

ZEJTUN LOCAL COUNCIL

Report and Financial Statements

for the year ended 31 December 2022

*Prepared by:
Edania Limited.
Vista App No 2A
Bellavista Road
San Gwann*

ZEJTUN LOCAL COUNCIL

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ZEJTUN LOCAL COUNCIL

Financial Statements for the year ended 31 December 2022

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 22 May 2023 and signed on its behalf by:



Abela Maria Dolores
Mayor



Anton Falzon
Executive Secretary

ZEJTUN LOCAL COUNCIL

Statement of Income

Year ended 31 December

	Notes	2022 €	2021 €
Revenue			
Funds received from Central Government	5	1,108,754	1,057,805
Income raised under Council Bye-Laws	6	40,615	45,253
Income from Law Enforcement System	7	8,115	10,186
General Income	8	89,086	79,933
Total Income		<u>1,246,570</u>	<u>1,193,177</u>
Expenditure			
Personal emoluments	9	(263,282)	(214,063)
Operations and maintenance	10	(482,798)	(459,666)
Administrative and other expenditure	11	(457,028)	(420,195)
Total Expenditure		<u>(1,203,108)</u>	<u>(1,093,924)</u>
Operating surplus for the year		43,462	99,253
Finance income	12	151	-
Finance income - net		<u>151</u>	<u>-</u>
Surplus for the year		<u>43,613</u>	<u>99,253</u>

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

ZEJTUN LOCAL COUNCIL

STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Notes	2022	2021
		€	€
Assets			
Non-current assets			
Property, plant and equipment	13	1,628,480	1,604,537
Total non-current assets		<u>1,628,480</u>	<u>1,604,537</u>
Current assets			
Receivables	14	95,393	70,974
Cash and cash equivalents	15	1,954,028	1,644,714
Total current assets		<u>2,049,421</u>	<u>1,715,688</u>
Total assets		<u><u>3,677,901</u></u>	<u><u>3,320,225</u></u>

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

ZEJTUN LOCAL COUNCIL

STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Notes	2022	2021
		€	€
Reserves and liabilities			
Reserves			
Retained Earnings		3,042,762	2,999,150
Total Equity		<u>3,042,762</u>	<u>2,999,150</u>
Liabilities			
Non-current liabilities			
Financial liabilities	16	48,012	57,615
Total non-current liabilities		<u>48,012</u>	<u>57,615</u>
Current liabilities			
Payables	17	587,127	263,460
Total current liabilities		<u>587,127</u>	<u>263,460</u>
Total liabilities		<u>635,139</u>	<u>321,075</u>
Total reserves and liabilities		<u><u>3,677,901</u></u>	<u><u>3,320,225</u></u>

The financial statements were approved by the Council on 22 May 2023 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 2022

	Retained Earnings €	Total €
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>
Balance as at 1 January 2022	2,999,150	2,999,149
Total Surplus for the year	<u>43,613</u>	<u>43,613</u>
Balance as at 31 December 2022	<u>3,042,762</u>	<u>3,042,762</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 2022

	Note	2022 €	2021 €
Cash generated from operating activities	23	573,667	306,565
Net cash generated from operating activities		<u>573,667</u>	<u>306,565</u>
Cash flows from investing activities			
Additions to property, plant and equipment		(273,003)	(180,763)
Interest received		151	-
Net cash used in investing activities		<u>(272,852)</u>	<u>(180,763)</u>
Cash flows from financing activities			
Grants received		8,499	56,376
Net cash generated from financing activities		<u>8,499</u>	<u>56,376</u>
Net increase in cash and cash equivalents		309,314	182,178
Cash and cash equivalents at beginning of year		1,644,714	1,462,536
Cash and equivalents at end of year	15	<u>1,954,028</u>	<u>1,644,714</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 2022

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 22 May 2023. 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 2022

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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 2022

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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 2022

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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 2022

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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 2022

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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 2022

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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 2022

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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 2022

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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 2022

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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 Governemtn 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 infrastacture 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 expediture 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 2022

..... continued

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 2022

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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 evidence of a reduction in the recoverability of the cash flows. Known bad debts are therefore maintained to the lowest possible, thereby lowering as much as possible the concentration of credit risk.

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 2022

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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 2022				
Payables under Private Public Partnership	-	-	-	-
General and other payables (excluding Grants deferred income)	141,772	60,478	202,250	-
	<u>141,772</u>	<u>60,478</u>	<u>202,250</u>	<u>-</u>
At 31 December 2021				
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>

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

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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.

	2022	2021
	€	€
30 to 60 days	26,822	24,297
61 to 90 days	10,921	11,514
+91 days	1,392	56
	<u>39,135</u>	<u>35,867</u>

ZEJTUN LOCAL COUNCIL

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

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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	2022	2021
	€	€
In terms of section 55 of the Local Councils Act, 1993	979,352	959,657
Income from other entities	-	10,215
Grants released to income	66,323	24,248
Other government income	63,079	63,685
	<u>1,108,754</u>	<u>1,057,805</u>

ZEJTUN LOCAL COUNCIL

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

..... continued

6. Income raised under Council Bye-Laws	2022	2021
	€	€
Permits related to construction	31,676	39,556
Trenching permits	71	347
Cultural Activities	-	400
Permits for use of skips	1,283	4,790
Permits from kiosks	7,585	160
	<u>40,615</u>	<u>45,253</u>

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

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7. Income raised under Law Enforcement System

	2022	2021
	€	€
a) LES Income from Regions	8,115	10,186
	<u>8,115</u>	<u>10,186</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 2022

..... continued

8. General Income	2022	2021
	€	€
Contributions youth and sports	430	894
Rental income	16,441	7,005
Tribunal rent	19,250	18,690
Souvenirs	694	1,062
Other income	4,269	6,492
Document Info charges	-	4,025
Manucca CDCC	36,000	36,000
Contributions community activites	9,217	5,275
Educational Services	2,785	490
	<u>89,086</u>	<u>79,933</u>

9. Personal emoluments	2022	2021
	€	€

Personal emoluments include, inter alia:

Mayor's Honoraria	15,518	15,270
Council Members' Allowance	22,600	22,600
Executive Secretary Salary and Allowance	43,694	32,978
Employees' Salaries	165,349	129,838
Social Security Contributions - Employer's Share	16,121	13,377
	<u>263,282</u>	<u>214,063</u>

ZEJTUN LOCAL COUNCIL

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

..... continued

10. Operations and Maintenance

Operations and maintenance includes, inter alia:

	2022	2021
	€	€
Repairs and Upkeep:		
Public Property	7,021	-
Road and Street Pavements	46,680	37,302
Street Signs	10,439	7,774
Office Furniture & Equipment	1,792	1,246
Maintenance of Plant & Equipment	1,005	-
Other Repairs & Upkeep	2,134	5,869
Street Markings	9,294	5,474
Maintenance Council Property	2,867	5,577
	<u>81,232</u>	<u>63,242</u>
Contractual Services:		
Waste Disposal	59,468	58,574
Refuse Collection	120,838	128,796
Bulky Refuse Collection	43,938	39,150
Road & Street Cleaning	72,371	48,282
Cleaning and Maintenance of Non-Urban Roads	36,978	34,090
Clean. & Maint. - Public Conveniences	1,156	(93)
Cleaning Council Premises	5,821	5,571
Clean. & Maint. of Parks & Gardens	27,934	38,618
Street Lighting	34,131	47,865
Provision for bad debts	(1,069)	(4,429)
	<u>401,566</u>	<u>396,424</u>
Total Operations and Maintenance expenses	<u>482,798</u>	<u>459,666</u>

ZEJTUN LOCAL COUNCIL

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

..... continued

11.1 Administration and Other Expenses	2022	2021
	€	€
Utilities	14,431	11,951
Operating Materials & Supplies	6,552	7,054
Cleaning Materials & Supplies	1,090	1,003
Uniforms	1,222	-
Upkeep of Photocopier	774	681
Rents	4,534	1,425
Printing	2,012	6,029
Stationery	3,889	4,314
Postage	538	441
Public library services	3,198	2,757
Other Office Services	1,812	2,039
Fuel	4,085	4,156
Advertising	210	70
Insurance Coverage	5,091	4,721
Bank Charges	1,394	975
Other contractual service	8,040	37,054
IT Development Services	4,822	10,898
Balance carried forward to next page	<u>63,694</u>	<u>95,568</u>

ZEJTUN LOCAL COUNCIL

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

..... continued

11.2 Administration and Other Expenses (cont.)	2022	2021
	€	€
Balance brought forward from previous page	63,694	95,568
Engineering Services	17,364	20,088
Accountancy Services	4,885	4,850
Professional fees	-	1,580
Other cost	4,661	456
Education	2,434	1,499
Other Hospitality Costs	621	2,847
Social Events: Community	9,799	6,798
Social Events: Youths and Sports	6,325	7,526
Social Activity: Zejt iz-Zejtun	43,747	1,200
Social Activity: Christmas Project	30,780	-
Cultural Events	6,490	12,993
Community Services	1,058	2,382
Incidental Expenses	15,315	16,496
Local Enforcement	272	-
10% Administration fee	521	436
Depreciation Expense	249,062	245,477
	<u>457,028</u>	<u>420,196</u>
12. Finance income	2022	2021
	€	€
Bank interest	151	-
	<u>151</u>	<u>-</u>

ZEJTUN LOCAL COUNCIL

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

..... continued

13. Property, plant and equipment

Cost	Property €	Special Prog. €	Furniture & Fittings €	New Street Signs €	Urban Improve. €	Office Equip. €	Plant and machinery €	Trees €	Assets		Total €
									Capitalised €	Not yet Capitalised €	
At 1 January 2022	436,957	4,349,817	134,138	53,452	443,217	36,300	11,829	35,172	-	-	5,500,882
Reclassifications	-	191,943	-	-	-	-	-	-	-	-	191,943
Additions	-	91,769	-	-	-	817	10,238	-	-	-	102,824
At 31 December 2022	436,957	4,633,529	134,138	53,452	443,217	37,117	22,067	35,172	-	-	5,795,649
Government Grants											
At 1 January 2022 & 31 December 2022	-	-	-	-	-	-	-	-	32,331	-	32,331
Depreciation											
At 1 January 2022	43,927	3,140,920	94,274	53,452	405,529	31,675	5,868	-	-	-	3,775,645
Current charge	3,294	229,371	7,787	-	4,766	1,990	1,855	-	-	-	249,063
At 31 December 2022	47,221	3,370,291	102,061	53,452	410,295	33,665	7,723	-	-	-	4,024,708
N.B.V. at 31 December 2022	389,736	1,263,238	32,077	-	32,922	3,452	14,344	35,172	32,331	-	1,738,610

ZEJTUN LOCAL COUNCIL

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

..... continued

13. Property, plant and equipment

Cost	Property €	Special Prog. €	Furniture & Fittings €	New Street Signs €	Urban Improve. €	Office Equip. €	Plant and machinery €	Trees €	Assets		Total €
									Capitalised €	Not yet Capitalised €	
At 1 January 2021	436,957	4,123,005	126,818	53,452	443,219	33,643	5,323	35,172	35,975	5,293,564	
Additions	-	226,812	7,320	-	-	2,657	6,506	-	-	243,295	
At 31 December 2021	436,957	4,349,817	134,138	53,452	443,219	36,300	11,829	35,172	35,975	5,536,859	
Government Grants											
At 1 January 2021 & 31 December 2021	-	-	-	-	-	-	-	-	-	-	
Depreciation											
At 1 January 2021	40,886	2,912,678	87,391	53,452	401,011	29,675	5,074	-	-	3,530,167	
Reclassifications	(2,114)	(178,825)	-	-	(115,079)	(1,014)	-	-	-	297,032	
Current charge	3,041	228,242	6,883	-	4,518	2,000	794	-	-	245,478	
At 31 December 2021	41,813	3,062,095	94,274	53,452	383,838	26,440	5,868	-	-	4,072,677	
N.B.V. at 31 December 2021	405,446	1,029,039	39,864	-	59,379	9,860	5,961	35,172	35,975	1,762,682	

ZEJTUN LOCAL COUNCIL

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

..... continued

14. Receivables		2022	2021
		€	€
Falling due within One Year			
Receivables	14. 1	7,190	5,767
Other Related Undertakings	14. 1	31,944	30,100
Grants receivable from Central Government	14. 2	53,685	33,616
Other receivables		-	175
Financial Assets		92,819	69,658
Prepayments, accrued income and deferred expenditure		2,574	1,316
		<u>95,393</u>	<u>70,974</u>
		2022	2021
		€	€
14. 1 Credit period analysis:			
Within credit period		32,557	24,287
Exceeded credit period but not impaired		6,577	11,580
Impaired and provided for		10,824	11,893
Provision for doubtful debts		<u>(10,824)</u>	<u>(11,893)</u>
		<u>39,134</u>	<u>35,867</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 2022	<u>39,135</u>	<u>21,401</u>	<u>5,418</u>	<u>5,738</u>	<u>5,183</u>	<u>1,395</u>
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>

ZEJTUN LOCAL COUNCIL

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

..... continued

	2022	2021
	€	€
14.2 Government Grants:		
Balance at the beginning of the year	33,615	33,573
Increase	24,023	3,956
Received	(8,541)	(3,914)
Forgone	4,585	-
	<u>53,682</u>	<u>33,615</u>
Amount receivable within one year	<u>24,023</u>	<u>14,775</u>
Amount receivable between one and two years	<u>29,659</u>	<u>18,840</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.

	2022	2021
	€	€
Cash in hand	2,535	3,650
Bank balances: Savings accounts	1,951,493	1,641,064
	<u>1,954,028</u>	<u>1,644,714</u>

ZEJTUN LOCAL COUNCIL

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

..... continued

16. Amounts payable under the PPP agreement	2022	2021
	€	€
	<i>Note</i>	
Non-Current		
Ministry for Transport, Infrastructure and Capital Projects	48,012	57,615
Current		
Public Private Partnership (PPP) Agreement & Penalty	9,603	9,603
Total Amount payable under the PPP Agreement & Penalty	<u>57,615</u>	<u>67,218</u>
Amount payable within one years	9,603	9,603
Amount payable between two and five years	48,012	57,615
	<u>57,615</u>	<u>67,218</u>
17. Payables	2022	2021
	€	€
Falling due within One Year		
Bank account - unrepresented cheques	49,389	-
General payables	145,651	3,693
Amounts owed to related parties	60,542	57,520
Advanced payment	210,323	15,605
Accruals and deferred income	61,690	115,630
Other Payables	59,532	71,012
	<u>587,127</u>	<u>263,460</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 2022

..... 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 2021.

18.1 Categories of financial instruments	2022	2021
	€	€
<i>Financial Assets</i>		
<u><i>Current Assets</i></u>		
Grants Receivable	53,684	33,615
Receivables	41,709	35,867
Cash and cash equivalents	1,954,028	1,644,715
	<u>2,049,421</u>	<u>1,714,197</u>
<u><i>Financial Liabilities</i></u>		
Financial liabilities restated at amortised cost		
<u><i>Non-Current Liabilities</i></u>		
Payables under PPP agreement & Penalty	<u>48,012</u>	<u>57,615</u>
<u><i>Current Liabilities</i></u>		
Payables under PPP agreement	48,012	-
General Payables	145,651	51,610
Accruals	61,690	27,572
Bank Balance	49,389	-
	<u>304,742</u>	<u>79,182</u>

ZEJTUN LOCAL COUNCIL

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

..... continued

19. Capital commitments

	2022	2021
	€	€
Details of capital commitments at the accounting date are as follows:		
(i) Approved but not yet contracted for:	763,668	200,872
	<u>763,668</u>	<u>200,872</u>
These can be analysed further as follows:		
(i) Approved but not yet contracted for:		
Special Programmes	628,000	126,722
- LESA Funding	86,580	74,150
- EMW Funding	49,088	-
	<u>763,668</u>	<u>200,872</u>
(ii) Contracted for but not provided in the financial statements:		
- Construction & Road Resurfacing	-	-
	<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 2022

..... 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 2022

..... 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:

	2022	2021
	€	€
Cash Transactions:		
Income - Annual Financial Allocation	979,352	959,657
Income - Share of Results of Joint Committee	-	-
Purchases of goods and services	-	-
Commissions receivable from Regional Committees	<u>8,115</u>	<u>10,186</u>

	2022	2021
	€	€
Non-Cash Transactions:		
Government Grants Released	<u>66,323</u>	<u>24,248</u>

Year-end balances arising from related party transactions	2022	2021
	€	€
Central Government Grants	53,684	33,615
Receivables from related parties	<u>31,944</u>	<u>30,100</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 2021 - € 460).

	2022	2021
	€	€
Payables to related parties	<u>60,542</u>	<u>65,012</u>

ZEJTUN LOCAL COUNCIL

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

..... 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	2022	2021
	€	€
Surplus for the year	43,613	99,253
Adjustments for:		
Depreciation	249,063	245,476
Provision for doubtful debts	5,410	(11,433)
Investment income	151	-
Movements in working capital:		
Receivables	(24,419)	64,549
Payables	323,049	(91,279)
Cash generated by operations	573,667	306,565

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

Opinion

We have audited the financial statements of Zejtun Local Council (“the Council”) set out on pages 2 to 37 which comprise the statement of financial position as at 31 December 2022, 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, accompanying financial statements give a true and fair view of the financial position of the Council as at 31 December 2022, 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), and have been properly prepared in accordance with the requirements of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act, the Local Councils (Financial) Procedures 1996 (the “Legislation”).

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 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 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 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

22 May 2023