

PAOLA LOCAL COUNCIL

REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2021

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PAOLA LOCAL COUNCIL
STATEMENT OF LOCAL COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S RESPONSIBILITIES
For the year ended 31 December 2021

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 accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on 20th July 2022 signed on its behalf by:



Dominic Grima
Mayor



Kurt Scerri
Executive Secretary

PAOLA LOCAL COUNCIL
 STATEMENT OF TOTAL COMPREHENSIVE INCOME
 For the year ended 31 December 2021

	Notes	2021 €	2020 As restated €	2019 As restated €
REVENUE				
Funds received from Central Government	3	873,532	856,667	810,822
Income raised under Local Council Bye-Laws	4	837	840	1,724
Income raised under Local Enforcement System	5	11,895	10,426	10,473
Investment Income	6	-	143	365
General Income	7	21,387	15,882	25,154
		907,652	883,958	848,538
EXPENDITURE				
Personal emoluments	8	166,743	171,486	157,088
Operations and maintenance	9	369,094	370,853	316,666
Administration and other expenses	10	164,130	237,324	297,110
		699,967	779,663	770,864
PROFIT FOR THE YEAR		207,685	104,295	77,674

The notes on pages 6 to 22 form an integral part of these financial statements.

PAOLA LOCAL COUNCIL
STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Notes	2021 €	2020 As restated €	2019 As restated €
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	11	134,575	139,904	224,485
Current Assets				
Receivables	12	162,149	136,612	134,444
Cash and cash equivalents	13	1,591,154	1,474,780	1,417,153
		<u>1,753,303</u>	<u>1,611,392</u>	<u>1,551,597</u>
TOTAL ASSETS		<u>1,887,878</u>	<u>1,751,296</u>	<u>1,776,082</u>
EQUITY				
RESERVES				
Retained earnings		<u>1,618,270</u>	<u>1,410,585</u>	<u>1,306,290</u>
NON-CURRENT LIABILITIES				
Long-term third-party loan	15	-	19,445	38,891
Advance Payment	14	104,228	100,000	167,638
		<u>104,228</u>	<u>119,445</u>	<u>206,529</u>
CURRENT LIABILITIES				
Payables and accruals	14	126,488	201,819	243,816
Short-term third-party loan	15	38,892	19,447	19,447
		<u>165,380</u>	<u>221,266</u>	<u>263,263</u>
TOTAL LIABILITIES		<u>269,608</u>	<u>340,711</u>	<u>469,792</u>
RESERVES AND LIABILITIES		<u>1,887,878</u>	<u>1,751,296</u>	<u>1,776,082</u>

The notes on pages 6 to 22 form an integral part of these financial statements.
These financial statements were approved by the Council on 20th July 2022.



Dominic Grima
Mayor



Kurt Scerri
Executive Secretary

PAOLA LOCAL COUNCIL
 STATEMENT OF CHANGES IN EQUITY
 For the year ended 31 December 2021

	Retained Earnings	Total
	EUR	EUR
Year Ended 31 December 2019		
Balance as at 1 January 2019	1,228,616	1,228,616
Profit for the year	67,054	67,054
Prior year adjustment	10,620	10,620
Restated profit for the financial year	<u>77,674</u>	<u>77,674</u>
Balance as at 31 December 2019	<u>1,306,290</u>	<u>1,306,290</u>
Year Ended 31 December 2020		
Balance as at 1 January 2020	1,306,290	1,306,290
Profit for the year	93,675	93,675
Prior year adjustment	10,620	10,620
Restated profit for the financial year	<u>104,295</u>	<u>104,295</u>
Balance as at 31 December 2020	<u>1,410,585</u>	<u>1,410,585</u>
Year Ended 31 December 2021		
Balance as at 1 January 2021	1,410,585	1,410,585
Profit for the year	207,685	207,685
Balance as at 31 December 2021	<u>1,618,270</u>	<u>1,618,270</u>

PAOLA LOCAL COUNCIL
STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	2021	2020	2019
Note	€	Restated €	Restated €
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year	207,685	104,295	77,674
Reconciliation to cash generated from operations:			
Depreciation	18,749	109,495	167,057
Bank interest receivable	-	(143)	(365)
Operating surplus before working capital changes:	226,434	213,647	244,366
(Increase)/ Decrease in Receivables	(8,533)	(2,168)	(101,823)
(Decrease)/ Increase in Payables	(52,085)	(3,699)	37,633
NET CASH GENERATED FROM OPERATING ACTIVITIES	165,816	207,780	180,176
CASH FLOW USED IN INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(13,420)	(36,528)	(20,138)
Interest received	-	143	365
NET CASH USED IN INVESTING ACTIVITIES	(13,420)	(36,385)	(19,773)
CASH FLOW USED IN FINANCIAL ACTIVITIES			
Repayment of short-term borrowings	-	-	(1,930)
Repayment of third-party loan	(19,447)	(19,447)	(19,447)
Grants Received	(17,005)	(56,025)	189,575
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(36,452)	(75,472)	168,198
NET INCREASE IN CASH AND CASH EQUIVALENTS	115,944	95,923	328,601
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,474,581	1,378,658	1,050,057
CASH AND CASH EQUIVALENTS AT END OF YEAR	14 1,590,525	1,474,581	1,378,658

PAOLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

1. GENERAL INFORMATION

Paola Local Council is the local authority of Paola incorporated in accordance with the Local Councils Act, 1993. The office of the Council is situated at Gnien Pawlu Boffa, Church Street, Paola. These financial statements were approved for issue by the Council Members on 20th July 2022. The Local Council's presentation as well as functional currency is dominated in €.

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES

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

ACCOUNTING COVENTION

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 IFRSs 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.

NEW IMPORTANT STANDARDS AND AMENDMENTS NOT YET ADOPTED

At the end of the reporting period, certain new standards, interpretations or amendments thereto, were in issue and endorsed by the EU, but not yet effective for the current financial period. There have been no instances of early adoption of standards, interpretations, or amendments ahead of their effective date, The Council anticipates that the adoption of the new standards, interpretations or amendments thereto, will not have a material impact on the financial statements upon initial application. The most relevant changes are the below:

- IFRS 17 Insurance contracts – effective for periods commencing on or after 1 January 2023.
- Amendments to IAS 1 Classification of Liabilities as Current or Non-Current – effective for periods commencing on or after 1 January 2023.
- Amendments to IFRS 3 Reference to the Conceptual Framework - effective for periods commencing on or after 1 January 2022.
- Amendments to IAS 16 Property, Plant and Equipment – Proceeds Before Intended Use - effective for periods commencing on or after 1 January 2022.
- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract - effective for periods commencing on or after 1 January 2022.
- Annual Improvements to IFRS Standards 2018–2020 – makes amendments to the following standards IFRS 1, IFRS 9, IFRS 16, IAS 41 – effective for periods commencing on after 1 January 2022
- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies - effective for periods commencing on or after 1 January 2023.
- Amendments to IAS 8 - Definition of Accounting Estimates - effective for periods commencing on or after 1 January 2023.
- Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction - effective for periods commencing on or after 1 January 2023.

PAOLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

NEW IMPORTANT STANDARDS AND AMENDMENTS NOT YET ADOPTED

The Councillors and Executive Secretary 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 and Executive Secretary 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.

REVENUE RECOGNITION

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Funds received from Central Government, income earned from Bye-Laws and interest income are recognised in the income statement as they accrue.

LOCAL ENFORCEMENT SYSTEM

Up till August 2011, the Council used to manage the Local Enforcement System as part of the Valetta Joint Committee. As from 1 September 2011, the Council started to form part of the Southern Region which took over the management of Local Enforcement System and the Council is receiving a 10% administration fee on every fine paid at the Council. As from October 2015 LESA took over the administration of the Local Enforcement System.

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 asset over its expected useful life as follows:

	%
Land	0
Trees	0
Buildings	1
Office furniture and fittings	7.5 - 100
Construction works	10 - 100
Urban improvements (street furniture)	10 - 100
Special projects	10 - 100
Office equipment	20 - 100
Motor vehicles	20
Plant and machinery	20 - 100
Computer equipment	25 - 100
Traffic signs	100
Road signs	Replacement Basis
Playground furniture	100

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

PROPERTY, PLANT AND EQUIPMENT – CONTIUED

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Freehold land, land held on perpetual emphyteutic and assets in the course of construction are not depreciated.

Directive issued in 2017 by the Government of Local Councils, applicable as from 1 January 2018, instructs the council to depreciate non-current assets on a monthly basis using straight line method at the rates specified in Local Council (financial) Procedures (P1.X1).

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are considered in determining operating profit. The residual value and useful life 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 recognized 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 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 costs to sell and the value in use. Impairment losses are immediately recognised as an expense in the statement of comprehensive income.

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 amount 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.

RELATED PARTIES

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

PAOLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

GOVERNMENT GRANTS

In 2018 the Local Council has changed the accounting of government grants from the income approach to the capital approach as defined by IAS 20 'Government Grants'. With the capital approach grants are deducted from capital assets.

On 1 January 2018, the Local Council applied Directive 1/2017 issued by the Department of Local Government in respect of the accounting of grants as per IAS 20 'Government Grants'. The Department of Local Government has instructed Local Councils to adopt the alternative capital approach as from 1 January 2018.

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

To achieve the above, the Council carries out 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 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.

PAOLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

FINANCIAL INSTRUMENTS

A financial instrument is recognised if the Council becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Council's contractual rights to the cash flows from the financial assets expired or if the Council transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Council commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Council's obligations specified in the contract expire or are discharged or cancelled.

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 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 included other payables, bank and third-party loans. These are stated at their nominal amount which is a reasonable approximation of fair value.

3 FUNDS RECEIVED FROM CENTRAL GOVERNMENT

	2021	2020	2019
	€	€	€
In terms of section 55 of the Local Councils Act	772,775	757,112	720,234
Other Government income	78,895	99,555	76,074
Supplementary Government income	21,862	-	14,514
	873,532	856,667	810,822

PAOLA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2021

4. FEES FROM BYE LAWS

	2021 €	2020 €	2019 €
Fees from Bye Laws	838	840	1,724

5. LOCAL ENFORCEMENT INCOME

	2021 €	2020 €	2019 €
Fines and Penalties (10% on Contraventions)	8,667	8,279	8,334
Fines re Traffic contraventions from individuals	3,228	2,147	2,139
	11,895	10,426	10,473

6. INVESTMENT INCOME

	2021 €	2020 €	2019 €
Bank Interest	-	143	365

7. INCOME - GENERAL

	2021 €	2020 €	2019 €
Other Income	1,443	963	8,300
Community services	19,937	14,392	16,833
Parking	7	527	21
	21,387	15,882	25,154

8. PERSONAL EMOLUMENTS

	2021 €	2020 €	2019 €
Mayor's allowance	17,670	15,027	13,831
Executive Secretary	35,010	36,078	32,805
Employees' salaries	87,391	87,951	84,388
Councillors' Honoraria	15,400	17,800	13,167
Social Security Contributions	9,322	10,237	9,897
Performance Bonus	1,950	4,393	3,000
	166,743	171,486	157,088

PAOLA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2021

OPERATIONS AND MAINTENANCE

9. REPAIRS & UPKEEP

	2021	2020	2019
	€	€	€
Road/Street pavements	1,293	2,144	8,097
Road Markings	1,907	6,615	7,230
Street signs	3,947	4,787	4,297
Street lighting maintenance	11,384	16,461	11,776
Sundry repairs	6,080	1,223	13
Other repairs & maintenance	1,022	5,060	2,831
	25,633	36,290	34,244

CONTRACTUAL SERVICES

	2021	2020	2019
	€	€	€
Waste Disposal	50,079	60,854	65,111
Refuse Collection	141,148	94,043	96,377
Bulky refuse collection	16,734	16,289	12,848
Road & Street cleaning	71,174	79,770	44,946
Cleaning of Public Convenience	12,669	25,198	10,720
Provision of skips	1,039	2,470	4,529
Other Contractual services	2,407	1,612	3,713
Cleaning & Main Parks & Gardens	32,387	26,507	28,682
Cleaning & M. Soft Areas	14,969	27,820	14,820
Live streaming	821	-	-
Local Enforcement System	34	-	676
	343,461	334,563	282,422

TOTAL OPERATIONS AND MAINTENANCE COSTS

369,094	370,853	316,666
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PAOLA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2021

10. ADMINISTRATION AND OTHER EXPENDITURE

	2021	2020	2019
	€	Restated €	Restated €
Utilities	11,398	10,349	14,225
Operating materials/General supplies	14,463	14,761	20,762
Rent	2,547	3,629	3,633
Stationery, Postage etc.	5,352	10,979	9,005
Transport	5,451	5,872	5,999
Public Relations	672	541	2,022
Insurance and charges	5,984	3,712	4,185
Professional services	54,074	34,419	20,288
Conferences/Training	2,800	2,500	6,404
Bank charges	5,761	2,429	133
Community & Hospitality	32,604	36,990	42,715
Permits (MEPA)	1,800	233	233
Equipment hire	2,475	1,415	-
Depreciation	18,749	109,495	167,506
	164,130	237,324	297,110

PAOLA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2021

11a PROPERTY, PLANT AND EQUIPMENT

ASSET	Property Office Building	Furniture & Fixtures	Office Equipment	Computer System	Assets under construction	Plant & Machinery	Motor Vehicle	New Street Signs	Trees	Construction & Urban Improvement	Total
	€	€	€	€	€	€	€	€	€	€	€
COST											
As at 1 January 2019	97,834	37,828	32,593	36,547	64,300	24,157	36,506	15,148	17,006	1,986,415	2,348,334
Additions	-	3,130	1,171	-	2,950	-	-	-	-	12,887	20,138
Reclassification	-	-	-	-	(64,300)	-	-	-	-	64,300	-
As at 31 December 2019	97,834	40,958	33,764	36,547	2,950	24,157	36,506	15,148	17,006	2,063,602	2,368,472
DEPRECIATION											
As at 1 January 2019	11,832	25,614	19,375	26,821	-	18,809	8,455	15,148	-	1,253,507	1,379,561
Charge for the year 2019	978	3,071	1,523	2,319	-	4,831	3,901	-	-	150,433	167,056
As at 31 December 2019	12,810	28,685	20,898	29,140	-	23,640	12,356	15,148	-	1,403,940	1,546,617
GRANTS & OTHER REIMBURSEMENTS											
As at 1 January 2019	-	-	12,188	-	-	-	17,000	-	14,157	482,088	525,433
Charge for the year	-	-	-	-	-	-	-	-	-	71,937	71,937
As at 31 December 2019	-	-	12,188	-	-	-	17,000	-	14,157	554,025	597,370
WRITTEN DOWN VALUES											
As at 31 December 2019	85,024	12,273	678	7,407	2,950	517	7,150	-	2,849	105,637	224,485
As at 31 December 2018	86,002	12,214	1,030	9,726	64,300	5,348	11,051	-	2,849	250,820	443,340

PAOLA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2021

11b PROPERTY, PLANT AND EQUIPMENT

ASSET	Property Office Building	Furniture & Fixtures	Office Equipment	Computer System	Assets under construction	Plant & Machinery	Motor Vehicle	New Street Signs	Trees	Construction & Urban Improvement	Total
	€	€	€	€	€	€	€	€	€	€	€
COST											
As at 1 January 2020	97,834	40,958	33,764	36,547	2,950	24,157	36,506	15,148	17,006	2,063,602	2,368,472
Additions	-	2,620	8,093	3,574	5,942	-	-	-	11,614	4,685	36,528
Reclassification	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2020	97,834	43,578	41,857	40,121	8,892	24,157	36,506	15,148	28,620	2,068,287	2,405,000
DEPRECIATION											
As at 1 January 2020	12,810	28,685	20,898	29,140	-	23,640	12,356	15,148	-	1,403,940	1,546,617
Charge for the year 2020	978	3,269	2,091	3,131	-	517	3,901	-	-	95,608	109,495
As at 31 December 2020	13,788	31,954	22,989	32,271	-	24,157	16,257	15,148	-	1,499,548	1,656,112
GRANTS & OTHER REIMBURSEMENTS											
As at 1 January 2020	-	-	12,188	-	-	-	17,000	-	14,157	554,025	597,370
Charge for the year	-	-	-	-	-	-	-	-	11,614	-	11,614
As at 31 December 2020	-	-	12,188	-	-	-	17,000	-	25,771	554,025	608,984
WRITTEN DOWN VALUES											
As at 31 December 2020	84,046	11,624	6,680	7,850	8,892	-	3,249	-	2,849	14,714	139,904
As at 31 December 2019	85,024	12,273	678	7,407	2,950	517	7,150	-	2,849	105,637	224,485

PAOLA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2021

11c. PROPERTY, PLANT AND EQUIPEMENT

ASSET	Property Office Building	Furniture & Fixtures	Office Equipment	Computer System	Assets under construction	Plant & Machinery	Motor Vehicle	New Street Signs	Trees	Construction & Urban Improvement	Total
	€	€	€	€	€	€	€	€	€	€	€
COST											
As at January 2021	97,834	43,578	41,857	40,121	8,892	24,157	36,506	15,148	28,620	2,068,287	2,405,000
Additions	-	-	5,457	-	640	-	-	-	-	7,323	13,420
Reclassification	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2021	97,834	43,578	47,314	40,121	9,532	24,157	36,506	15,148	28,620	2,075,610	2,418,420
DEPRECIATION											
As at 1 January 2021	13,788	31,954	22,989	32,271	-	24,157	16,257	15,148	-	1,499,548	1,656,112
Charge for the year 2021	979	3,268	2,636	2,364	-	-	3,249	-	-	6,253	18,749
As at 31 December 2021	14,767	35,222	25,625	34,635	-	24,157	19,506	15,148	-	1,505,801	1,674,861
GRANTS & OTHER REIMBURSEMENTS											
As at 1 January 2021	-	-	12,188	-	-	-	17,000	-	25,771	554,025	608,984
Charge for the year	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2021	-	-	12,188	-	-	-	17,000	-	25,771	554,025	608,984
WRITTEN DOWN VALUES											
As at 31 December 2021	83,067	8,356	9,501	5,486	9,532	-	-	-	2,849	15,784	134,575
As at 31 December 2020	84,046	11,624	6,680	7,850	8,892	-	3,249	-	2,849	14,714	139,904

PAOLA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2021

12. RECEIVABLES

	2021	2020	2019
	€	Restated €	Restated €
LES Debtors	144,957	144,957	144,957
Other debtors – Deposits	59,944	48,817	38,197
Provision for bad and doubtful debts – LES Debtors	(144,957)	(144,957)	(144,957)
Provision for doubtful debts	(11,647)	(11,647)	(11,647)
Trade Receivables	41,237	30,211	50,527
Accrued Income	70,236	63,623	48,660
Other Debtors	100	636	636
Financial Assets	159,870	131,640	126,373
Prepayments	2,279	4,972	8,071
Total Receivables	162,149	136,612	134,444

RECEIVABLES	2021	2020	2019
General receivables are analysed as follows:	€	Restated €	Restated €
Within credit period	41,237	30,211	50,527
Impaired and provided for	(156,604)	156,604	156,604
Provision for doubtful debts	(156,604)	(156,604)	(156,604)
	41,237	30,211	50,527

Local Enforcement System (LES Debtors)

The stated amount €144,957 refers to pre-pooling, while the amount of EUR 11,647 has been outstanding for a number of years now which has been fully provided for in 2017.

13. CASH AND CASH EQUIVALENTS

	2021	2020	2019
	€	€	€
Ordinary Bank balances	1,590,924	1,474,616	1,417,040
Cash	230	164	113
	1,591,154	1,474,780	1,417,153
Bank Overdrawn	(629)	(199)	(38,495)
	1,590,525	1,474,581	1,378,658

PAOLA LOCAL COUNCIL
 Financial Statements for the year ended 31 December 2021
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14. PAYABLES

	2021	2020	2019
	€	€	€
Current Liabilities			
Trade creditors	35,248	140,987	115,586
Other creditors	4,837	4,468	4,778
Bank Overdrawn	629	199	38,495
Accruals	85,774	51,936	74,067
Deferred Income	-	4,229	10,890
	<u>126,488</u>	<u>201,819</u>	<u>243,816</u>
Non-Current Liabilities			
Advance Payment	<u>104,228</u>	<u>100,000</u>	<u>167,638</u>

15. THIRD PARTY LOAN

	2021	2020	2019
	€	€	€
Non-Current third-party loan	<u>-</u>	<u>19,445</u>	<u>38,891</u>
Current third-party loan	<u>38,892</u>	<u>19,447</u>	<u>19,447</u>
Repayable within one year	38,892	19,447	19,447
Repayable between two and five years	-	19,445	38,891
	<u>38,892</u>	<u>38,892</u>	<u>58,338</u>

The third-party loan falls under the PPP scheme utilised for the construction. The loan is unsecured and is repayable by annual instalments in line with the scheme for a period of eight years.

16. CAPITAL COMMITMENTS

	2021	2020	2019
	€	€	€
Capital commitments at the accounting date are as follows:			
Approved but not yet contracted for	-	-	-
Contracted for but not provided for in Financial Statements	500,000	-	-
	<u>500,000</u>	<u>-</u>	<u>-</u>

PAOLA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2021

17. RELATED PARTY TRANSCATIONS

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

	2021 €	2020 €	2020 €
Department for Local Government Annual Financial Allocation	<u>772,775</u>	757,112	720,234
	<u>77,2775</u>	757,112	720,234

The number of related parties or bodies in terms of IAS 24, that the Paola Local Council had carried out transactions with during the year under review are the following:

Name of Entity	Nature of relationship
Department for Local Government	Significant Control
South Eastern Regional Committee	Joint Control
Police General Head Quarters	No Control
Central Regional Committee	No Control
South Regional Committee	No Control
Gozo Regional Committee	No Control
North Regional Committee	No Control
Malta Environment and Planning Authority	No Control
Water Services Corporation	No Control
Enemalta Corporation	No Control
Cleansing Services Department	No Control
Director General – Works Division	No Control
Department of Lands	No Control
Bank of Valletta Plc	No Control
Wasteserv Malta Limited	No Control
Transport Malta	No Control
Local enforcement system agency	No Control

18. 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 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 Council places a provision on any debt on which there is doubt of recoverability. The risk of default is negligible and in this respect the Council has no significant concentration of credit risk.

PAOLA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2021

18. FINANCIAL RISK MANAGEMENT – continued

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:

	2021	2020	2019
	€	€	€
Classes of financial assets – carrying amounts:			
Trade and Other Receivables	159,870	131,640	126,373
Cash and Cash Equivalents	1,591,154	1,474,780	1,417,153
	1,751,024	1,606,420	1,543,526

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 €1,590,525(2020: €1,474,581). This should ensure ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net asset position of €1,618,270(2020: €1,410,585) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

At 31 December 2021 the Council's financial liabilities have contractual maturities which are summarised below:

	Current	Non-Current	
	Payable	Payable	Payable
	within 1	within 2 & 5	after more
	year	years	than 5 years
	€	€	€
31 December 2021			
Payables	35,248	-	-
Other Payables	4,837	-	-
Accruals	85,774	-	-
PPP Payables	38,892	-	-
Bank Overdrawn	629	-	-
	165,380	-	-
31 December 2020	€	€	€
Payables	140,987	-	-
Other Payables	4,468	-	-
Accruals	51,936	-	-
PPP Payables	19,447	19,445	-
Bank Overdrawn	199	-	-
	217,039	19,445	-
31 December 2019	€	€	€
Payables	115,586	-	-
Other Payables	4,778	-	-
Accruals	74,067	-	-
PPP Payables	19,447	38,891	-
Bank Overdrawn	38,495	-	-
	252,373	38,891	-

PAOLA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2021

18. FINANCIAL RISK MANAGEMENT – continued

FOREIGN CURRENCY RISK

Foreign currency transactions arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The 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 minimising uncertainty caused by fluctuations in interest rates and maximising the net interest income and expense.

19. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES

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

	2021	2020	2019
	€	Restated €	Restated €
Current Assets			
Loans and Receivables:			
Trade and Other Receivables	159,870	131,640	126,373
Cash and Cash Equivalents	1,591,154	1,474,780	1,417,153
	<u>1,751,024</u>	<u>1,606,420</u>	<u>1,543,526</u>
Current and Non-Current Liabilities			
Financial Liabilities measure at amortised cost:			
Payables	35,248	140,987	115,586
Other Payables	4,837	4,468	4,778
Accruals	85,774	51,936	74,067
Bank Borrowings	-	-	-
PPP Payables	38,892	38,892	58,338
Bank Overdrawn	629	199	38,495
	<u>165,380</u>	<u>236,482</u>	<u>291,264</u>

20. 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.

21. COMPARATIVE FIGURES

Certain amounts have been reclassified to conform with the current year's representation.

PAOLA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2021

22. EVENTS AFTER THE REPORTING PERIOD

There were no particular important event or transactions affecting the council that have occurred since the end of the accounting period, which, though properly excluded from the financial statements, are of such importance that they should have been disclosed in the notes to the financial statements.

23. PRIOR YEAR ADJUSTMENTS

The prior year adjustments are related to the incorrect professional fees recorded over the years. The adjustments were summarized as below:

	2019		
	As originally reported	2019	2019
	€	Adjustment	As restated
	€	€	€
Summary of the effect of the restatement:			
Professional fee	30,908	(10,620)	20,288
Profit for the year	67,054	10,620	77,674
Receivables	107,894	26,550	134,444
Retained earnings	1,279,740	26,550	1,306,290
	2020		
	As originally reported	2020	2020
	€	Adjustment	As restated
	€	€	€
Summary of the effect of the restatement:			
Professional fee	45,039	(10,620)	34,419
Profit for the year	93,675	10,620	104,295
Receivables	99,442	37,170	136,612
Retained earnings	1,373,415	37,170	1,410,585

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 Paola Local Council set out on pages 2 to 22 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 matters described under Basis for qualified opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Council as at 31 December 2021, and of its financial performance and its cash flows for the year the 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 Zejtun Joint Committee. The Joint Committee ceased operations on that date. We were provided with the audited financial statements for the year ended 31 December 2014. The reserves of the Committee at that date amount to €840,665. We were 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 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.



Grant Thornton

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.

Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

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Malta

20 July 2022