	<u>243,479</u>
These can be analysed further as follows:		
(i) Approved but not yet contracted for:		
Special Programmes	126,722	220,000
- LESA Funding	74,160	13,479
- Machinery and equipment	-	10,000
	<u>200,882</u>	<u>243,479</u>
(ii) Contracted for but not provided in the financial statements:		
- Construction & Road Resurfacing	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

The works on the Road Resurfacing projects will be conducted under Public Private Partnership agreements.

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2021

..... continued

20. Related party transactions

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

The ultimate controlling party of the Local Council Zejtun is the Local Councils Department within the Office of the Prime Minister.

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

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

Name of Entity:	Nature of Relationship
Department of Local Government	Significant Control
Regional Committee - Local Law Enforcement	Joint Control
Bank of Valletta	No Control
Cleansing Services Department	No Control
Enemalta Corporation	No Control
Law Courts of Malta	No Control
Local Councils Association	No Control
Local Councils, other than Local Council Zejtun	No Control
Police Commissioner	No Control
Malta Environment & Planning Authority	No Control
Malta Tourism Authority	No Control
MITTS	No Control
Public Broadcasting Services Ltd	No Control
Water Services Corporation	No Control
Wasteserv Malta Limited	No Control
Works Division - Director General Works	No Control
Commissioner for Data Protection	No Control
Director of Information	No Control
University of Malta	No Control
Commissioner for Lands	No Control
Department of Agriculture	No Control
South Regional Committee	No Control
Gozo Regional Committee	No Control
North Regional Committee	No Control

ZEJTUN LOCAL COUNCIL

**Notes to the Financial Statements
for the year ended 31 December 2021**

..... continued

South East Regional Committee	Joint Control
Central Regional Committee	No Control
Arms Limited	No Control
Commissioner of Inland Revenue	No Control

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

	2021	2020
	€	€
Cash Transactions:		
Income - Annual Financial Allocation	959,657	940,103
Income - Share of Results of Joint Committee	-	-
Purchases of goods and services	-	-
Commissions receivable from Regional Committees	<u>10,186</u>	<u>5,579</u>

	2021	2020
	€	€
Non-Cash Transactions:		
Government Grants Released	<u>24,248</u>	<u>33,563</u>

Year-end balances arising from related party transactions	2021	2020
	€	€
Central Government Grants	33,615	33,573
Receivables from related parties	<u>30,100</u>	<u>83,021</u>

The receivables from related parties arise mainly from the annual financial allocation by Central Government, Grants receivable and income arising from delegation of responsibilities. The receivables are unsecured in nature and bear no interest. Provisions amounting to € 460 are held against receivables from related parties (31 December 2020 - € 460).

	2021	2020
	€	€
Payables to related parties	<u>65,012</u>	<u>92,644</u>

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2021

..... continued

The payables to related parties arise mainly from purchases of goods and services and are mainly due 1 month after the date of purchase. The payables bear no interest.

21. Post Balance Sheet events

There were no particular important events affecting the Council which occurred since the end of the accounting period.

22. Fair Value Estimation

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

23. Cash generated from operations	2021	2020
	€	€
Surplus for the year	99,253	91,504
Adjustments for:		
Depreciation	245,476	267,783
Provision for doubtful debts	(11,433)	(15,861)
Investment income	-	(25)
Movements in working capital:		
Receivables	64,549	33,170
Payables	(91,279)	(47,695)
Cash generated by operations	306,565	328,876

ZEJTUN LOCAL COUNCIL

**REPORT OF THE LOCAL GOVERNMENT AUDITORS ON THE ZEJTUN LOCAL COUNCIL TO
THE DIRECTOR OF AUDIT**

Report of the Local Government Auditor

To the Auditor General

Report on the audit of the financial statements

Qualified opinion

We have audited the financial statements of Zejtun Local Council set out on pages 2 to 37 which comprise the statement of financial position as at 31 December 2021, and the statement of 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, except for the effects of the matter described in the Basis for qualified opinion section of our report, 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 the ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Basis for qualified opinion

Up to 31 August 2011, all income and expenditure from the Local Enforcement System (LES) were centralised through the Zejtun Joint Committee of which Zejtun Local Council took part. The most recent audited financial statements of the Joint Committee that were made available to us are those for the year ended 31 December 2014. Those financial statements show that the Committee had accumulated reserves amounting to € 840,665. Due to the uncertainty as to whether the Council will receive further amounts from the Committee, the Council has not recognised any receivable from the Committee. In the absence of more recent audited financial statements, we are unable to determine whether the Council is entitled to receive further income from the Joint Committee.

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 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 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

Fort Business Centre
Triq l-Intornjatur, Zone 1
Central Business District
Birkirkara CBD 1050
Malta

2 August 2022