

PEMBROKE LOCAL COUNCIL
REPORT & FINANCIAL STATEMENTS
For the year ended 31st December 2021

Prepared by: Ryan Muscat, ACCA, CPA,

3, Sqaq il-Gilju, Ghaxaq



Kunsill Lokali
Pembroke

13 JUN 2022

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NATIONAL AUDIT OFFICE

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

The Local Councils (Financial) Regulations 1993 require the Executive Secretary to prepare a detailed Annual Administrative Report which includes the Local Council's Statement of Profit or Loss and Other Comprehensive Income for the year and of the Council's retained funds at the end of this 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 1993, 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 Local Council on 27 April 2022 and signed on its behalf by:



Dr. Dean Hili LLD
(Mayor)



Mr. Kevin Borg
(Executive Secretary)

Report of the Local Government Auditor

To the Auditor General

Report on the audit of the financial statements

Qualified opinion

We have audited the financial statements of Pembroke Local Council set out on pages 4 to 23 which comprise the statement of financial position as at 31 December 2021, 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, except for the effects of the matter described in the Basis for qualified opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Local Council as at 31 December 2021, 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 qualified opinion

Up to 31 August 2011, all income and expenditure from the Local Enforcement System (LES) were centralised through the Lvant Joint Committee of which Pembroke Local Council formed part. The Joint Committee ceased operations on that date. The most recent audited financial statements of the Joint Committee that were made available to us are those for the year ended 31 December 2011. Those financial statements show that the Committee had accumulated reserves amounting to € 3.01 million. Due to the uncertainty as to whether the Council will receive further amounts from the Committee, the Council has not recognised any receivable from the Committee. In the absence of more recent audited financial statements, we are unable to determine whether the Council is entitled to receive any further income from the Joint Committee.

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 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 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 qualified opinion.

Responsibilities of those charged with governance for the financial statements

As described on page 2 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 Local 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 Local 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 Local 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 Local 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 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 engagement partner on the audit resulting in this independent auditor's report is Mark Bugeja.

A handwritten signature in black ink, appearing to be "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 CBD 1050
Malta

27 April 2022

Report of the Local Government Auditors' on the Pembroke Local Council to the Director of Audit

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31st December 2021

	Notes	Year Ended 2021 €	Year Ended 2020 €
Income			
Funds received from Central Government	3	531,840	500,837
Income raised by Local Council Bye-Laws	4	882	883
Income from Law Enforcement System	5	4,083	3,049
General Income	6	38,323	16,883
		<u>575,128</u>	<u>521,652</u>
Expenditure			
Personnel emoluments	7	98,478	105,485
Operations and maintenance	8	274,752	330,673
Administrative and other expenditure	9	92,816	116,398
		<u>466,046</u>	<u>552,556</u>
Operating profit / loss for the year		109,082	(30,904)
Profit / loss for the year		109,082	(30,904)
Total comprehensive income / loss for the year		109,082	(30,904)


The notes on pages 8 to 23 form an integral part of these financial statements.

Statement of Financial Position as at 31st December 2021


	Notes	Year Ended 2021 €	Year Ended 2020 €
Assets			
<u>Non-current assets</u>			
Property, plant and equipment	10	140,731	164,894
Total non-current assets		140,731	164,894
<u>Current assets</u>			
Inventories	11	1,534	1,562
Trade and other receivables	12	21,426	94,598
Cash and cash equivalents	13	650,155	465,916
Total current assets		673,115	562,076
Total assets		813,846	726,970
Reserves and liabilities			
<u>Reserves</u>			
Retained earnings		724,925	615,843
Total Reserves		724,925	615,843
<u>Current liabilities</u>			
Trade and other payables	14	88,921	111,127
Total current liabilities		88,921	111,127
Total reserves and liabilities		813,846	726,970

The notes on pages 8 to 23 form an integral part of these financial statements.

These financial statements were approved by the Local Council on 27 April 2022 and are signed by:



Dr. Dean Hill LLD
(Mayor)



Mr. Kevin Borg
(Executive Secretary)

Statement of Changes in Equity for the year ended 31st December 2021

	Retained earnings €
At 1 January 2020	646,747
Loss for the year	(30,904)
At 31 December 2020	615,843
At 1 January 2021	615,843
Profit for the year	109,082
At 31 December 2021	724,925

Statement of Cash Flows for the year ended 31st December 2021

	Notes	2021 €	2020 €
Cash flows from operating activities			
Profit for the year		109,082	(30,904)
<u>Adjustments for:</u>			
Depreciation		24,899	72,921
Reversal of provision for doubtful debts		(111)	(211)
Operating surplus before working capital changes		133,870	41,806
Movements in working capital:			
Movement in inventories		28	30
Movement in trade and other receivables		73,283	(77,412)
Movement in trade and other payables		(19,299)	19,858
Net cash generated from operating activities		187,882	(15,718)
Cashflows from investing activity			
Payment to acquire property, plant and equipment		(3,643)	(119,047)
Cash used in investing activity		(3,643)	(119,047)
Cash flows from financing activity			
Grants received		-	59,000
Cash generated from financing activity		-	59,000
Net movement in cash and cash equivalents in the year		184,239	(75,765)
Cash and cash equivalents at beginning of year	13	465,916	541,681
Cash and equivalents at end of year	13	650,155	465,916
Cash and equivalents – cash at bank and on hand		650,155	465,916

The notes on pages 8 to 23 form an integral part of these financial statements.

Notes to the Financial Statements for the year ended 31st December 2021

1. General Information

Pembroke Local Council is the local authority of Pembroke set up in accordance with the Local Councils Act 1993. The office of the Local Council is situated at Triq il-Alamein, Pembroke, Malta. These financial statements were approved by the Council on 27 April 2022.

The Local Council's presentations as well as functional currency are denominated in Euro (€). Its ultimate controlling party is the Department for Local Government.

2. Accounting Policies and Reporting Procedures

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 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.

New or revised standards or interpretations

New standards adopted as at 1 January 2021

Some accounting pronouncements which have become effective from 1 January 2021 and have therefore been adopted do not have a significant impact on the Local Council's financial results or position.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Local Council

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Local Council.

Management anticipates that all of the relevant pronouncements will be adopted in the Local Council's accounting policies for the first period beginning after the effective date of the pronouncement. No new standards, amendments and interpretations are expected to be relevant to the Local Council's financial statements.

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, 1993 (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, as adopted by the 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, 1993 (Cap 363).

Notes to the Financial Statements for the year ended 31st December 2021**Income Recognition**

Income in general is stated when there is reasonable certainty that the income would be receivable and thus can be accrued for. Other income such as that derived from the organization of courses, cultural, sporting and social activities is only recognized on a cash basis. Income from investment activities is recognized when the rights of receipt have been established. Interest income from financial assets is recognized when it is probable that the economic benefits will flow to the Council and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Local Enforcement System

Local Enforcement Income represents the income as it accrues from contraventions as controlled by the Local Enforcement System (L.E.S). The amount receivable from the Local Enforcement System is disclosed in the statement of financial position. A full provision for bad debts is accounted for receivables aged over two years. As from the 1st September 2011, the Council forms part of the North Regional Committee, which is responsible for the L.E.S income of the locality. The contract provides for a 10% administration fee payable to the Council for contraventions collected by the Council and remitted to the respective Regional Committees. During the year the L.E.S. undergone changes with the introduction of the LESA which has taken over the functions previously undertaken by the Regional Committees.

Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment loss to date. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The present values of property, plant and equipment do not differ materially from those that would be determined by using fair values at the end of each reporting period. Subsequent costs are included in the asset's carrying amount 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.

Council and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

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:

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

Notes to the Financial Statements for the year ended 31st December 2021

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 surplus. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each year end. 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 Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit or Loss and Other Comprehensive Income during the financial year in which they are incurred.

Impairment of property, plant and equipment

At the end of each reporting period, the Local Council reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Council estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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.

Notes to the Financial Statements for the year ended 31st December 2021

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.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within 'finance costs', 'finance income' or 'other financial items'.

Subsequent measurement of financial assets

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 trade and most receivables fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the requirements include 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

Notes to the Financial Statements for the year ended 31st December 2021

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 trade and other 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 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'.

Related Parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard No. 24. The paragraphs adopted from IAS 24 are paragraph 25 – 27, being amendments to government related entities disclosures.

Leases

Leases in which a significant portion of the risk 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.

Notes to the Financial Statements for the year ended 31st December 2021 (cont.)

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.

Up to the year ended 31st December 2017, government grants were accounted for using the income approach according to IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance." On 1st January 2018, the capital approach, according to IAS 20, has been adopted, in line with the directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting policy, and; according to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors," it has been accounted for retrospectively.

Inventories

Inventories are valued at lower of cost and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the costs to be incurred in selling.

Profits and Losses

Only profits that were realized at the reporting date 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 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.

Critical accounting estimates and judgments

Estimated 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 estimated are 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 requirement of IAS1 – 'Presentation of Financial Statements'.

Capital Management Policies and Procedures

The Local Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objective is 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 this, the Local Council carries out a quarterly review of the working capital ratio (Financial Situation Indicator). This ratio was positive at the reporting date. 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.

Notes to the Financial Statements for the year ended 31st December 2021**3. Funds received from Central Government**

	2021	2020
	€	€
In terms of section 55 of the Local Councils Act (Cap 363)	483,872	472,032
Other government income	47,968	28,805
	<u>531,840</u>	<u>500,837</u>

4. Income raised from Bye-Laws

	2021	2020
	€	€
Income raised under Local Council Bye-Laws	<u>882</u>	<u>883</u>

5. Income from Local Enforcement System

	2021	2020
	€	€
Fines, penalties and fees	<u>4,083</u>	<u>3,049</u>

6. General Income

	2021	2020
	€	€
Donations and sponsorships	900	3,363
Income from permits	10,817	7,530
Other income	26,606	5,990
	<u>38,323</u>	<u>16,883</u>

Notes to the Financial Statements for the year ended 31st December 2021 (cont.)**7. Personal Emoluments**

	2021	2020
	€	€
Mayor's allowance	10,571	10,404
Councillors' allowances	13,000	13,000
Executive Secretary's salary and allowances	35,848	32,547
Employees' salaries	33,547	43,180
Social security contributions	5,512	6,354
	<u>98,478</u>	<u>105,485</u>

8. Operations and Maintenance

	2021	2020
	€	€
Repairs and upkeep:		
Road and street pavements	33,533	90,815
Public property	5,104	11,600
Street signs	7,562	10,909
Other repairs and upkeeping	241	484
Road markings	15,479	-
	<u>61,919</u>	<u>113,808</u>

Contractual Services:

Refuse collection	70,139	66,725
Bulky refuse collection	12,051	12,547
Road and Street Cleaning & premises	37,966	39,108
Cleaning and Maintenance of non-urban roads	18,598	18,602
Cleaning and Maintenance of Parks and Gardens	17,055	17,055
Cleaning and Maintenance of verges	20,711	20,355
Cleaning and Maintenance of Council Property	2,397	2,490
Cleaning and Maintenance of Public Conveniences	4,096	4,525
Local Enforcement System (L.E.S) Expenses	67	67
Street lighting expenses	16,435	28,224
Other contractual services	13,318	7,167
	<u>212,833</u>	<u>216,865</u>
Total Operations and Maintenance Expenses	<u>274,752</u>	<u>330,673</u>

Notes to the Financial Statements for the year ended 31st December 2021 (cont.)

9. Administration and other expenditure

	2021	2020
	€	€
Depreciation	24,899	72,921
Water, electricity, and telecommunications	6,037	7,531
Rent	1,456	1,311
National and international memberships	0	86
Office services	5,870	6,223
Insurance	6,305	2,912
Library expenses	1,666	1,005
Transport	1,574	1,029
Advertising and public relations	302	697
Professional services	37,625	21,036
Community and hospitality	6,855	1,158
Sundry minor expenses	36	594
Reversal of provision for bad debts	(111)	(210)
Bank charges	302	105
Total Administration and other expenses	92,816	116,398

Notes to the Financial Statements for the year ended 31st December 2021 (cont.)

10. Property, plant and equipment	Office Furniture, & Fittings €	Office Equipment €	New Street Signs €	Plant & Machinery €	Const. & Street Paving €	Special Projects €	Trees €	Urban Improvement €	Total €
Cost									
At 1 January 2020	24,745	55,474	11,787	6,359	622,449	653,660	17,307	753,446	2,145,227
Additions	-	4,654	-	-	-	-	-	114,393	119,047
Disposals	-	(20,246)	-	(2,134)	(1,226)	-	-	(4,675)	(28,281)
Less government grants prior years	-	(7,351)	-	-	(51,423)	(653,660)	-	(292,684)	(1,005,118)
Less government grants current year	-	-	-	-	-	-	-	(59,000)	(59,000)
At 31 December 2020	24,745	32,531	11,787	4,225	569,800	-	17,307	511,480	1,171,875
Depreciation									
At 1 January 2020	(20,683)	(41,497)	(11,787)	(6,308)	(560,609)	-	-	(321,458)	(962,342)
Disposal	-	20,246	-	2,134	1,226	-	-	4,675	28,281
Charge for the year	(2,044)	(689)	-	(12)	(7,679)	-	-	(62,496)	(72,920)
At 31 December 2020	(22,727)	(21,940)	(11,787)	(4,186)	(567,062)	-	-	(379,279)	(1,006,981)
Net book value at 31 December 2020	2,018	10,591	-	39	2,738	-	17,307	132,201	164,894

Notes to the Financial Statements for the year ended 31st December 2021 (cont.)

10. Property, plant and equipment	Office Furniture, & Fittings €	Office Equipment €	New Street Signs €	Plant & Machinery €	Const. & Street Paving €	Special Projects €	Trees €	Urban Improvement €	Total €
Cost									
At 1 January 2021	24,745	39,882	11,787	4,225	621,223	653,660	17,307	863,164	2,235,993
Additions	-	3,643	-	-	-	-	-	-	3,643
Less Govt Grants prior years	-	(7,351)	-	-	(51,423)	(653,660)	-	(351,684)	(1,064,118)
Less Govt Grants current year	-	(2,907)	-	-	-	-	-	-	(2,907)
At 31 December 2021	24,745	33,267	11,787	4,225	569,800	-	17,307	511,480	1,172,611
Depreciation									
At 1 January 2021	(22,727)	(21,940)	(11,787)	(4,186)	(567,062)	-	-	(379,279)	(1,006,981)
Charge for the year	(773)	(1,845)	-	(12)	(2,738)	-	-	(19,531)	(24,899)
At 31 December 2021	(23,500)	(23,785)	(11,787)	(4,198)	(569,800)	-	-	(398,810)	(1,031,880)
Net book value at 31 December 2021	1,245	9,482	-	27	-	-	17,307	112,670	140,731

Notes to the Financial Statements for the year ended 31st December 2021 (cont.)

11. Inventories

	2021	2020
	€	€
Books and other publications	1,534	1,562

12. Trade and other receivables

	2021	2020
	€	€
Amount invoices but not yet settled. (Note 12.1)	11,853	89,577
Allowance for doubtful debts	(4,200)	(4,200)
Pre-pooling LES Debtors	95,740	96,043
Provision for LES Debtors	(95,740)	(96,043)
Other debtors	1,731	0
Accrued income	4,170	2,404
Financial assets at amortised cost	13,554	87,781
Advances to suppliers	233	-
Prepayments	7,639	6,817
Total trade and other receivables	21,426	94,598

Note 12.1

Receivables within credit period	7,653	85,377
Allowance for doubtful debts	4,200	4,200
	11,853	89,577

None of the receivables are at impaired status

The credit period on receivables (Note 12.1) is of 90 days. No interest is charged on receivables for the first 90 days from the date of request of payment. Thereafter, the Local Council may consider imposing an interest charge of 2% per annum on the outstanding balance. Allowances for doubtful debts are recognised against receivables after 730 days (two years). Receivables disclosed in (Note 12.1) include amounts that are past due at the end of the reporting date for which the Council has not recognised an allowance for doubtful debts, as these are still considered recoverable.

13. Cash and Cash Equivalents

	2021	2020
	€	€
Cash on hand	700	829
Cash on bank	649,455	465,087
	650,155	465,916

Notes to the Financial Statements for the year ended 31st December 2021 (cont.)**14. Trade and other payables**

	2021	2020
	€	€
Trade payables	17,540	18,173
Accruals and deferred Income	53,262	66,037
Other creditors	-	1,607
Financial liabilities at amortised cost	70,802	85,817
Deferred income	-	1,476
Government grants not yet utilised	18,119	23,834
	88,921	111,127

Accruals include estimated for goods and services received prior to 31 December 2021 and for which invoices have not yet been received by the Local Council.

15. Fair Values Estimation

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

16. Related party transactions

The Pembroke Local Council has the following related parties, exercising:

- i. Significant Control – The Department of Local Government
- ii. No Control- Arms Ltd., Water Services Corporation, Enemalta Corporation, WasteServ Malta Ltd., Malta Information Technology Agency, Northern Harbour District Joint Committee, Malta Tourism Authority, Bank of Valletta plc., South Regional Committee, Gozo Regional Committee, South-eastern Regional Committee, Central Regional Committee, LESA, Police General Head Quarters, Malta Environment and Planning Authority, Department of Lands and the Department of Information.

In the ordinary course of its operations, the Council received funds and income from the related parties. The Council's income reflected in the statement of profit or loss and comprehensive income comprises funds received from the Central Government amounting to €483,872 (2020: €472,032).

In the opinion of the Local Council's members, disclosure of related party transactions, which are generally carried out, is only necessary when the transactions effected have a material impact on the operating results and financial position of the Council.

Notes to the Financial Statements for the year ended 31st December 2021 (cont.)**17. Financial Risk Management**

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

Market Risk

The Local Council's interest rate risk arises from its deposits with financial institutions. The Local Council does not have any long-term borrowings. In general, the Local Council's exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows are not deemed to be substantial by the Councillors and Executive Secretary in view of the nature of the assets and liabilities.

Credit Risk

Financial assets which potentially subject the Local Council to concentrations of credit risk which are principally made up of cash at bank and debtors. The Local Council's cash is placed with a quality financial institution. The Local Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Local Council places a provision on any debt on which there is doubt of recoverability. Furthermore, credit risk is limited due to the fact that government-owned customers comprise a high percentage of the council's debtor base. LES Debtor balance has been provided for fully with an allowance for bad debts.

The Local Council's exposure to credit risk is limited to the carrying amount of financial assets recognized at the date of the Statement of Financial Position (as disclosed in Notes 14 and 15, and as referred to here under), which arises from cash and cash equivalents and credit exposures from receivables as follows:

	2021	2020
	€	€
Trade and other receivables (Note 12)	13,554	87,781
Cash and cash equivalents (Note 13)	650,155	465,916
	<u>663,709</u>	<u>553,697</u>

LES debtor relate to sentenced cases arising from contraventions which are legally due to the Local Council. The credit risk exposure is high on LES debtor as the Local Council has no control on such collectables. Cash at bank relates to balances held as savings accounts placed with a local reliable financial institution. The credit risk exposure in this respect is considered low.

Foreign currency risk

Most of the Local Council's transactions are carried out in Euro. Exposure to foreign currency exchange rates arise from the Local Council's transactions in foreign currency. There were no figures translates from foreign currency to Euro as at the date of the Statement of the Financial Position, thus putting the foreign currency risk at nil.

Notes to the Financial Statements for the year ended 31st December 2021 (cont.)*Interest Rate Risk*

Interest rate risk mainly arises through interest bearing liabilities and assets. The objective of interest rate risk management is to optimize the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense.

Liquidity Risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Local Council's present commitments arising due to shortage of funds. The objective of liquidity risks management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order to not create financial distress and curtail current obligations as well as future short-term commitments. The Local 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 Local Council has as cash and cash equivalents the amount of €650,155. This should ensure an ongoing working capital of the Local Council for the next 12 months. The Local Council also maintains a positive net asset position ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

18. Events after the reporting date

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of approval of the financial statements by the council members.

19. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES

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

	2021	2020
	€	€
Current Assets		
Financial assets at amortised cost:		
Trade and other receivables (Note 12)	13,554	87,781
Cash and cash equivalents (Note 13)	650,155	465,916
	663,709	553,697
Current liabilities		
Financial liabilities measured at amortised cost:		
Trade and other payables	70,802	85,817

Notes to the Financial Statements for the year ended 31st December 2021 (cont.)

20. Reclassifications

Certain comparative amounts have been reclassified to reflect a fairer presentation.