

Local Council Sliema

Annual Audit Report

for the year ended 31 December 2022

REGISTRY

20 JUN 2023

NATIONAL AUDIT OFFICE

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**Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2022**


The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's 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 Council (Financial) Regulations, and the Local Council (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, Local Council (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.

This statement was approved by the Council on 30 May 2023 and signed on its behalf by:



John Pillow
Mayor



Anthony Attard
Executive Secretary

**Statement of Comprehensive Income
for the year ended 31 December 2022**

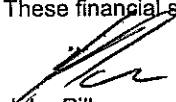
	Notes	2022 €	2021 €
Revenue			
Funds received from Central Government	3	1,610,700	1,568,312
Income raised under Local Council Bye-Laws	4	22,401	22,990
Income raised under Local Enforcement System	5	4,758	3,074
General Income	6	229,189	200,844
		<u>1,867,048</u>	<u>1,795,220</u>
Expenditure			
Personal Emoluments	7	(272,459)	(229,788)
Operations and maintenance	8	(1,109,407)	(1,189,181)
Administration and other expenditure	9	(570,081)	(382,130)
		<u>(1,951,947)</u>	<u>(1,801,099)</u>
Operating loss for the year		(84,899)	(5,879)
Loss for the year	7	<u>(84,899)</u>	<u>(5,879)</u>

The notes on pages 6 to 28 form an integral part of these financial statements.



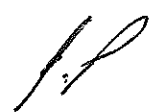
	Notes	2022 €	2021 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	11	800,110	906,277
Intangible assets	10	2,954	4,384
		<u>803,064</u>	<u>910,661</u>
Current Assets			
Receivables	12	323,692	431,406
Cash and cash equivalents	13	1,836,963	1,673,622
		<u>2,160,655</u>	<u>2,105,028</u>
Total Assets		<u>2,963,719</u>	<u>3,015,689</u>
EQUITY			
Reserves			
Retained earnings		1,584,101	1,669,000
Total equity		<u>1,584,101</u>	<u>1,669,000</u>
Non-Current Liabilities			
Deferred income	15	581,881	504,297
		<u>581,881</u>	<u>504,297</u>
Current Liabilities			
Payables	14	567,656	586,394
Deferred Income	15	230,081	255,998
		<u>797,737</u>	<u>842,392</u>
Total Liabilities		<u>1,379,618</u>	<u>1,346,689</u>
Total equity and liabilities		<u>2,963,719</u>	<u>3,015,689</u>

These financial statements were approved by the Local Council on 30 May 2023 and signed on its behalf by:


John Pillow
Mayor


Anthony Attard
Executive Secretary

The notes on pages 6 to 28 form an integral part of these financial statements.



**Statement of Changes in Equity
for the year ended 31 December 2022**

	Retained Funds	Total
	€	€
At 1 January 2021	1,674,879	1,674,879
Loss for the year	(5,879)	(5,879)
At 31 December 2021	1,669,000	1,669,000
At 1 January 2022	1,669,000	1,669,000
Loss for the year	(84,899)	(84,899)
At 31 December 2022	1,584,101	1,584,101

The notes on pages 6 to 28 form an integral part of these financial statements.



Statement of Cash Flows
for the year ended 31 December 2022

	2022		2021	
	€	€	€	€
Net loss for the year	(84,899)		(5,879)	
Reconciliation to cash generated from operations:				
Depreciation and amortisation	93,837		109,258	
Movement in provision for doubtful debtors	23,508		(10,195)	
Bad debts written off	191		-	
Impairment and asset disposal losses	4,321		-	
Operating profit before working capital changes	36,958		93,184	
Decrease in receivables	121,089		124,189	
(Increase) / Decrease in other receivables	(37,074)		162,576	
(Decrease) in payables	(102,691)		(205,961)	
Increase in other payables	83,953		289,513	
Cash generated from operating activities		102,235		463,501
Cash flow from Investing activities				
Purchase of property, plant & equipment	(68,993)		(264,434)	
Receipt of grants	130,099		349,004	
Cash generated from investing activities		61,106		84,570
Net Increase in cash in the year		163,341		548,071
Cash and equivalents at beginning of year		1,673,622		1,125,551
Cash and equivalents at end of year		1,836,963		1,673,622

The notes on pages 6 to 28 form an integral part of these financial statements.




1. General Information

The Sliema Local Council is the local authority of Malta set up in accordance with the Local Councils Act(1993). The office of the Local Council is situated at Government School, Depiro Street, Sliema. These financial statements were approved for issue by the Council Members on 30 May 2023. The Local Council's presentation as well as functional currency are denominated in €.

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.

Accounting convention

These financial statements are prepared under the historical cost convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards (IFRS) as adopted by European Union (EU).

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).

New and amended standards adopted by the Local Council

During the year, the Company has applied the following International Financial Reporting Interpretations & Amendments to standards as adopted by the EU which have become mandatorily effective for the year ending 31 December 2022:

New or revised Amendments adopted:

- Amendments to IAS 16 'Property, plant and Equipment' - Issued on 14 May 2020 and mandatorily effective for annual periods beginning on or after 1 January 2022. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Issued 14 May 2020 and mandatorily effective for annual periods beginning on or after 1 January 2022. The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

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- Annual Improvements to IFRS Standards 2018-2020 - Issued 14 May 2020 and mandatorily effective for annual periods beginning on or after 1 January 2022. The pronouncement makes amendments to the following standards:

- IFRS 1 - The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

- IFRS 9 - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

- IFRS 16 - The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- IAS 41 - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

- Amendment to IFRS 16 'Leases'- Issued on 31 March 2021 and mandatorily effective for annual periods beginning on or after 1 April 2021. The amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

New and revised IFRSs as adopted by the EU that are not mandatorily effective for the year ending 31 December 2022 and have not been applied during the year under review:

Below is a list of new or revised standards, as well as interpretations and amendments to IFRSs as adopted by the EU, that are not yet mandatorily effective (but allow early application) for the year ending 31 December 2022:

- IFRS 17 Insurance Contracts - This new standard issued on 18 May 2017 requires 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 Insurance Contracts as from 1 January 2023.

- Amendments to IFRS 4 'Insurance Contracts' - The amendment issued on 12 September 2016 deals with applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'. It provides two options for entities that issue insurance contracts within the scope of IFRS 4. Application is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

- Amendments to IFRS 17 'Insurance Contracts' - The amendment issued on 25 June 2020 addresses concerns and implementation challenges that were identified after IFRS 17 Insurance Contracts was published in 2017. The key changes are:

- Deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023

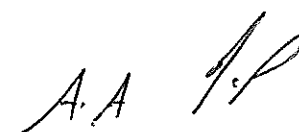
- Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk

- Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognised in a business acquired in a business combination

- Clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level

- Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements

- Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives



- Amendments to require an entity that at initial recognition recognises losses on onerous insurance contracts issued to also recognise a gain on reinsurance contracts held
- Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts
- Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach.

These amendments will become mandatorily effective for annual periods beginning on or after 1st January 2023.

- Amendments to IFRS 4 'Insurance Contracts' - Issued on 25th June 2020, the amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.

- Amendments to IAS 1 'Presentation of financial statements' - Issued on 12 February 2021, the amendments 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.

- Amendments to IAS 8 'Accounting Policies, changes in Accounting Estimates & Errors' - Issued on 12 February 2021, the amendments replace 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.

- Amendments to IAS 12 'Income Taxes' - Issued on 7 May 2021, the amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

- Amendment to IFRS 17 'Insurance Contracts' - Issued on 9 December 2021, the amendment permits entities that first apply IFRS 17 and IFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before.

- Amendments to IFRS 16 'Leases' - Issued on 22 September 2022, the amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.

- Amendments to IAS 1 'Presentation of financial statements' - Issued on 31 October 2022, the amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

Standards and Interpretations issued by the IASB but not yet adopted by the EU:

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the IASB except for the following standards and amendments to the existing standards, which were not endorsed for use in the EU as at 31 December 2022 and cannot be applied by the entities preparing their financial statements in accordance with IFRS as adopted by the EU:

- Amendments to IAS 1 Classification of Liabilities as Current or Non-current (Issued 23 January 2020)
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current - Deferral of Effective Date (Issued 15 July 2020)
- Amendments IFRS Practice Statement 2 regarding the disclosure of Accounting Policies (Issued on 12 February 2021)

The Councillors are assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Councillors anticipate that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

Intangible Assets

Computer Software

Computer software is valued at cost less accumulated depreciation and impairment losses to date. Depreciation to write off the cost is calculated on a monthly basis using the straight line method at 25% per annum.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses 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
Traffic Signs	Replacement basis
Road 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 Statement of Financial Position 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 company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is calculated as the present value of the expected future cash flows, discounted at the original effective interest rate inherent in the assets. The recoverable amount of the assets is the greater of their net selling price and value in use.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

Impairment of financial assets

The Council recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and trade receivables. ECLs are based on the difference between the contracted cash flows due in accordance with the contract and all the cash flows that the Council expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

After the adoption of IFRS 9 as from 1 January 2018, the Council applied the simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Amounts receivable

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less expected credit losses. The amount of credit loss is updated at each reporting period to reflect changes in credit risk since initial recognition.

Amounts receivable are derecognised when the rights to receive cash flows have expired or when substantially all risks and rewards of ownership have been transferred. When there is no reasonable expectation of recovering part or all of an amount receivable, its carrying value is written off.

Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard No. 24.

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Revenue

Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods and services promised.

Local Enforcement System

The Sliema Local Council used to form part of the Lvant Joint Committee up to 31 August 2011. The amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the Joint Committee after deducting the related expenses.

As from 1 September 2011, the Central Regional Committee had taken over the Local Enforcement System function and the Council receives 10% administrative reimbursements on fines collected. Subsequently, as from 1st October 2015, the Local Enforcement System Authority became responsible for the overall management and control of the Local Enforcement System.

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, and are thus deducted from the carrying amount of the relative non-current asset.

Profits and losses

Only profits that were realised at the date of the Statement of 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.

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.

Critical Accounting Estimates and Judgements

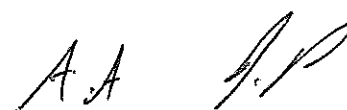
Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Executive Secretary, the accounting estimates and judgements made in the preparation of the Financial Statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS1 (revised) - 'Presentation of Financial Statements'.

Capital Management

The Local Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objectives are to ensure:

- that the Local Council's ability to continue as a going concern is still valid and
- that the Local Council maintains a positive working capital ratio.

To achieve the above, the Local Council carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was positive at the reporting date and has not changed significantly from the previous year. The Local 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.



Financial instruments

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.

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 Local 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 a 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'.

A.A. 

3. Funds received from central government	2022	2021
	€	€
In terms of section 55 of the Local Councils Act	1,414,072	1,385,994
Supplementary Government Income	20,000	-
Other Government Income	176,628	182,318
	<u>1,610,700</u>	<u>1,568,312</u>
4. Income raised from Bye-Laws	2022	2021
	€	€
Bye-Laws - Advertising on Street Furniture	<u>22,401</u>	<u>22,990</u>
5. Local Enforcement System	2022	2021
	€	€
Administrative reimbursement on fines collected	<u>4,758</u>	<u>3,074</u>
6. General Income	2022	2021
	€	€
Community Services	3,500	-
Cultural Events	150	-
General Income	4,757	-
Media Advertising	-	2,024
Donations	1,000	1,000
Refund of expenses	41,223	72,730
Income from Permits	178,559	125,090
	<u>229,189</u>	<u>200,844</u>

7. Loss for the year

	Notes	2022 €	2021 €
Loss for the year is stated after charging:			
Staff salaries	Subnote	272,459	229,788
Depreciation of intangible assets	10	1,431	1,818
Depreciation of tangible assets	11	92,406	107,440

Staff salaries

	2022 €	2021 €
Mayor's Remuneration	20,290	19,418
Councillors' Allowances	31,522	32,174
Executive Secretary Salary and Allowances	44,551	33,778
Employees' Salaries	160,138	130,510
Social Security Contributions	15,958	13,908
	<u>272,459</u>	<u>229,788</u>

Average number of people employed

Employees	9	8
Mayor & Councillors	<u>13</u>	<u>13</u>

8. Operations and Maintenance

	2022 €	2021 €
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	31,204	8,707
Signs	9,380	7,528
Road Markings	1,760	5,774
Office Furniture and Equipment	184	190
Plant & Equipment	2	563
Sundry Repairs	-	3,456
Other repairs and Upkeep	80,690	224,910
	<u>123,220</u>	<u>251,128</u>

AA


<i>Contractual Services:</i>		
Waste Disposal	197,600	198,779
Refuse Collection	421,744	414,176
Bulky Refuse Collection	34,455	34,313
Cleaning Services	39,735	15,576
Road & Street Cleaning	158,259	160,744
Cleaning - Public Conveniences	23,515	24,785
Cleaning - Council Premises	3,473	3,527
Cleaning & Maint. Parks & Gardens	82,512	55,938
Cleaning & Maint. Beaches	-	6,490
Street Lighting	22,783	9,337
Studies & Consultations	1,466	6,133
Local Enforcement Expenses	645	8,255
	<u>986,187</u>	<u>938,053</u>
Total Operations and Maintenance Costs	<u>1,109,407</u>	<u>1,189,181</u>

9. Administration and other expenditure

	Notes	2022	2021
		€	€
Utilities		134,251	25,018
Other repairs and upkeep		42,813	43,382
Rent		4,120	4,548
National and International Memberships		362	(150)
Office Services		9,963	10,455
Transport		16,490	10,697
Travel		6,113	2,044
Information Services		26,534	18,219
Lease of Equipment		1,373	1,191
Insurance Coverage		5,642	4,821
Bank Charges		7,235	1,906
Professional Services		76,521	80,655
Training		9,940	11,773
Other Hospitality Costs		594	489
Social Events		110,050	64,879
Cultural Events		165	-
Sundry Minor Expenses		379	3,140
Provision for Doubtful Debtors		23,508	(10,195)
Bad Debts Written Off		191	-
Depreciation and amortisation	10 , 11	93,837	109,258
		<u>570,081</u>	<u>382,130</u>

10. Intangible fixed assets

	Computer Software €
Cost	
At 1 January 2021	6,170
Assets Capitalised	5,723
At 1 January 2022	<u>11,893</u>
At 31 December 2022	<u>11,893</u>
Accumulated Amortisation	
At 1 January 2021	5,691
Charge for year	1,818
At 1 January 2022	<u>7,509</u>
Charge for year	1,431
At 31 December 2022	<u>8,940</u>
Net book values	
At 31 December 2022	<u>2,954</u>
At 31 December 2021	<u><u>4,384</u></u>

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

1.1. Property, plant and equipment

	Property	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & equipment	Office Furniture & fittings	Motor vehicles	Special Programmes	Total
	€	€	€	€	€	€	€	€	€
Cost									
At 1 January 2021	181,448	491,394	98,345	1,424,110	87,260	56,733	17,026	2,226,753	4,583,069
Additions	-	249,134	-	12,578	1,174	1,548	-	-	264,434
Assets Capitalised	-	(105,280)	-	99,557	-	-	-	-	(5,723)
Assets Disposed/Written Off	-	(243,872)	-	-	-	-	-	-	(243,872)
At 31 December 2021	181,448	391,376	98,345	1,536,245	88,434	58,281	17,026	2,226,753	4,597,908
Depreciation									
At 1 January 2021	37,258	-	98,345	1,097,616	65,091	42,909	17,026	1,232,277	2,590,522
Charge for the year	1,761	-	-	45,330	5,374	2,054	-	52,921	107,440
At 31 December 2021	39,019	-	98,345	1,142,946	70,465	44,963	17,026	1,285,198	2,697,962
Grants									
At 1 January 2021	9,645	-	-	132,594	12,798	2,301	-	745,679	903,017
Grants allocated for year	-	-	-	90,652	-	-	-	-	90,652
At 31 December 2021	9,645	-	-	223,246	12,798	2,301	-	745,679	993,669
Net book values									
At 31 December 2021	132,784	391,376	-	170,053	5,171	11,017	-	195,876	906,277

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

11. Property, plant and equipment	Property	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & equipment	Office Furniture & fittings	Motor vehicles	Special Programmes	Total
	€	€	€	€	€	€	€	€	€
Cost									
At 1 January 2022	181,448	391,376	98,345	1,536,245	88,434	58,281	17,026	2,226,753	4,597,908
Additions	-	44,479	-	17,282	6,813	419	-	-	68,993
Assets Capitalised	-	(130,561)	-	93,211	-	-	-	37,350	-
Assets Disposed/Written Off	-	(4,319)	-	-	(3,602)	(82)	-	-	(8,003)
At 31 December 2022	181,448	300,975	98,345	1,646,738	91,645	58,618	17,026	2,264,103	4,658,898
Depreciation									
At 1 January 2022	39,019	-	98,345	1,142,946	70,465	44,963	17,026	1,285,198	2,697,962
On disposal	-	-	-	-	(3,602)	(82)	-	-	(3,684)
Charge for the year	1,761	-	-	39,149	3,675	1,879	-	45,943	92,407
At 31 December 2022	40,780	-	98,345	1,182,095	70,538	46,760	17,026	1,331,141	2,786,685
Grants									
At 1 January 2022	9,645	-	-	223,246	12,798	2,301	-	745,679	993,669
Grants allocated for year	-	-	-	54,115	-	-	-	24,319	78,434
At 31 December 2022	9,645	-	-	277,361	12,798	2,301	-	769,998	1,072,103
Net book values									
At 31 December 2022	131,023	300,975	-	187,282	8,309	9,557	-	162,964	800,110

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12. Receivables

		2022	2021
		€	€
Receivables	<i>Note</i>	150,271	294,803
LES Debtors		-	256
Other receivables		6,678	11,748
Accrued income		160,619	109,853
Financial assets		317,568	416,660
Prepayments		6,124	14,746
		323,692	431,406

Receivables

General receivables are analysed as follows:

	2022	2021
	€	€
Within credit period	19,804	14,843
Exceeded credit period but not impaired	130,467	277,558
Impaired and provided for	188,826	163,113
Provision for doubtful debts	(188,826)	(163,113)
	150,271	292,401



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12. Receivables (cont.)

Included in the receivables are debtors with a carrying amount of € 130,466 (2021: € 277,558 which are past due at the reporting date for which the council has not provided as there has not been significant change in credit quality and the amounts are still considered recoverable. The age of financial assets past due but not impaired is as follows:

	2022	2021
	€	€
Not more than 3 months	31,567	217,539
More than 3 months but not more than 6 months	-	16,754
More than 6 months	98,899	43,265
	<u>130,466</u>	<u>277,558</u>

The movement in the provision for doubtful debts is as follows:

	2022	2021
	€	€
Balance at 1 January	163,113	164,839
(Decrease)/Increase in provision for general receivables	25,713	(1,726)
	<u>188,826</u>	<u>163,113</u>

Local Enforcement System (LES) Debtors

LES Debtors are stated after a specific provision for doubtful debts amounting to €618,020 (2021 - €648,411).

13. Notes to the Statement of Cash Flows

Cash and cash equivalents included in the Statement of Cash Flows comprise the following amounts in the Statement of Financial Position:

	2022	2021
	€	€
Bank Balances	1,834,947	1,274,319
Cash in Hand	2,016	399,303
	<u>1,836,963</u>	<u>1,673,622</u>

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16. Capital commitments

	2022 €	2021 €
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	<u>2,217,750</u>	<u>1,200,000</u>
(i) Approved but not yet contracted for:		
Urban Improvements	150,000	150,000
Office Furniture & Fittings	10,000	10,000
Vincenzo Apap Monument	-	7,500
Office Equipment	10,000	10,000
Motor vehicle	55,000	40,000
Car Park Project	-	50,000
Restoration of Niches	22,000	26,500
Embellishment of Public Convenience - Ferro Bay	240,000	245,000
Tony Nicholl Monument	5,000	5,000
Construction of Public Convenience - The Strand	150,000	120,000
Restoration of Bisazza Monument	80,000	-
Construction of Pavements - High Street	228,000	228,000
Accessibility of Pavements Project	87,750	-
Water Sculpture Fountain	135,000	-
Development of Playing Fields	800,000	53,000
Development of Open Spaces	<u>245,000</u>	<u>255,000</u>
	<u>2,217,750</u>	<u>1,200,000</u>

The projects outlined above will be mainly financed through funds received from the Regional Committee out of the administration of the Local Enforcement System, the Urban Development Fund and other ordinary funds earmarked specifically out of the annual allocation granted to the Council by Central Government.

17. Contingent liabilities

During 2019, the Council committed a Bank Guarantee in favour of the Planning Authority and amounting to €6,100 in connection with a Project to construct a Car Park Facility in the locality. The Council would be required to pay damages and penalties to the Planning Authority in the event that it does not execute the project in line with what is expected of it under the terms of the development permit.

During 2021, the Council has also committed fourteen Bank Guarantees in favour of the Planning Authority and amounting to €2,300 each (total of €32,200) in connection with a Project to restore a number of niches in the locality. The Council would be required to pay damages and penalties to the Planning Authority in the event that it does not execute the project in line with what is expected of it under the terms of the development permit.

18. Events after the reporting date

No adjusting or significant non-adjusting events have occurred between the end of the reporting period and the date of authorisation by council members.

19. Related party transactions

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Ministry for Tourism	Significant control
Department of Local Councils	Significant control
Lvant Joint Committee (Local Enforcement)	Joint Control
Northern Harbour District Joint Committee	Joint Control
Central Regional Committee	Joint Control
Gozo Regional Committee	No control
South Regional Committee	No control
North Regional Committee	No control
South Eastern Regional Committee	No control
Local Enforcement System Authority	No control
Transport Malta	No control
Department of Information	No control
Director General - DEF	No control
Manufacturing and Servicing Department	No control
Ministry for Resources and Rural Affairs (Dissolved at 31 December 2013)	No control
Ministry of Education - Permanent Secretary	No control
Malta Communications Authority	No control
College Principal - St. Claire College	No control
Local Councils Association Malta	No control
Department of Lands	No control
CVA Technology Limited	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Cleansing Services Department	No control
Director General - Works Division	No control
ARMS Limited	No control
Commissioner of Police	No control
Ministry for Interior and National Security - Permanent Secretary	No control
Wasteserv Malta Limited	No control

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

	Note	2022 €	2021 €
Annual Financial Allocation	3	<u>1,414,072</u>	<u>1,385,994</u>

Key management compensation

Transactions with key management personnel are disclosed in note 7. The key management personnel of the Council is composed of the Mayor, Councillors and Executive Secretary. Amounts paid to Key Management Personnel for the year amounted to € 103,651 (2021: € 88,880)

20. Financial Risk Management

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

Credit risk

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution.

The receivable balances of the Council are mainly composed of balances with government-related entities. Given the low risk associated with such entities, the default risk is considered to be insignificant. Given the fact that this will not result in material misstatement, the Council did not calculate and account for this 'expected credit loss'.

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

	Note	2022 €	2021 €
<i>Classes of financial assets - carrying amounts</i>			
Trade and other receivables	12	317,568	416,660
Cash in bank	13	1,834,947	1,274,319
		<u>2,152,515</u>	<u>1,690,979</u>

The Council does not hold any collateral or other credit enhancements to cover this credit risk.

Liquidity risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact, at year end, the Council has as cash and cash equivalents the amount of € 1,836,963. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net asset position of € 1,584,101 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

At 31 December 2022, the Local Council's financial liabilities have contractual maturities which are summarised below:

	Current	Non-Current	
	within 1 year €	1 to 5 5 years €	later than 5 years €
Payables	372,614	-	-
Other taxes and social security costs	262	-	-
Other creditors	6,720	-	-
Accruals	188,060	-	-
	<u>567,656</u>	<u>-</u>	<u>-</u>

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

	Current	Non-Current	
	within 1 year €	1 to 5 5 years €	later than 5 years €
Payables	475,305	-	-
Other taxes and social security costs	326	-	-
Other creditors	16,967	-	-
Accruals	93,796	-	-
	<u>586,394</u>	<u>-</u>	<u>-</u>

Foreign currency risk

Foreign currency transactions arise when the Local Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Local Council does not trade in any foreign currencies.

Interest rate risk

Interest rate risk mainly arises through interest bearing liabilities and assets. The objective of interest rate risk management is to optimise the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense. The Local Council is not exposed to any variable interest rates liabilities.

21. Summary of financial assets and liabilities

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

	Note	2022 €	2021 €
Current assets			
Financial assets measured at amortised cost			
Trade and other receivables	12	317,568	416,660
Cash and cash equivalents	13	1,836,963	1,673,622
		<u>2,154,531</u>	<u>2,090,282</u>
Current liabilities			
Financial liabilities measured at amortised cost:			
Payables		372,614	475,305
Other taxes and social security costs		262	326
Other creditors		6,720	16,967
Accruals		188,060	93,796
	14	<u>567,656</u>	<u>586,394</u>

22. Fair values estimation

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

Report of the Local Government Auditor

To the Auditor General

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Sliema Local Council set out on pages 2 to 28 which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Council as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Basis for opinion

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

Responsibilities of those charged with governance for the financial statements

As described on page 1 the Executive Secretary and the members of the Local Council are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Legislation, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Secretary and the members of the Local Council are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is the intention to liquidate the Council or to cease operations, or have no realistic alternative but to do so.



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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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





We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Mark Bugeja.

A handwritten signature in blue ink, appearing to read "Mark Bugeja", written over a horizontal line.

Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

Fort Business Centre
Triq L-Intornjatur Zone 1
Central Business District
Birkirkara CBD1050
Malta

30 May 2023

