

QRENDI LOCAL COUNCIL

**Annual Report and Audited Financial Statements
31 December 2022**



QRENDI LOCAL COUNCIL
Annual Report and Audited Financial Statements - 31 December 2022

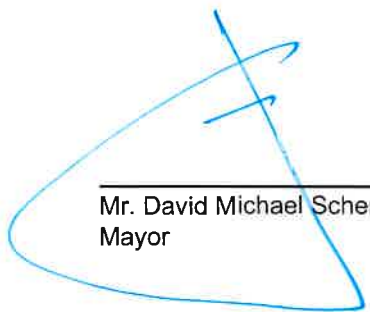
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Statement of Local Council Members' and Executive Secretary's Responsibilities

The Local Government (Financial) Regulations 1993 require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's financial position at the end of the year and of the Local Council's comprehensive income for the 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 financial position of the Local Council as at the year and its comprehensive income for the year, and that they comply with the Act, the Local Government (Financial) Regulations, 1993 and the Local Government (Financial) Procedures, 1996.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Council (Financial) Regulations 1993, and the Local Council (Financial) Procedures 1996. The Executive Secretary is also responsible for safeguarding the assets of the Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on 27th June 2023 and signed on its behalf by:



Mr. David Michael Schembri
Mayor



Ms. Ritienne Giorgino
Deputy Executive Secretary

Statement of comprehensive income

		Year ended 31 December	
		2022	2021
	Notes	€	€
Income			
Funds received from Central Government	3	416,248	409,040
Other government income	4	29,338	98,205
General income	5	10,028	32,962
Income raised under Local Enforcement System	6	1,297	813
Investment income	7	219	37
		457,130	541,057
Expenditure			
Staff salaries	8	85,905	108,234
Operations and maintenance	9	164,655	126,561
Administrative and other expenditure	10	114,430	151,715
Finance costs		578	307
		365,568	386,817
 Total Comprehensive Income for the year		91,562	154,240

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

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Statement of financial position

		As at 31 December	
		2022	2021
		€	€
ASSETS	Notes		
Non-current assets			
Intangible Assets	11	1,635	-
Property, plant and equipment	12	266,047	208,639
Right-of-use assets	13	3,460	7,028
Total non-current assets		271,142	215,667
Current assets			
Trade and other receivables	14	11,603	86,594
Cash and cash equivalents	15	905,209	773,703
Total current assets		916,812	860,297
Total assets		1,187,954	1,075,964
EQUITY AND LIABILITIES			
Equity			
Retained funds		994,088	902,526
LIABILITIES			
Non-current liabilities			
Deferred income	16	114,480	89,763
Lease liabilities	16	2,426	3,578
Total non-current liabilities		116,906	93,341
Current liabilities			
Trade and other payables	17	75,808	76,463
Lease liabilities	13	1,152	3,634
Total current liabilities		76,960	80,097
Total reserves and liabilities		1,187,954	1,075,964

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

The financial statements on pages 2 to 27 were approved by the Local Council on 27th June 2023 and were signed on its behalf by:

 Mr. David Michael Schembri
 Mayor



 Ms. Ritiene Giorgino
 Deputy Executive Secretary

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Statement of changes in equity

	Retained Funds €	Total €
Balance as at 31 December 2020	754,492	754,492
Prior year adjustment	(6,206)	(6,206)
Balance as at 31 December 2020 - restated	748,286	748,286
Balance at 1 January 2021	748,286	748,286
Profit for the year – total comprehensive loss	159,689	159,689
Prior year adjustment	(5,449)	(5,449)
Balance at 31 December 2021 - Restated	902,526	902,526
Balance at 1 January 2022	902,526	902,526
Profit for the year – total comprehensive income	91,562	91,562
Balance at 31 December 2022	994,088	994,088

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

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Statement of cash flows

		Year ended 31 December	
		2022	2021
Notes		€	€
Cash flows from operating activities			
Cash generated from operations	18	260,473	11,125
Net cash generated from operating activities		260,473	11,125
Cash flows from investing activities			
Purchase of intangible assets		(6,962)	-
Purchase of property, plant and equipment		(204,769)	(88,112)
Payment of lease liabilities		(1,256)	(3,689)
Interest received		207	37
Grants received		83,813	75,258
Net cash used in investing activities		(128,967)	(16,506)
Net movement in cash and cash equivalents		131,506	(5,381)
Cash and cash equivalents at beginning of year	15	773,703	779,084
Cash and cash equivalents at end of year	15	905,209	773,703

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

Notes to the financial statements

1. General information

Qrendi Local Council is the local authority of Qrendi set up in accordance with the Local Councils Act (1993). The office of the Local Council is situated at 7, Triq il-Knisja, Qrendi QRD 1103, Malta. These financial statements were approved for issue by the Council Members on 27th June 2023.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these individual financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Accounting convention

The financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the minister of Finance with the minister responsible for Local Government in terms of section 67 of the Local Government Act (Cap 363).

The financial statements are prepared under the historical 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 (IFRSs) and comply with the Local Councils Act Cap 363, the Financial Regulations issued by the terms of the Act and the Local Government (Financial) Procedures 1996.

2.2 Standards, amendments and interpretations to existing standards

The new and revised standards that became effective for annual periods beginning on or after 1 January 2022 made several minor amendments to a number of IFRSs. None of the changes to IFRSs and interpretations has had, or is expected to have, a material impact on the council's financial statements.

New and amended standards adopted by the Council

Information on new standards, amendments and interpretations that are relevant to the Council's financial statements is provided below. Certain other new standards and interpretations not listed below have been issued but are not relevant and therefore are not expected to have any impact on the Council's financial statements.

The Council started to adopt the new accounting pronouncements which have become effective this year, and are as follows:

Onerous Contract – Cost of Fulfilling a Contract (Amendments to IAS 37)

This pronouncement amended IFRS 37 'Provisions, Contingent Liabilities and Contingent Assets' and clarifies that when assessing if a contract is onerous, the cost of fulfilling it includes all costs related directly to the contract. Such costs include both:
the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract, like direct labor and materials); and

Notes to the financial statements (continued)

2.2 Standards, amendments and interpretations to existing standards (continued)

an allocation of other costs that relate directly to fulfilling the contract (e.g. contract management and supervision, or depreciation of equipment used in fulfilling it).

Proceeds before Intended Use (Amendments to IAS 16)

The amendments introduce new guidance to IAS16 'Property, Plant and Equipment', which prohibit entities from deducting from the costs of PPE amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognise such sales proceeds and related costs in profit and loss.

These amendments do not have a significant impact on these financial statements and therefore the disclosures have not been made.

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

At the date of authorisation of these financial statements, several new, but not effective Standards and amendments to existing standards, and Interpretations have been published by the IASB. None of these standards or amendments to existing standards have been adopted early by the Local Council. These are the following:

On 23 January 2020, the IASB issued 'Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place of the reporting date. The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

On 18 May 2017, the IASB issued IFRS 17 'Insurance Contracts' that require insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 as is effective for annual reporting periods beginning on or after from 1 January 2023.

On 12 February 2021, the IASB issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2), that require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

On 12 February 2021, the IASB issued amendments to IAS 8, replacing the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

On 31 October 2023, the IASB issued amendments to IAS 1, that clarifies how conditions with which an entity must comply within twelve months after the reporting period effect the classification of a

Notes to the financial statements (continued)

2. Summary of significant accounting policies – continued

liability. The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

The Councillors and Executive Secretary anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Local Council financial statements.

2.3 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss to date. As from 1 January 2018 depreciation was changed from the reducing balance method to the straight-line method, after the Local Council adopted Directive 1/2017 issued by the Department of Local Government. Depreciation is calculated at rates to write off the cost less residual value of each asset over its expected useful life as follows:

	%
Land	-
Trees	-
Buildings	1
Office furniture and fittings	7.5
Construction works	10
Urban Improvements (Street Furniture)	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Playground Furniture	100
Street Lights	100
New Street Lights	Replacement Basis
Litter Bins	Replacement Basis
Street Mirrors	Replacement Basis

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.

Notes to the financial statements (continued)

2. Summary of significant accounting policies – continued

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.

2.4 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 assets exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the assets less the costs to sell value in use. Impairment losses are immediately as an expense in the Statement of Comprehensive Income.

2.5 Financial instruments

Recognition and derecognition

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

The Local Council does not have any financial assets categorised as FVTPL and FVOCI in the periods presented.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

Subsequent measurement of financial assets

Notes to the financial statements (continued)

2. Summary of significant accounting policies – continued

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Local Council's cash and cash equivalents, and most receivables fall into this category of financial instruments.

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.

The Local Council considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Classification and measurement of financial liabilities

The Local Council's financial liabilities include payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Local Council designates a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried

Notes to the financial statements (continued)

2. Summary of significant accounting policies – continued

subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'finance costs' or 'finance income'.

2.6 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.

2.7 Cash and cash 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

2.8 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. Notes to the financial statements (continued)

2.9 Surpluses and deficits

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

2.10 Leases

As from 1 January 2019, the Council considers whether a contract is or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Council assesses whether the contract meets three key evaluations which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Local Council;

Notes to the financial statements (continued)

2. Summary of significant accounting policies – continued

- The Local Council has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- The Local Council has the right to direct the use of the identified asset throughout the period of use. The Local Council assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the lease period.

The Council has agreements in place relating to the lease of office premises and a separate lease for the use of a garage. In the current year, the Council elected to prospectively recognise right-of-use assets and lease liabilities.

The right-of-use asset comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. Lease payments included in the measurement of the lease liability are comprised of fixed payments.

2.11 Related parties

Related parties are those persons or bodies having relationships with the Local Council as defined by IAS 24 *Related Party Disclosures*. Further detail on related party transactions is disclosed in the notes to the financial statements

2.12 Government grants

Government grants relating to operating expenditure are recognised in the Statement of Comprehensive Income in the same period that the related expenditure is incurred.

Government grants relating to the purchase of property, plant and equipment are accounted for using the capital approach, according to IAS 20 as the Council adopted Directive 1/2017 issued by the Department of Local Council. With the capital approach, grants are deducted from the carrying amount of the relative non-current asset. Depreciation will be accounted for on the resulting cost of the grant.

2.13 Foreign currency translation with SOCI policies

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 Local Council's functional and present currency. Transactions denominated in foreign currencies are translated into Euro at rates of exchange in operation on the dates of transactions. Monetary assets and liabilities expressed in foreign currencies are translated at the rates of exchange at the date of Statement of Financial Position.

Notes to the financial statements (continued)

2. Summary of significant accounting policies – continued

2.14 Revenue recognition

According to IAS 20 as the Council adopted Directive 1/2017 issued by the Department of Local Council. With the Capital approach, grants are deducted from the asset. Depreciation will be accounted for on the resulting cost after grant.

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. All revenue – funds received from Central Government, Local enforcement system income, investment income and general income is accounted for in the Statement of Comprehensive Income as it accrues.

2.15 Local Enforcement System

During 2022 the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is chargeable to the various Regional Committees/ LESA for contraventions paid at the Council.

2.16 Capital management policies and procedures

The council's capital consists of its net assets, including working capital, presented by its retained funds. The Council's management objective are to ensure that the Council's ability to continue as a going concern is still valid and that the Council maintains a positive working capital ratio. To achieve this, the Council carries out a quarterly review of the working capital ratio (Financial Situation Indicator). This ratio was positive at the reporting date. The council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

2.17 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 (continued)

3. Funds received from Central Government

	2022 €	2021 €
In terms of Section 55 of the Local Council Act	416,248	409,040

4. Other government income

	2022 €	2021 €
Government income for projects and restorations	11,580	82,078
Income from organic waste collection	17,758	16,127
	29,338	98,205

5. General income

	2022 €	2021 €
Other income net of contraventions and library services	4,507	24,986
Permits	5,521	7,976
	10,028	32,962

6. Income raised from Local Enforcement System

	2022 €	2021 €
Contraventions	1,297	813

7. Investment income

	2022 €	2021 €
Bank interest received	219	37

Notes to the financial statements (continued)

8. Staff Salaries

	2022	2021
	€	€
Personal emoluments include, inter alia:		
Employees' salaries and bonuses	40,430	75,688
Executive Secretary's salary and allowances	21,743	13,979
Mayor's salary and allowance	10,732	10,379
Councillors' allowances	9,601	5,640
Vice Mayor's salary	3,399	2,548
	85,905	108,234

The average number of persons employed by Qrendi Local Council in 2022 is 8 (2021: 8).

9. Operations and maintenance

	2022	2021
	€	€
Repairs and upkeep:		
Bins	26,222	19,866
Street signs	5,696	2,771
Road markings	4,827	429
Other repairs and upkeep	6,139	-
	42,884	23,066
	2022	2021
	€	€
Contractual services:		
Refuse collection	54,971	48,846
Cleaning and maintenance of public conveniences	21,980	18,037
Cleaning and maintenance – non-urban	9,801	10,365
Bulky refuse collection	10,917	9,577
Street lighting	2,236	5,382
Cleaning and maintenance of parks and gardens	5,704	1,947
Road & Street Cleaning	16,162	9,341
	121,771	103,495
	164,655	126,561

Notes to the financial statements (continued)

10. Administrative and other expenditure

	2022	2021
	€	€
Amortisation on intangible assets	327	-
Depreciation on tangible assets (Note 12)	68,548	70,819
Depreciation on right-of-use assets (Note 12)	3,567	3,567
Professional services	14,078	24,241
General expenses	513	13,565
Other contractual services	-	11,927
Community services & events	9,929	7,387
Utilities	7,025	8,215
Material and supplies	959	4,857
Advertising	1,914	2,934
Office services	2,456	1,981
Rent	-	1,770
Transport	329	452
Staff Welfare	831	-
National and international memberships	192	-
Insurance	2,401	-
IT Development	1,033	-
Overseas travelling	328	-
	114,430	151,715

11. Intangible Assets

	2022
	€
COST	
Balance as at 1 January 2022	-
Additions	6,962
At 31 December 2022	6,962
GRANTS	
Balance as at 1 January 2022	-
Additions	5,000
Reclassifications	-
As at 31 December 2022	5,000
ACCUMULATED DEPRECIATION	
Balance as at 1 January 2022	-
Charge for the year	327
At 31 December 2022	327
NET BOOK VALUE	
At 31 December 2022	1,635

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12. Property, plant and equipment

	Office furniture & fittings	Office equipment	Urban improvements	Construction works	Street signs	Assets under construction	Total
	€	€	€	€	€	€	€
COST							
Balance as at 1 January 2022	21,945	40,290	343,294	1,647,664	5,280	220,508	2,278,981
Additions	-	640	69,202	-	-	134,927	204,769
At 31 December 2022	21,945	40,930	412,496	1,647,664	5,280	355,435	2,483,750
GRANTS							
Balance as at 1 January 2022	-	-	78,352	-	-	191,142	269,494
Additions	-	-	1,587	-	-	77,226	78,813
Reclassifications	-	-	56,100	-	-	(56,100)	-
As at 31 December 2022	-	-	136,039	-	-	212,268	348,307
ACCUMULATED DEPRECIATION							
Balance as at 1 January 2022	20,103	40,216	223,703	1,511,546	5,280	-	1,800,848
Charge for the year	582	109	12,178	55,678	-	-	68,548
At 31 December 2022	20,635	40,325	235,881	1,567,225	5,280	-	1,869,396
NET BOOK VALUE							
At 31 December 2022	1,260	605	40,576	90,439	-	143,167	266,047

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Property, plant and equipment – continued

	Office furniture & fittings €	Office equipment €	Urban improvements €	Construction works €	Street signs €	Assets under construction €	Total €
COST							
Balance as at 1 January 2021	21,945	40,290	251,775	1,569,033	5,280	108,310	1,996,633
Prior year adjustment (note 25)	-	-	88,425	(76,055)	-	(12,370)	-
Additions	-	-	3,094	129,013	-	45,696	177,803
Reclassifications	-	-	-	25,673	-	78,872	104,545
At 31 December 2021	21,945	40,290	343,294	1,647,664	5,280	220,508	2,278,981
GRANTS							
Balance as at 1 January 2021	-	-	-	-	-	-	-
Prior year adjustment (note 25)	-	-	75,258	-	-	-	75,258
Additions	-	-	3,094	135,042	-	56,100	194,236
Reclassifications	-	-	-	(135,042)	-	135,042	-
As at 31 December 2021	-	-	78,352	-	-	191,142	269,494
ACCUMULATED DEPRECIATION							
Balance as at 1 January 2021	18,940	39,921	213,079	1,452,809	5,280	-	1,730,029
Prior year adjustment (note 25)	-	-	568	(4,460)	-	-	(3,892)
Charge for the year	1,163	295	10,056	63,197	-	-	74,711
At 31 December 2021	20,103	40,216	223,703	1,511,546	5,280	-	1,800,848
NET BOOK VALUE							
At 31 December 2021	1,842	74	41,239	136,118	-	29,366	208,639

Notes to the financial statements (continued)

13. Leases

Information about leases for which the Company is a lessee is presented below:

(i) Right-of-use assets

	Garage €	Premises €	Total €
2021			
Balance as at 1 January	4,827	5,768	10,595
Additions	-	-	-
Depreciation charge for the year	(2,413)	(1,154)	(3,567)
Balance as at 31 December	<u>2,414</u>	<u>4,614</u>	<u>7,028</u>
2022	€	€	€
Balance as at 1 January	2,414	4,614	7,028
Additions	-	-	-
Depreciation charge for the year	(2,414)	(1,154)	(3,567)
Balance as at 31 December	<u>-</u>	<u>3,460</u>	<u>3,460</u>

(ii) Lease liabilities

Lease liabilities are classified as follows:

	2022 €	2021 €
Non-current (Note 16)	2,426	3,578
Current	1,152	3,634
	<u>3,578</u>	<u>7,212</u>

(iii) Amounts recognised in profit or loss

	2022 €	2021 €
Depreciation charge on right-of-use assets	3,568	3,567
Interest expense on lease liability (included in finance cost)	188	307
	<u>3,756</u>	<u>3,874</u>

Notes to the financial statements (continued)

13. Leases (Continued)

(iv) Amounts recognised in statement of cash flows

	2022	2021
	€	€
Payment of lease liabilities	1,256	3,689
Interest expense on lease liability (included in finance cost)	188	307
	1,444	3,996

14. Trade and other receivables

	2022	2021
	€	€
Current		
Receivable from local enforcement system	70,484	80,602
Provision for doubtful debts	(70,484)	(80,602)
Trade receivables	6,526	4,590
Accrued income	3,922	80,747
Prepayments	1,155	1,257
	11,603	86,594

Trade receivables amounting to € 6,078 relate to amounts due from WasteServ Malta Limited (2021: € 12,776).

LES Debtors are stated after a specific provision for doubtful debts amounting to € 70,484. During the year under review, a movement of € 10,118 was reflected as a bad debt write-off with a corresponding decrease in provision for doubtful debts.

15. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2022	2021
	€	€
Cash in hand	296	153
Cash at Bank:		
Current accounts	81,675	84,773
Savings accounts	823,238	688,777
Fixed accounts	-	-
	905,209	773,703

Notes to the financial statements (continued)

16. Amounts falling due after one year

	2022	2021
	€	€
(i) Deferred income:		
Repayable between one and two years	-	76,758
Repayable between two and five years	114,480	13,005
	114,480	89,763
(ii) Lease liabilities		
Non-current (Note 13)	2,426	3,578

17. Trade and other payables

	2022	2021
	€	€
Current		
Trade payables	61,248	31,234
Accruals	14,310	30,715
Deferred income	-	12,507
Other payables	250	2,007
	75,808	76,463

Trade payables include amounts due to WasteServ Malta Limited €1,899 (2020: €(1,583)), Water Services Corporation € 21,000 (2020: € 21,000) and ARMS Limited €665 (2020: €735).

18. Cash generated from operations

Reconciliation of profit for the year to cash generated from operations:

	2022	2021
	€	€
Profit for the year	91,562	154,240
Adjustments for:		
Amortisation on intangible assets	327	
Depreciation of property, plant and equipment (Note 4)	68,548	70,819
Depreciation on right-of-use assets (Note 5)	3,567	3,567
Interest payable	-	307
Interest receivable	(207)	(37)
Changes in working capital:		
Trade and other receivables	74,991	(70,308)
Trade and other payables	21,685	(147,463)
Cash generated from operations	260,473	11,125

Notes to the financial statements (continued)

19. Financial risk management

	Current		Non – Current	
	Within 1 year	1 to 5 years	More than 5 years	
	€	€	€	
Payables	61,248	-	-	
Accruals	14,310	-	-	
Lease payments	1,152	2,426	-	

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

	Current		Non – Current	
	Within 1 year	1 to 5 years	More than 5 years	
	€	€	€	
Payables	31,234	-	-	
Accruals	30,715	-	-	
Lease payments	3,634	3,578	-	

It is the policy of the Executive Secretary to maintain an adequate capital base in order to sustain the future development of the Local Council and safeguard the ability of the Local Council to continue as a going concern. In this respect, the Executive Secretary monitors the operations and results of the Local Council.

20. Related party transactions

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
Central Joint Committee (Local Enforcement)	Joint Control
Northern Harbour District Joint Committee	No control
South Regional Committee	No control
Gozo Regional Committee	No control
North Regional Committee	No control
South Eastern Regional Committee	No control
Central Regional Committee	No control
Police General Head Quarters	No control
Local Councils' Association	No control
Local Enforcement System Agency	No control
Central Bank of Malta	No control
Planning Authority	No control
Malta Communications Authority	No control
Water Services Corporation	No control

Notes to the financial statements (continued)

20. Related party transactions (continued)

Enemalta Corporation	No control
Department of Inland Revenue	No control
Department of Information	No control
Department for Elderly and Community Care	No control
Commissioner for Data Protection	No control
Wasteserv Malta Limited	No control
Malta Information Technology Agency	No control
Tech.mt	No control
ARMS Ltd	No control
Ministry of Finance	No control
GAL - Foundation Local Action Group	No control
Maltapost plc	No control
Transport Malta	No control
Ministry of Transport and Infrastructure	No control
Malta Tourism Authority	No control
Malta Gaming Authority	No control
Malta Council for Science and Technology	No control
Infrastructure Malta	No control

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

	2022	2021
	€	€
Significant control Revenue:		
Annual financial allocation	<u>416,248</u>	<u>409,040</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.

21. Fair value estimation

At 31 December 2022 and 2021, the carrying amounts of cash at bank, trade and other receivables, trade and other payables and amounts falling due after one year reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments and relatively short period of time between the origination of the instruments and their expected realisation

22. Financial risk management

The Local Council has exposure to credit risk and liquidity risk from the use of financial instruments within its activities.

This note presents information about the Local Council's exposure to each of the above risks, policies and processes for measuring and managing risk, and the Local Council's management of capital. Further quantitative disclosures are included in these financial statements.

The responsibility for the management of risk is vested in the Executive Secretary. Accordingly, it is the Executive Secretary, who has the overall responsibility for establishing an appropriate risk management framework.

Notes to the financial statements (continued)

22. Financial risk management– continued

22.1 Credit risk

Credit risk is the risk of financial loss to the Local Council if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Local Council is exposed to credit and liquidity risk through its use of financial instruments which result from its operating activities. The Council is not exposed to any market risk and its risk management focuses on actively securing short to medium cash flows by minimising exposure to financial risks. Credit risk principally arises from cash and cash equivalents and credit exposures to customers, including outstanding receivables and committed transactions.

Trade and other receivables

The Local Council monitors the performance of its receivables on a regular basis to identify incurred collection losses, which are inherent in the Council's receivables, taking into account historical experience in collection of accounts receivable.

Receivables are presented net of impairment charges for bad and doubtful debts. However, in the opinion of the Executive Secretary, credit risk with respect to receivables is limited in view of the reputable nature of the Local Council's debtor base for which there is no history of default.

Cash and cash equivalents

The Local Council banks only with local financial institutions with high quality standing or rating. As such, the probability of default is considered to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be considered insignificant.

The Council's exposures to credit risk as at the end of the reporting periods are analysed as follows:

	2022	2021
	€	€
<i>Loans and receivables category:</i>		
Trade and other receivables (Note 14)	11,603	86,594
Cash and cash equivalents (Note 15)	905,209	773,703
	916,812	860,297

The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective notes to the financial statements. The Local Council does not hold any collateral as security in this respect.

22.2 Liquidity risk

Liquidity risk is the risk that the Local Council will not be able to meet its financial obligations as they fall due. The Local Council is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise trade and other payables (Notes 16 and 17). The Local Council's trade and other payables are entirely repayable within one year from the end of the reporting period.

Notes to the financial statements (continued)

22. Financial risk management– continued

The Local Council's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Generally, the Local Council ensures that it has sufficient cash on demand to meet expected operational expenditure, including the servicing of financial obligations.

The maximum exposure to liquidity risk at the end of the reporting period in respect of the Council's financial liabilities is equivalent to their carrying amount as disclosed in Notes 16 and 17 to the financial statements.

At 31 December 2022 and 31 December 2021, the contractual maturities on the financial liabilities of the Council were as summarised below. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the Statement of Comprehensive Income.

Interest rate risk

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 15), 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.

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:

Current Assets	2022	2021
	€	€
Financial assets measured at amortised costs:		
Trade and other receivables	6,926	4,590
Cash and Cash Equivalents	905,209	773,703
	912,135	778,293
Non-current liabilities	2022	2021
	€	€
Lease payments	25,900	29,850
Current Liabilities	2022	2021
	€	€
Financial liabilities measured at amortised costs:		
Payables	61,248	31,234
Other Payables	250	14,514
Accruals	14,310	30,715
	75,808	76,463

Notes to the financial statements (continued)

22. Financial risk management– continued

22.3 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.

23. Capital commitments

Details of capital commitments are as follows:

These are split between authorised and contracted for and/or authorised and not contracted for.

	2022	2021
	€	€
Demolition and reconstruction of rubble walls	-	85,657
Restoration of titular painting of Saint Catherine	-	8,609
Mobility and accessibility – installation of lift	35,000	35,000
Playing field Nicolo Communet	83,279	-
Other Capital projects	113,771	-
	232,050	129,266

This commitment will be partly financed from grants received by the Local Council.

24. Events after the statement of financial position date.

There have been no events whether favourable or unfavourable which occurred between the end of the reporting period end and the date the financial statements have been authorised for issue.

25. Prior year adjustments

Prior-year adjustments of € 6,206 were reflected against opening retained funds pertaining to pre-2021, and consist as follows:

- i. Opening retained funds have been restated to reflect adjustments in the balance with Waste Serve Malta Ltd in respect of Income from organic waste collection and bins cost. This net cost amounting to € 6,206 was omitted from the Local Council's financial statements in previous years. The adjustment of € 8,186 was reflected against Trade and other receivables, as disclosed in note 14 to the financial statements and € 1,980 was reflected against Trade and other payables, as disclosed in note 17 to the financial statements, with the corresponding net decrease being reflected against retained funds.

Prior-year adjustments of € 5,449 pertaining to 2021 were reflected against related funds and consist as follows.

Notes to the financial statements (continued)

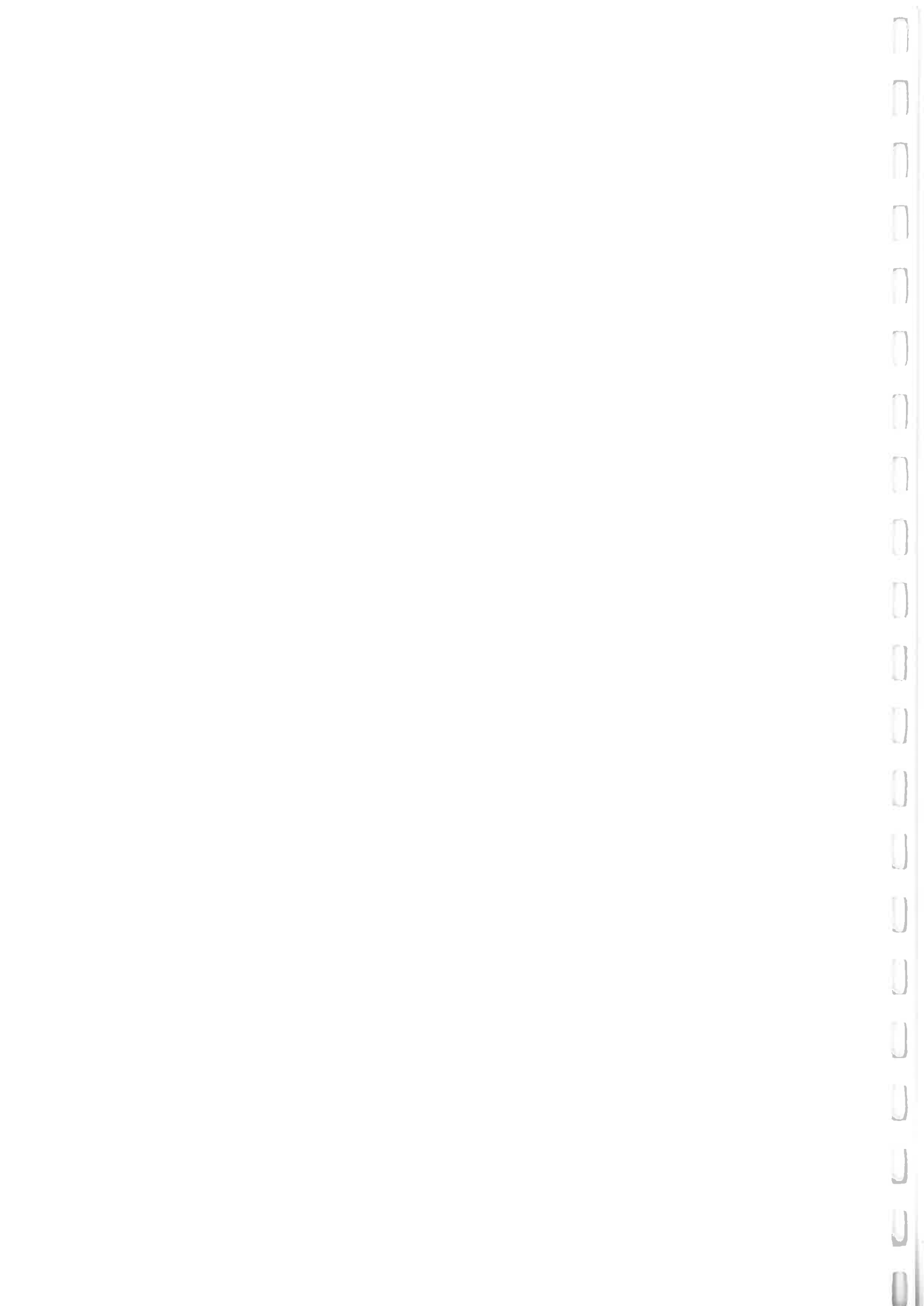
25. Prior year adjustments (continued)

- ii. Road and street cleaning costs amounting to € 9,341 were not reflected in previous year. A prior-year adjustment has been reflected against Trade and other payables in note 17 to the financial statements with the corresponding entry being reflected against retained funds.
- iii. Grant receivable amounting to € 75,258 was not reflected in the previous year. A prior-year adjustment has been reflected against Trade and other receivables as disclosed in note 14 to the financial statements with the corresponding increase being reflected against Property, plant and equipment as disclosed in note 12 to the financial statements.

Consequent to the above, the depreciation charge in the previous year was overstated by € 3,892. An adjustment has been reflected against Property, Plant and Equipment as disclosed in note 12 to the financial statements with the corresponding increase being reflected against retained funds.

The effect of the restatement of the financial statements is summarized below:

	As previously stated €	As re-stated €	Difference €
Effect on Statement of Profit and Loss and Other Comprehensive Income (ii and iii)			
Road and street cleaning	-	9,341	9,341
Depreciation on tangible assets	74,711	70,819	(3,892)
<hr/>			
Effect on Statement of Financial Position (i, ii, iii)			
Property, Plant and equipment	280,005	208,639	(71,366)
Trade and other receivables	19,522	86,594	67,072
Trade and other payables	69,102	76,463	7,361
<hr/>			



QRENDI LOCAL COUNCIL

INDEPENDENT AUDITORS' REPORT

To the Auditor General

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Qrendi Local Council, set out on pages 2 to 27 which comprise the statement of financial position as at 31 December 2022, the statement of comprehensive income, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the accompanying financial statements give a true and fair view of the financial position of the Local Council as at 31 December 2022, and of its financial performance and cashflows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Basis for Qualified Opinion

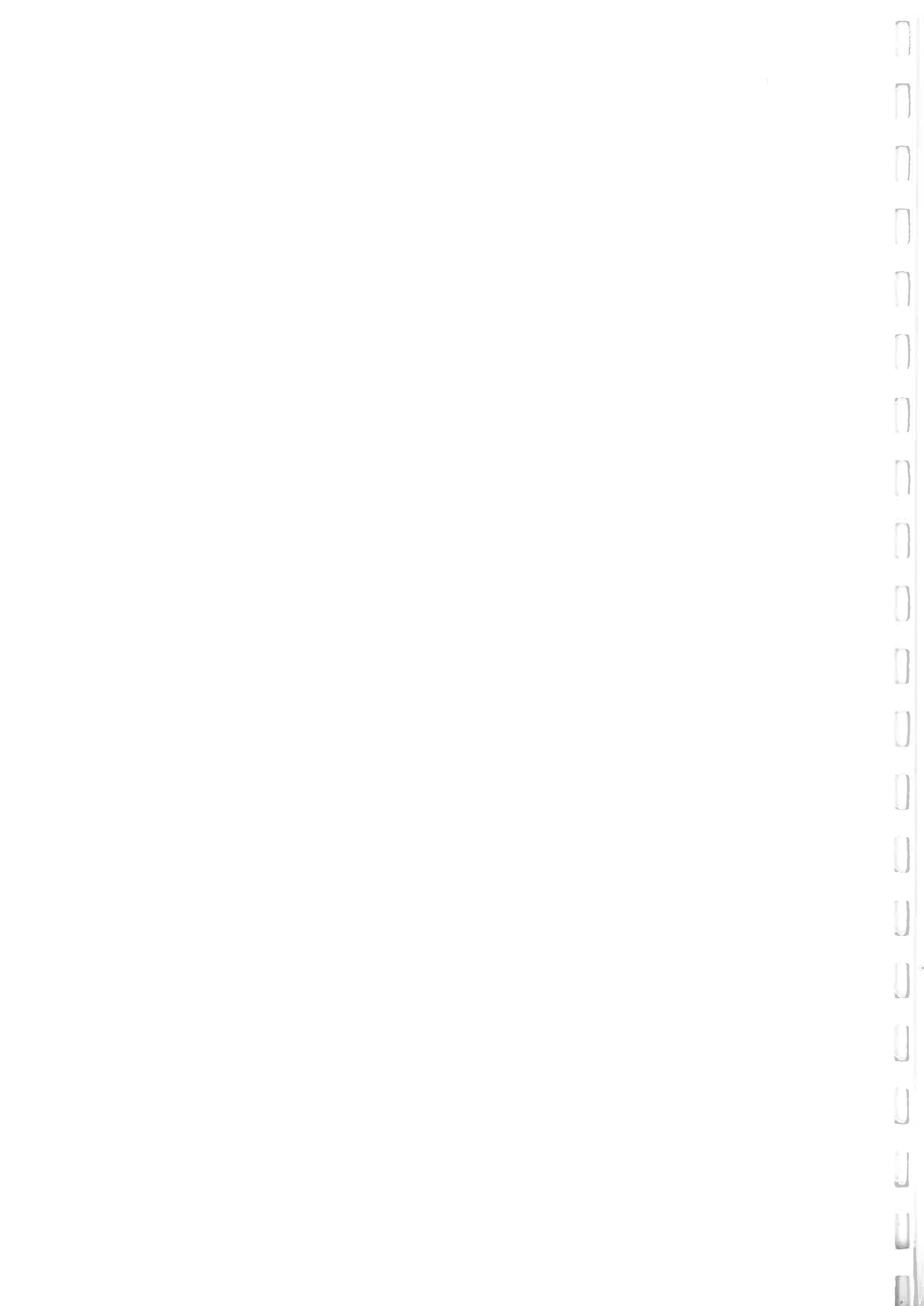
The Basis for Qualified Opinion has resulted in view of the following considerations:

1. The financial statements of Qrendi Local Council for the year ended 31 December 2021, were audited by another auditor who expressed a modified opinion on those statements on 29 July 2022. We had to place a certain degree of reliance on balances brought forward from previous year.
2. Included with trade and other payables under note 17 to the financial statements, there are payables amounting to € 21,000 which could not be corroborated to third party evidence. No alternative procedures could be carried out at year end in confirming the accuracy and veracity of the said amounts.

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 Statement section of our report. We are independent of the Local Council in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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QRENDI LOCAL COUNCIL

INDEPENDENT AUDITORS' REPORT

Responsibilities of those charged with governance for the financial statements

As described on page 1, the Executive Summary and the members of the Local Council are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS as adopted by the EU, 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 Summary and the members of the Local Council 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 there is the intention to liquidate the Local Council or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 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 Local Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

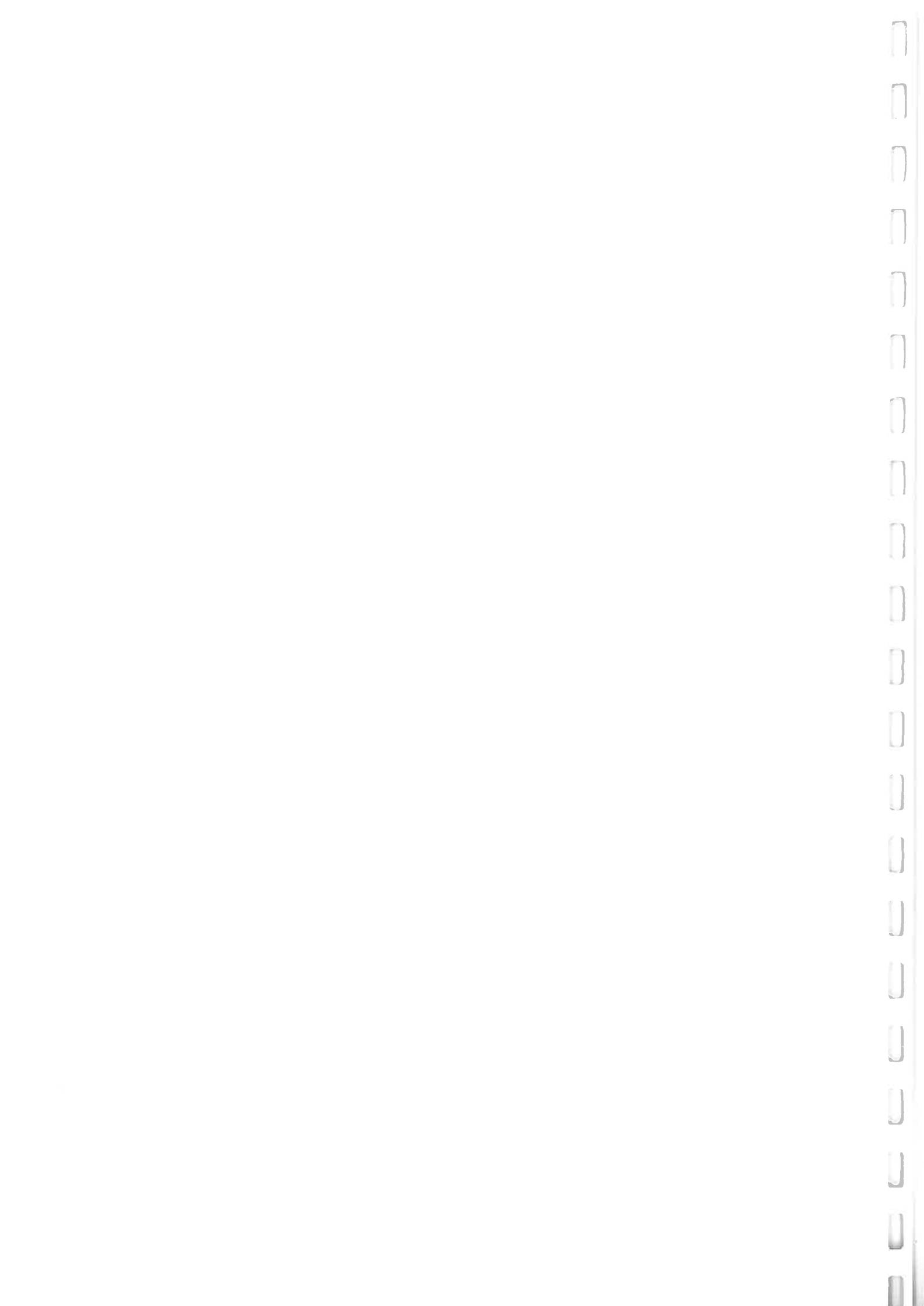
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QRENDI LOCAL COUNCIL**INDEPENDENT AUDITORS' REPORT****Auditors' Responsibilities for the Audit of the Financial Statements (continued)**

- Conclude on the appropriateness of the 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 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 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 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 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 principal authorised to sign on behalf of Parker Russell Turner on the audit resulting in this independent auditors' report is Mr. Arthur Douglas Turner.



Arthur Douglas Turner – Partner
On behalf of Parker Russell Turner

“Parker Russell Turner”,
13, Curate Fenech Street,
Birzebbugia
Malta

28 June 2023

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