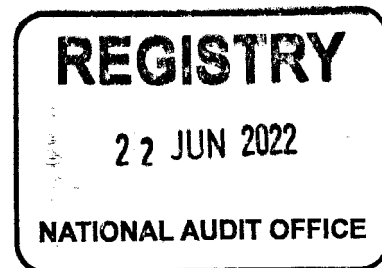


**XAGHRA LOCAL COUNCIL**

**Annual Report and  
Financial Statements**

**For the year ended 31 December 2021**



Prepared by: Joe Cordina  
Certified Public Accountant  
On behalf of Joe Cordina and Associates  
Chartered Certified Accountant & Auditor  
Level 1, Citybel, Santa Marta Street  
Victoria, Gozo, Malta

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**For the year ended 31 December 2021**

<b>CONTENTS</b>	<b>PAGES</b>
Statement of Local Council Members' and Executive Secretary's responsibilities	3
Statement of financial position	4
Statement of comprehensive income	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8
Independent auditors' report	26

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

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

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

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

Approved by the Council and signed on its behalf on the 14th June, 2022 by:



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**Dr. Christian Zammit**  
Mayor



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**Mr. Ivan Attard**  
Executive Secretary

# XAGHRA LOCAL COUNCIL


## STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 €	2020 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	586,186	514,543
<b>Current Assets</b>			
Receivables	4	127,161	149,672
Cash in bank and at hand	5	1,347,727	1,048,521
		<u>1,474,888</u>	<u>1,198,193</u>
<b>Total Assets</b>		<u>€ 2,061,074</u>	<u>€ 1,712,736</u>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Retained Fund		778,478	733,499
<b>Non-current Liabilities</b>			
Non-current payables	6	315,304	49,030
<b>Current Liabilities</b>			
Payables	6	967,292	930,207
<b>Total reserves and liabilities</b>		<u>€ 2,061,074</u>	<u>€ 1,712,736</u>

The notes on pages 8 to 25 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on the 14th June, 2022 and signed on its behalf by:



**Dr. Christian Zammit**  
Mayor



**Mr. Ivan Attard**  
Executive Secretary

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2021

	Notes	2021 €	2020 €
<b>REVENUE</b>			
Funds received from central government	7	590,360	577,218
Income from LES	9	6,476	5,133
General Income	10	94,890	92,074
		<u>691,726</u>	<u>674,425</u>
<b>EXPENDITURE</b>			
Personal emoluments	11	(103,993)	(107,770)
Operations and maintenance	12	(275,927)	(245,992)
Administration and other expenditure	13	(134,615)	(102,537)
Depreciation and impairment provisions	14	(132,224)	(125,808)
		<u>(646,759)</u>	<u>(582,107)</u>
Operating surplus for the year		<u>44,967</u>	<u>92,318</u>
Investment income	8	12	560
<b>Total Comprehensive Income for the year</b>		<u>€ 44,979</u>	<u>€ 92,878</u>

The notes on pages 8 to 25 are an integral part of the financial statements.

**STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2021

	Retained Funds 2021 €	Retained Funds 2020 €
At 1 January	733,499	640,621
Total Comprehensive Income for the year	44,979	92,878
At 31 December	<u>€ 778,478</u>	<u>€ 733,499</u>

The notes on pages 8 to 25 are an integral part of the financial statements.

**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2021

	Note	2021 €	2020 €
<b>Cash Flows from Operating Activities</b>			
Total Comprehensive income for the year		44,979	92,878
Adjustments for:			
Depreciation		132,224	125,808
Investment Income		(12)	(560)
Operating Profit before working capital changes		<u>177,191</u>	<u>218,126</u>
Decrease/(Increase) in Receivables		22,511	(51,395)
Increase/(Decrease) in Payables		259,272	(124,604)
		<u>458,974</u>	<u>42,127</u>
Net Cash generated from operating activities			
<b>Cash flows from Investing Activities</b>			
Purchase of property, plant and equipment		(264,555)	(362,198)
Investment Income		12	560
Capital grants received		104,343	184,425
Net Cash used in investing activities		<u>(160,200)</u>	<u>(177,213)</u>
Net movement in Cash and Cash Equivalents		<u>298,774</u>	<u>(135,086)</u>
Cash and Cash Equivalents at the beginning of Year		1,047,060	1,182,146
Cash and Cash Equivalents at the end of year	5	<u>1,345,834</u>	<u>1,047,060</u>

The notes on pages 8 to 25 are an integral part of the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

**1. General Information**

Xaghra Local Council is the local authority of Xaghra setup in accordance with the Local Councils Act. The office of the Local Council is situated at 8<sup>th</sup> September Avenue, Xaghra, Gozo.

**2. Accounting Policies and Reporting Procedures**

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) Accounting convention**

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

**(b) Standards, amendments and interpretations to existing standards**

**New and amended standards adopted by the council**

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



**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

**Standards, amendments and interpretations to existing standards that are not yet effective.**

The Councillors and Executive Secretary anticipate that the adoption of International Financial Reporting Standards, that were in issue at the date of authorization of these financial statements, but not yet effective, will have no material impact on the financial statements of the company in the period of initial application.

**(c) Revenue recognition**

Revenue is recognised when the amount of revenue and the associated costs can be measured reliably. Interest income is recognised in the statement of comprehensive income as it accrues.

**(d) Local Enforcement System**

During 2021 the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is chargeable to LESA and the various Regional Committees for contraventions paid at the Council.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

**(e) Property, Plant and Equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss to date. Depreciation is calculated on a monthly basis using the straight line method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

	%
Land	0
Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	replacement basis
Playground furniture	100
Road and traffic Signs	replacement basis
Street Mirrors	replacement basis
Street Lights	100

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

**(f) Government Grants**

Government grants relating to the purchase of property, plant and equipment are accounted for on the Capital Approach according to IAS 20 as the Council adopted Directive 1/2017 issued by the Department of Local Council. With the Capital Approach, any grants received are netted off against the cost of the asset to which they relate. Depreciation will be accounted on the resulting cost less grant. Government grants relating to operating expenditure are recognised in profit or loss over the periods in which the Council recognises the related costs which the grants are intended to compensate.

**(g) Impairment of Assets**

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

**(h) Amounts Receivable**

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

**(i) Foreign Currencies**

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

**(j) Surplus and deficits**

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

**(k) Cash and Equivalents**

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

**(l) Related parties**

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

During the year under review, the Local Council's related party that exercises a significant control was the Department for Local Government. The parties that exercise no control were Water Services Corporation and the Planning Authority.

**(m) Payables**

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the council.

**(n) Financial Instruments**

Financial assets and financial liabilities are recognised when the council becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

**(n) Financial Instruments (continued)**

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

**Financial assets**

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

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

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

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

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

**Financial liabilities**

The council's financial liabilities include other payables. These are stated at their nominal amount which is a reasonable approximation of fair value.

All interest-related charges are included within 'finance costs'.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

**(o) Critical accounting estimates and judgements**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

**3. PROPERTY, PLANT AND EQUIPMENT**

	Office Furniture & Fittings	Office & Computer Equipment	Urban Improvements	New Street Signs	Special Programmes	Plant and Equipment	Assets Under Construction	Total
	€	€	€	€	€	€	€	€
<b>Cost</b>								
At 1 Jan 2021	22,047	31,542	461,225	42,145	4,134,763	8,558	43,428	4,743,708
Additions	-	-	9,938	-	254,617	-	-	264,555
At 31 Dec 2021	€ 22,047	€ 31,542	€ 471,163	€ 42,145	€ 4,389,380	€ 8,558	€ 43,428	€ 5,008,263
<b>Grants and other reimbursements</b>								
At 1 Jan 2021	-	(2,500)	(5,000)	-	(1,968,458)	-	-	(1,975,958)
Additions	-	-	(3,528)	-	(57,160)	-	-	(60,688)
At 31 Dec 2021	€ -	€ (2,500)	€ (8,528)	€ -	€ (2,025,618)	€ -	€ -	€ (2,036,646)
<b>Depreciation &amp; Impairment</b>								
At 1 Jan 2021	(21,443)	(28,713)	(350,306)	(42,145)	(1,768,981)	(8,556)	(33,063)	(2,253,207)
Charge for the year	(97)	(328)	(27,148)	-	(104,649)	(2)	-	(132,224)
At 31 Dec 2021	€ (21,540)	€ (29,041)	€ (377,454)	€ (42,145)	€ (1,873,630)	€ (8,558)	€ (33,063)	€ (2,385,431)
<b>Net Book Value</b>								
At 31 Dec 2021	€ 507	€ 1	€ 85,181	€ -	€ 490,132	€ -	€ 10,365	€ 586,186

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2020 – continued

**3. PROPERTY, PLANT AND EQUIPMENT – Continued**

	Office Furniture & Fittings	Office & Computer Equipment	Urban Improvements	New Street Signs	Special Programmes	Plant and Equipment	Assets Under Construction	Total
	€	€	€	€	€	€	€	€
<b>Cost</b>								
At 1 Jan 2020	22,047	31,542	454,552	42,145	3,789,603	8,558	33,063	4,381,510
Additions	-	-	6,673	-	345,160	-	10,365	362,198
At 31 Dec 2020	€ 22,047	€ 31,542	€ 461,225	€ 42,145	€ 4,134,763	€ 8,558	€ 43,428	€ 4,743,708
<b>Grants and other reimbursements</b>								
At 1 Jan 2020	-	(2,500)	-	-	(1,737,151)	-	-	(1,739,651)
Additions	-	-	(5,000)	-	(231,307)	-	-	(236,307)
At 31 Dec 2020	€ -	€ (2,500)	€ (5,000)	€ -	€ (1,968,458)	€ -	€ -	€ (1,975,958)
<b>Depreciation &amp; Impairment</b>								
At 1 Jan 2020	(21,284)	(27,966)	(323,793)	(42,145)	(1,671,112)	(8,036)	(33,063)	(2,127,399)
Charge for the year	(159)	(747)	(26,513)	-	(97,869)	(520)	-	(125,808)
At 31 Dec 2020	€ (21,443)	€ (28,713)	€ (350,306)	€ (42,145)	€ (1,768,981)	€ (8,556)	€ (33,063)	€ (2,253,207)
<b>Net Book Value</b>								
At 31 Dec 2020	€ 604	€ 329	€ 105,919	€ -	€ 397,324	€ 2	€ 10,365	€ 514,543



**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

<b>4. Receivables</b>	2021	2020
	€	€
Accounts receivable	33,390	90,895
Prepayments and accrued income	93,771	58,777
	<u>€ 127,161</u>	<u>€ 149,672</u>

<b>Receivables</b>	2021	2020
	€	€
Within the current period	56,370	40,552
Exceeded credit period but not yet impaired	70,791	109,120
	<u>€ 127,161</u>	<u>€ 149,672</u>

**5. Cash and Cash Equivalents**

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the statement of cash flow comprise the following amounts in the Local Council statement of financial position:

	2021	2020
	€	€
Bank Balances:		
Ordinary funds	1,334,931	1,021,036
Funds at Central Bank	3	27,047
Cash in hand	12,793	438
Overdrawn balances	(1,893)	(1,461)
Cash and cash equivalents	<u>1,345,834</u>	<u>1,047,060</u>
Transfer to payables (Note 6)	1,893	1,461
	<u>€1,347,727</u>	<u>€1,048,521</u>
Cash at bank and in hand	7	1

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

	2021	2020
	€	€
<b>6. Payables</b>		
Accounts payable	428,333	226,112
Other payables	44,898	12,672
Accruals	40,142	15,317
Capital Grants received in advance (Note 16)	736,109	634,467
Europe for Citizens Grant	31,221	89,208
Overdrawn bank balances (Note 5)	1,893	1,461
	<u>1,282,596</u>	<u>979,237</u>
Less: Non-current payables	(315,304)	(49,030)
	<u>€967,292</u>	<u>€930,207</u>
	<u>2021</u>	<u>2020</u>
	€	€
Non-current payables		
Between one and two years	154,332	24,515
Between two and five years	160,972	24,515
	<u>€315,304</u>	<u>€49,030</u>

Note: The capital grants received in advance represent funding received from the Gozo Ministry, from the Ministry for the Environment, Climate Change and Planning and from The Ministry for the National Heritage, the Arts and Local Government which were partly utilised during 2021 and the remaining balances will be utilised on capital projects during 2022. Once the projects will commence these will be capitalised under Property, plant and equipment. Capital commitments in relation to these grants are explained under Note 16 to the financial statements.

The Europe for Citizens grant received relates to a Youth Exchange Programme. This was supposed to start in 2020 however due to Covid-19 this project was put on hold.

## XAGHRA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021 – continued

<b>7. Funds received from Central Government</b>	2021	2020
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	€ 587,360	€ 576,205
Other government income	€ 3,000	€ 1,013
	<u>€ 590,360</u>	<u>€ 577,218</u>
<b>8. Investment income</b>	2021	2020
	€	€
Bank Interest Receivable	€ 12	€ 560
	<u>€ 12</u>	<u>€ 560</u>
<b>9. Income from LES</b>	2021	2020
	€	€
Administrative income under LES	€ 6,476	€ 5,133
	<u>€ 6,476</u>	<u>€ 5,133</u>
<b>10. General Income</b>	2021	2020
	€	€
Income from permits	17,292	12,697
Income from organic waste collection	74,068	72,148
Creditors waived	-	18,930
Other income	3,530	-
Reversals over accrued income	-	(11,701)
	<u>€ 94,890</u>	<u>€ 92,074</u>
<b>11. Personal emoluments</b>	2021	2020
	€	€
Personal emoluments include, inter alia:		
Mayor's honoraria	10,571	10,404
Mayor and Councillors' Allowances	13,000	13,000
Executive Secretary salary and allowances	32,620	31,786
Employee salaries	41,504	45,934
Social Security Contributions	6,298	6,646
	<u>€ 103,993</u>	<u>€ 107,770</u>

## XAGHRA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021 – continued

<b>12. Operations and Maintenance</b>	2021	2020
	€	€
<b>Repairs and Upkeep:</b>		
Road and Street Pavements (patching works)	13,135	14,129
Street signs and markings	12,020	9,867
Other repairs and upkeep	25,564	20,472
Plants and trees	7,420	5,864
<b>Total</b>	<u>€ 58,139</u>	<u>€ 50,332</u>
<b>Contractual Services:</b>		
Refuse Collection (including bins on wheels)	162,906	153,980
Bulky Refuse Collection (incl tipping fees)	23,556	13,186
Road and street cleaning (mechanical and manual)	9,064	10,059
Cleaning and maintenance of Public Conveniences	4,768	4,781
Street Lighting	17,494	13,654
<b>Total</b>	<u>€ 217,788</u>	<u>€ 195,660</u>
<b>Total Operations and Maintenance Expenses</b>	<u>€ 275,927</u>	<u>€ 245,992</u>
<b>13. Administration and other expenditure</b>	2021	2020
	€	€
Utilities	8,284	5,651
Rent	27,500	500
National and International Memberships	950	3,315
Office Services	1,943	8,465
Travel	-	985
Transport	5,192	5,087
Information services	8,405	5,614
Professional Services	65,576	47,485
Community and Hospitality	3,327	3,499
Cultural events	13,438	21,656
Provision for doubtful debts	-	(7,003)
Bad Debts	-	7,283
	<u>€ 134,615</u>	<u>€ 102,537</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

	2021 €	2020 €
<b>14. Depreciation and impairment provisions</b>		
Depreciation	€ 132,224	€ 125,808
	<u>                    </u>	<u>                    </u>

**15. Related Parties Disclosures**

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

Name of entity	Nature of relationship
Department of Local Councils	Significant control
Regional Committees	No control
Ministry for Gozo	No control
The Planning Authority	No control

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

	2021	2020
Significant control		
Revenue:		
Annual financial allocation	€ 587,360	€ 576,205
	<u>                    </u>	<u>                    </u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

**16. Capital Commitments**

At the end of the financial year there were no capital projects approved but not yet contracted for.

Details of capital commitments are as follows

	2021	2020
	€	€

Approved but not contracted for:

Gozo Ministry Projects under Ministry for the Environment, Climate Change and Planning and under the Ministry for Gozo	1,444,902	30,000
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Approved and contracted for:

Gozo Ministry Projects under Ministry for the Environment, Climate Change and Planning and under Ministry for the National Heritage, the Arts and Local Government	736,109	795,613
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	€ 2,181,011	€ 825,613
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	2021	2020
	€	€

Approved but not contracted for:

Landscaping of Victory Square	-	30,000
New Civic Centre	1,444,902	-

	€ 1,444,902	€ 30,000
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Approved and contracted for:

Reconstruction of Triq Marsalforn	578,962	795,613
Landscaping of Victory Square	11,958	-
Refurbishment of Xaghra Playing Field	20,189	-
Smart Waste Depots Project	125,000	-

	€ 736,109	€ 795,613
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**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

**16. Capital Commitments (continued)**

The Ministry for Gozo has agreed to grant €1,157,926 and €1,444,902 for the Reconstruction of Triq Marsalforn and the construction of a new civic centre in Xaghra, respectively, and during the current year it granted €3,528 for the provision and installation of urban gym equipment in the Xaghra playing field. The Ministry for the Environment, Climate Change and Planning has agreed to grant € 30,000 for the Landscaping of Victory Square and € 125,000 for the Smart Waste Depots Project. The Planning Authority has agreed to grant €27,799 for the upgrading of the existing lighting system in Belvedere ta' Qacca. The Ministry for the National Heritage, the Arts and Local Government has granted € 20,189 for the refurbishment of the Xaghra Playing Field.

**17. Risk management objectives and policies**

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

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

**17.1 Credit risk**

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

	2021	2020
	€	€
Class of financial assets – carrying amounts		
Trade and other receivables	127,161	149,672
Cash and Cash Equivalents	1,347,727	1,048,521
	<u>€ 1,474,888</u>	<u>€ 1,198,193</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

**17. Risk management objectives and policies - continued**

**17.2 Liquidity risk**

The council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See notes 4 and 5 for further information on impairment or financial assets that are past due.

None of the council's financial assets is secured by collateral or other credit enhancements

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

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

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

	2021	2020
Payables		
Within one year	967,292	930,207
Within more than one year	315,304	49,030
	€ 1,282,596	€ 979,237

**17.3 Interest rate risk**

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 5), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.



**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021 – continued

**17. Risk management objectives and policies – continued**

**17.4 Summary of the financial assets and liabilities by category**

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

<b>Current Assets</b>	2021	2020
	€	€
Loans and receivables:		
Trade and other receivables	127,161	149,672
Cash and Cash Equivalents	1,347,727	1,048,521
	<u>€ 1,474,888</u>	<u>€1,198,193</u>
<b>Current Liabilities</b>		
Financial liabilities measured at amortised costs:		
Within one year	€ 967,292	€ 930,207
	<u>€ 967,292</u>	<u>€ 930,207</u>

**17.5 Capital risk management**

The Council's objectives when managing capital are to safeguard the Council's ability to continue as a going concern so that it can continue to provide a service to the residents of the Local Council by maintaining an optimal capital structure to reduce cost of capital.

The Council's equity, as disclosed in the statement of financial position, constitutes its capital. The Council's capital structure is monitored by the Executive Secretary and the Council with appropriate reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Council's activities, the capital level as at the end of the reporting period is deemed adequate by the Council.

**18. Fair value estimation**

At 31 December 2021 and 31 December 2020, the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

**XAGHRA LOCAL COUNCIL****REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL****Report on the audit of the financial statements****Qualified Opinion**

We have audited the accompanying financial statements of Xaghra Local Council, set out on pages 4 – 25, which comprise the statement of financial position as at 31 December 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the financial statements give a true and fair view of the financial position of the Local Council as of 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

**Basis for Qualified Opinion**

Following Directive 01/2017 issued by the Department for Local Government, the Local Council changed its accounting policies on depreciation, whereby the straight-line method is to be applied instead of the reducing balance method and the accounting policy on government grants, whereby the capital approach is to be applied instead of the income approach. These changes became effective as from 1 January 2018. We were provided with limited information to ensure that the changes in the accounting policies were properly applied, including the proper allocation of the grants to the respective assets. From the tests that we could carry out, it transpired that the depreciation was worked out again from the date of acquisition based on the cost of the assets less any grants allocated to them using the straight-line basis on a yearly basis. The difference between the new accumulated depreciation and the accumulated depreciation as previously stated as at 31 December 2017, was written off as an impairment. Given the limitations mentioned, we could not satisfy ourselves as to the correctness of the carrying amounts of property, plant and equipment as well as the depreciation charge for the year.

No fixed assets register was provided to us during our audit and consequently, we could not carry out satisfactory audit procedures to obtain reasonable assurance on the existence and completeness of the property, plant and equipment as disclosed in note 3 to these financial statements.

During 2020, when testing the accounts payable, a material variance of €136,640 was noted between the balance in the accounts and the balance shown on the statement received from a contractor. The Local Council noted payments amounting to €74,718 not reflected in the statement, but the contractor did not confirm this error by the time we concluded our audit. The remaining difference remained untraced. During 2021, we did not receive a confirmation from this supplier. There were no adequate alternative audit procedures that we could apply to confirm the correctness and completeness of this account payable.

## **REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL - continued**

### **Basis for Qualified Opinion - continued**

In the statement of financial position on page 4, part of the payables amounting to €315,304 have been classified as non-current liabilities. These balances have not been accounted for at the amortized cost using the effective interest method in accordance with IFRS 9: Financial Instruments.

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

### **Other Information**

The Executive Secretary and the Local Council Members are responsible for the other information. The other information comprises the Statement of Local Council Members' and Executive Secretary's Responsibilities. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Council Responsibilities for the Financial Statements**

As described on page 3, the Executive Secretary and the Local Council Members are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Executive Secretary and the Local Council Members 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 Local Council Members are responsible for assessing the Local Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to presume that the Local Council will continue as a going concern.

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

## **REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL - continued**

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

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

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

We communicate with the Executive Secretary and the Local Council Members 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.

**REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL - continued****Report on Other Legal and Regulatory Requirements**

In our opinion, the financial statements have been properly prepared in accordance with the Local Councils Act (Cap. 363), the Financial Regulations issued in terms of the said Act and the Local Councils (Financial) Procedures.



*This copy of the audit report has been signed by  
Conrad Borg (Principal)  
for and on behalf of*

RSM Malta  
Registered Auditors

Date: 14 June 2022