

XEWKIJA LOCAL COUNCIL

**Annual Report and
Financial Statements
For the Year Ended 31 December 2020**

Prepared by:
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XEWKIJA LOCAL COUNCIL

Report and Financial Statements for the year ended 31 December 2020

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

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

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

Approved by the Council and signed on its behalf on the 25 October 2021 by:



Hubert Saliba
Mayor



Marion Attard
Executive Secretary


STATEMENT OF FINANCIAL POSITION

	Note	2020 €	2019 €
ASSETS			
Non-current assets			
Intangible assets	3	320	640
Property, plant and equipment	4	328,834	279,387
Total non-current assets		329,154	280,027
Current assets			
Receivables	5	111,565	50,359
Cash and Cash Equivalents	6	785,260	799,079
Total Current Assets		896,825	849,438
TOTAL ASSETS		1,225,979	1,129,465
RESERVES AND LIABILITIES			
Reserves			
Retained Fund		616,424	586,992
Current Liabilities			
Payables	7	609,555	542,473
Total reserves and liabilities		1,225,979	1,129,465

The notes on pages 6 to 19 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on 25 October 2021 and signed on its behalf by:


 Hubert Saliba
 Mayor


 Marion Attard
 Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

	Note	2020 €	2019 €
REVENUE			
Funds received from central government	8	465,822	411,878
Funds raised under Local Enforcement System	9	1,378	1,122
General Income	10	12,524	16,079
		<u>479,724</u>	<u>429,079</u>
EXPENDITURE			
Personal Emoluments	11	(109,679)	(79,918)
Operations and maintenance	12	(184,164)	(153,394)
Administration and other expenditure	13	(98,619)	(131,478)
Amortisation	14	(320)	(320)
Depreciation	15	(62,043)	(54,423)
		<u>(454,825)</u>	<u>(419,533)</u>
Operating surplus for the year		24,899	9,546
Investment income	16	23	170
Write-Off of payables		4,510	3,605
Total Comprehensive income for the year		<u>29,432</u>	<u>13,321</u>

The notes on pages 6 to 19 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

	Retained Funds 2020 €	Retained Funds 2019 €
At 1 January	586,992	573,671
Total comprehensive income for the year	<u>29,432</u>	<u>13,321</u>
At 31 December	<u>616,424</u>	<u>586,992</u>

The notes on pages 6 to 19 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

	Note	2020 €	2019 €
Cash Flows from Operating Activities			
Total Comprehensive Income for the year		29,432	13,321
Adjustments for:			
Amortisation		320	320
Depreciation		62,043	54,423
Investment Income		(23)	(170)
		<u>91,772</u>	<u>67,894</u>
(Increase) in receivables		(61,206)	(7,433)
Increase/(Decrease) in Payables		44,471	(10,024)
Net Cash generated from operating activities		<u>75,037</u>	<u>50,437</u>
Cash flows from Investing Activities			
Purchase of property, plant and equipment		(196,249)	(120,498)
Investment Income		23	170
Capital grants received		107,234	422,041
Net Cash (used in)/generated from investing activit		<u>(88,992)</u>	<u>301,713</u>
Net movement in cash and cash equivalents		(13,955)	352,150
Cash and cash Equivalents at the beginning of the year		<u>798,485</u>	<u>446,335</u>
Cash and Cash Equivalents at the end of the year	5	<u>784,530</u>	<u>798,485</u>

The notes on pages 6 to 19 are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS**1. General Information**

Xewkija Local Council is the local authority of Xewkija setup in accordance with the Local Councils Act. The office of the Local Council is situated at 28, Triq Santa Katerina, Xewkija XWK 2032.

2. Accounting Policies and Reporting Procedures

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

(a) Accounting convention

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

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

(b) Standards, amendments and interpretations to existing standards

Certain new standards, amendments and interpretations to existing standards have been published by the date of the authorisation for issue of these financial statements, that are mandatory for the Council's accounting periods beginning after 01 January 2021 or later periods. The Council has not early adopted these revisions to the requirements of IFRSs and the Council is of the opinion that there are no requirements that will have a possible significant impact on the Council's financial statements in the year of initial application.

(c) Revenue recognition

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

(d) Local Enforcement System

During 2020 the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is chargeable to LESA and the various Regional Committees for contraventions paid at the Council.

(e) Intangible Assets

Intangible assets are initially capitalised at cost, which includes the purchase price and other directly attributable cost of preparing the asset for its intended use. Costs associated with maintaining the intangible asset are recognised as an expense when incurred.

NOTES TO THE FINANCIAL STATEMENTS - continued

2. Accounting Policies and Reporting Procedures (continued)

(e) Intangible Assets (continued)

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 4 years.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(f) Property, Plant and Equipment

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - continued**(g) Government Grants**

Government grants are accounted for on the Capital Approach according to IAS 20 as the Council adopted Directive 1/2017 issued by the Department of Local Council. With the Capital Approach, any grants received are netted off against the cost and any expense incurred to the asset to which they relate. Depreciation will be accounted on the resulting cost less grant. Grants relating to operating expenditure are recognised in profit or loss in the same period that the related expenditure is incurred.

(h) Impairment of Assets

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

(i) 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.

(j) Foreign Currencies

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

(k) Surplus and deficits

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

(l) 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.

(m) Related parties

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

NOTES TO THE FINANCIAL STATEMENTS - continued**(n) 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.

(o) Financial Instruments

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

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

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

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

Financial assets

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

Receivables are subject to review for impairment at least at each reporting date.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - continued

(o) Financial Instruments (continued)**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'.

(p) 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).

3 Intangible assets

	Computer Software €
Cost	
Opening Balance	1,281
Balance as at 31 December 2020	<u>1,281</u>
Amortisation	
Opening balance	(641)
Amortisation	(320)
Balance as at 31 December 2020	<u>(961)</u>
At 31 December 2019	640
At 31 December 2020	<u>320</u>

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NOTES TO THE FINANCIAL STATEMENTS

4. Property, Plant and Equipment

	Property	Office Furniture /Fittings	Computer Equipment	Office Equipment	Urban Improvements	Motor Vehicle	New Street Signs	Construction and Paving	Assets Under Construction	Total
Tangible Assets										
Cost										
At 1 January 2020	85,539	47,812	7,096	34,538	446,922	3,225	32,527	1,323,006	-	1,980,665
Additions this year	-	1,523	4,858	779	11,823	-	-	144,900	32,366	196,249
Reclassifications	-	-	-	-	-	-	-	-	-	-
At 31 December 2020	85,539	49,335	11,954	35,317	458,745	3,225	32,527	1,467,906	32,366	2,176,914
Grants and other reimbursements										
At 1 January 2020	-	-	(1,407)	-	(3,115)	-	-	(843,647)	-	(848,169)
Additions	-	-	-	-	-	-	-	(52,392)	(32,366)	(84,758)
Reclassifications	-	-	-	-	-	-	-	-	-	-
At 31 December 2020	-	-	(1,407)	-	(3,115)	-	-	(896,039)	(32,366)	(932,927)
Depreciation										
At 1 January 2020	(14,316)	(22,776)	(5,658)	(28,412)	(414,025)	(1,397)	(32,527)	(333,999)	-	(853,110)
Charge for the year	(855)	(3,628)	(444)	(1,921)	(4,614)	(645)	-	(49,936)	-	(62,043)
At 31 December 2020	(15,172)	(26,404)	(6,102)	(30,334)	(418,638)	(2,042)	(32,527)	(383,935)	-	(915,153)
Net Book Value										
At 31 December 2020	70,367	22,931	4,446	4,983	36,992	1,183	-	187,932	-	328,834

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NOTES TO THE FINANCIAL STATEMENTS - continued

4. Property, Plant and Equipment

	Property	Office Furniture /Fittings	Computer Equipment	Office Equipment	Urban Improvements	Motor Vehicle	New Street Signs	Construction and Paving	Assets Under Construction	Total
Tangible Assets										
Cost										
At 1 January 2019	85,539	38,143	7,096	27,716	426,451	3,225	32,527	1,114,476	124,994	1,860,167
Additions this year	-	3,683	-	6,822	16,813	-	-	4258	88,922	120,498
Reclassifications	-	5,986	-	-	3,658	-	-	204,272	(213,916)	-
At 31 December 2019	85,539	47,812	7,096	34,538	446,922	3,225	32,527	1,323,006	-	1,980,665
Grants and other reimbursements										
At 1 January 2019	-	-	(1,407)	-	(3,115)	-	-	(688,412)	-	(692,934)
Additions	-	-	-	-	-	-	-	(155,235)	-	(155,235)
Reclassifications	-	-	-	-	-	-	-	-	-	-
At 31 December 2019	-	-	(1,407)	-	(3,115)	-	-	(843,647)	-	(848,169)
Depreciation										
At 1 January 2019	(13,461)	(19,189)	(5,625)	(26,628)	(410,270)	(752)	(32,527)	(290,235)	-	(798,687)
Charge for the year	(855)	(3,587)	(33)	(1,784)	(3,755)	(645)	-	(43,764)	-	(54,423)
At 31 December 2019	(14,316)	(22,776)	(5,658)	(28,412)	(414,025)	(1,397)	(32,527)	(333,999)	-	(853,110)
Net Book Value										
At 31 December 2019	71,223	25,036	31	6,126	29,783	1,828	-	145,360	-	279,387

NOTES TO THE FINANCIAL STATEMENTS - continued

5. Receivables

	2020	2019
	€	€
Accounts Receivable	46,490	34,623
Provision for bad debts	(3,071)	(7,252)
Prepayments and accrued income	68,146	22,988
	<u>111,565</u>	<u>50,359</u>

Receivables Analysis

	2020	2019
	€	€
Within the credit period	18,450	10,087
Amounts against which a provision was made	(3,071)	(7,252)
Exceeded credit period but not yet impaired	28,040	24,536
Accrued Income	67,612	22,034
Prepayments	534	954
	<u>111,565</u>	<u>50,359</u>

6. Cash and Cash Equivalents

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

	2020	2019
	€	€
Bank Balances:		
Ordinary funds	690,460	713,601
Funds at central bank	94,567	85,472
Cash in hand	233	6
Overdrawn balances	(730)	(594)
	<u>784,530</u>	<u>798,485</u>
Transfer to payables (Note 6)	730	594
Cash at bank and in hand	<u>785,260</u>	<u>799,079</u>

7. Payables

	2020	2019
	€	€
Accounts Payable	75,935	62,791
Other payables	13,388	2,918
Accruals	30,596	9,739
Grants received in advance	488,906	466,431
Overdrawn bank balances (Note 5)	730	594
	<u>609,555</u>	<u>542,473</u>

Note: The grants received in advance in 2019 represent funding received on Triq il-Kbira (€178,505), Measure 4.4, (€72,422), St Elizabetta Street (€206,230), grant on Library Scheme (€2,890) and excess funds received on Measure 4.3 of (€6,384). The grants received in advance in 2020 represent funding received on Triq il-Kbira (€178,505), Measure 4.4, (€94,897), St Elizabetta Street (€206,230), grant on Library Scheme (€2,890) and excess funds received on Measure 4.3 of (€6,384). Once the projects commence these will be capitalised under Property, plant and equipment. Capital commitments in relation to these grants are explained under Note 19 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - continued

8. Funds received from the Central Government

	2020	2019
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	394,676	375,904
Other Government Income	71,146	35,974
	<u>465,822</u>	<u>411,878</u>

9. Income raised from Local Enforcement System

	2020	2019
	€	€
Income from administrative fees	1,378	1,122

10. General Income

	2020	2019
	€	€
Income from permits	6,866	10,045
General income	1,880	-
Contributions and awards	3,778	6,034
	<u>12,524</u>	<u>16,079</u>

11. Personal Emoluments

	2020	2019
	€	€
Personal emoluments include, inter alia:		
Mayor's honoraria	10,404	9,438
Mayor and Councillors' Allowance	13,000	9,691
Executive Secretary salary and allowances	31,402	30,601
Employees' Salaries	48,166	23,426
Social Security Contributions	6,707	6,762
	<u>109,679</u>	<u>79,918</u>

12. Operations and Maintenance

	2020	2019
	€	€
Operations and maintenance includes, inter alia:		
Repairs and Upkeep:		
Road and Street Pavements (patching works)	-	14,595
Repairs	6,463	9,237
Street signs and markings	6,546	12,526
Trees planting and related expenses	-	4,000
	<u>13,009</u>	<u>40,358</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

Contractual Services:

	2020	2019
	€	€
Operations and maintenance includes, inter alia:		
Repairs and Upkeep:		
Refuse Collection (including bins on wheels)	106,226	50,490
Bulky Refuse Collection (incl open skips)	379	712
Road and street cleaning (mechanical and manual)	13,000	15,149
Cleaning and maintenance of Public Conveniences	4,077	5,947
Maintenance parks and gardens and verges	6,994	10,888
Cleaning of council property	-	270
Tipping fees	25,225	21,171
Street Lighting	15,254	8,409
	<u>171,155</u>	<u>113,036</u>
Total Operations and Maintenance Expenses	<u>184,164</u>	<u>153,394</u>

13. Administration and other expenditure

	2020	2019
	€	€
Utilities	10,259	9,092
Other repairs and upkeep	11,482	8,518
National and Memberships	-	555
Rent	1,616	1,616
Office services	4,094	10,406
Travel	-	2,813
Transport	656	7,230
Information services	9,383	9,087
Other contractual services	2,312	2,662
Professional Services	23,718	18,039
Community and Hospitality	35,099	61,409
Sundry minor expenses	-	51
	<u>98,619</u>	<u>131,478</u>

14. Amortisation

	2020	2019
	€	€
Amortisation	320	320
	<u>320</u>	<u>320</u>

15. Depreciation

	2020	2019
	€	€
Depreciation	62,043	54,423
	<u>62,043</u>	<u>54,423</u>

16. Investment Income

	2020	2019
	€	€
Bank Interest	23	170

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XEWKIJA LOCAL COUNCIL

REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL

Report on the audit of the financial statements

Qualified Opinion

We have audited the accompanying financial statements of Xewkija Local Council, which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 2 - 19.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the financial statements give a true and fair view of the financial position of the Local Council as of 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Qualified Opinion

No complete fixed assets register was provided to us during our audit and consequently, we could not carry out satisfactory audit procedures to obtain reasonable assurance on the existence and completeness of the property, plant and equipment as disclosed in note 4 to these financial statements.

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

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

Basis for Qualified Opinion - continued

During the year ended 31st December 2019, the Local Council carried out an exercise on the accrued income that has been brought forward for several years. Any accrued income for which no supporting documentation was found and the recoverability of which could not be verified, was written off against the opening retained earnings through a prior year adjustment. The total amount written off was €49,164. Out of this amount, €39,667 related to the PPP project and therefore these funds should have been deducted from the grants capitalized under the property, plant and equipment and an adjustment to the depreciation on that project should have been passed. No corrective action was taken during the current

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

Other Information

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

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

Council Responsibilities for the Financial Statements

As described on page 1, the Executive Secretary and the Local Council Members are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Executive Secretary and the Local Council Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Secretary and the Local Council Members are responsible for assessing the Local Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to presume that the Local Council will continue as a going concern.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We communicate with the Executive Secretary and the Local Council Members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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



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

RSM Malta
Certified Public Accountants

Date: 25th October 2021