

**LOCAL COUNCILS' ASSOCIATION**

**Annual Report  
and  
Financial Statements**

**for the year ended 31 December 2021**

**Prepared by**

**Daniel Galea B. Accty. (Hons.) CPA**



## ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2021

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**Financial Statements for the year ended 31 December 2021**

**Statement of Executive Committee 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 Association's statement of comprehensive income for the year and a statement of the Association's retained funds at the end of year. By virtue of the same regulations it is the duty of the Committee Members 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 Association 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, Local Councils (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Local Councils' Association on the 18th January 2022 and was signed on its behalf by:



Mario Fava  
President



Lianne Caesar  
Executive Secretary

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2021

		2021 €	2020 €
	<i>Notes</i>		
<b>Income</b>			
Funds received from Central Government	4	240,000	240,000
General Income	5	576,454	367,158
		<u>816,454</u>	<u>607,158</u>
 <b>Expenditure</b>			
Personal emoluments	7	165,642	150,721
Administrative and other expenditure	8	400,901	290,101
		<u>566,543</u>	<u>440,822</u>
 <b>Operating surplus for the year</b>		<b>249,911</b>	<b>166,336</b>
 Finance income	9	4,513	6,041
Finance cost	10	(4,474)	(4,474)
 <b>Total comprehensive surplus for the year</b>		<u><u>249,950</u></u>	<u><u>167,903</u></u>


The notes on pages 8 to 24 are an integral part of the financial statements.

**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2021

		2021 €	2020 €
	<i>Notes</i>		
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	11	194,181	155,955
Intangible assets	12	6,667	1,011
Right of use assets	21	44,686	67,744
		<u>245,534</u>	<u>224,710</u>
<b>Current Assets</b>			
Receivables	13	624,378	500,786
Cash and Cash Equivalents	14	2,249,492	1,139,526
		<u>2,873,870</u>	<u>1,640,312</u>
<b>Total Assets</b>		<u><u>3,119,404</u></u>	<u><u>1,865,022</u></u>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Retained Fund		<u>1,437,587</u>	<u>1,187,637</u>
<b>Non-Current Liabilities</b>			
Lease liabilities	21	<u>30,570</u>	<u>53,123</u>
<b>Current Liabilities</b>			
Payables	15	<u>1,651,247</u>	<u>624,262</u>
<b>Total Equity and Liabilities</b>		<u><u>3,119,404</u></u>	<u><u>1,865,022</u></u>

These Financial Statements were approved by the Local Councils' Association on the 18th January 2022 and signed on its behalf by:

  
 \_\_\_\_\_  
 Mario Fava  
 President

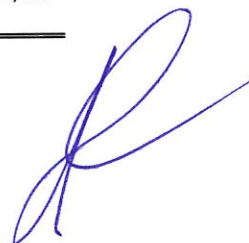
  
 \_\_\_\_\_  
 Lianne Cassar  
 Executive Secretary

The notes on pages 8 to 24 are an integral part of the financial statements.

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Retained Funds €
At 1 January 2020	1,019,734
Total comprehensive surplus for the year 2020	167,903
	<hr/>
At 31 December 2020	1,187,637
	<hr/>
At 1 January 2021	1,187,637
Total comprehensive surplus for the year 2021	249,950
	<hr/>
At 31 December 2021	1,437,587
	<hr/>



The notes on pages 8 to 24 are an integral part of the financial statements.

**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2021

	2021 €	2020 €
<i>Note</i>		
<b>Cash flows from Operating Activities</b>		
<b>Total comprehensive surplus for the year</b>	<b>249,950</b>	<b>167,903</b>
Reconciliation to cash generated from operations:		
Depreciation and amortisation	21,456	17,205
Depreciation on Right-of-use asset	23,058	23,058
Profit on disposal of asset	(127)	(682)
Interest receivable	(4,513)	(6,041)
Finance cost	4,474	4,474
Operating Profit before Working Capital Changes	<u>294,298</u>	<u>205,917</u>
Increase in receivables	(123,592)	(19,694)
Increase in payables	<u>1,036,632</u>	<u>67,747</u>
<b>Cash generated from operating activities</b>	<u><b>1,207,338</b></u>	<u><b>253,970</b></u>
<b>Cash flows from Investing Activities</b>		
Interest received	4,513	6,041
Proceeds from disposal of property, plant & equipment	-	2,800
Purchase of property, plant & equipment	<u>(81,359)</u>	<u>(37,860)</u>
<b>Cash used in investing activities</b>	<u><b>(76,846)</b></u>	<u><b>(29,019)</b></u>
<b>Cash flows from Financing Activities</b>		
Lease payments	<u>(20,526)</u>	<u>(20,526)</u>
<b>Cash used in investing activities</b>	<u><b>(20,526)</b></u>	<u><b>(20,526)</b></u>
Net increase in Cash and Cash Equivalents	<b>1,109,966</b>	<b>204,425</b>
Cash and Cash Equivalents at the Beginning of the year	<u><b>1,139,526</b></u>	<u><b>935,101</b></u>
<b>Cash and Cash Equivalents at the End of the year</b>	<u><b>2,249,492</b></u>	<u><b>1,139,526</b></u>

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

**1. General Information**

Local Councils' Association is a local and regional authority set up in accordance with the Local Councils Act, (Cap 363) and the Local Councils (Association) Regulations (Cap 363.06). The office of the Local Councils' Association is situated at Local Government Building, Local Government Road, Marsa Industrial Estate, Marsa, Malta. These financial statements were approved for issue by the Association's Members on the 18th January 2022. The Association's presentation as well as functional currency is denominated in €.

**2. Accounting Policies and Reporting Procedures**

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

*Accounting convention*

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

*New and amended standards adopted by the Association*

During the current year, the Association has adapted a number of new standards and interpretations, or amendments thereto, issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee, and endorsed by the European Union. The Council is of the opinion that the adoption of these standards, interpretations or amendments thereto, does not have any material impact on these financial statements. The most relevant changes were the below:

**Amendments to IAS 1 and IAS 8 Definition of Material**

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements.

**Conceptual Framework for Financial Reporting issued on 29 March 2018**

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements.

**Amendments to IFRS 16 Covid-19 Related Rent Concessions**

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. These amendments had no impact on the financial statements.



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

**Accounting Policies and Reporting Procedures**

*New Standards and amendments not yet effective:*

At the end of the reporting period, certain new standards, interpretations or amendments thereto, were in issue 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:

**Amendments to IAS 1 – Classification of Liabilities as Current or Non-current**

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

**Annual Improvements to IFRS Standards 2018–2020**

IFRS 9 Financial Instruments - The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 Leases - The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

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 Members of the Association 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 Association anticipates 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.

*Property, plant and equipment*

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

	%
Office Furniture and Fittings	7.5
Office Equipment	20.0
Computer Equipment	25.0
Computer Software	25.0

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

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

**Accounting Policies and Reporting Procedures (cont.)**

*Property, plant and equipment (cont.)*

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 Association 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.

*Leases*

At inception of a contract, the Association assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Association assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The Association has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Association has the right to direct the use of the asset. The Association has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Association has the right to direct the use of the asset if either:
  - The Association has the right to operate the asset; or
  - The Association designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Association allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Association has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Association recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Association's incremental borrowing rate. Generally, the Association uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Association is reasonably certain to exercise, lease payments in an optional renewal period if the Association is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Association is reasonably certain not to terminate early



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

**Accounting Policies and Reporting Procedures (cont.)**

*Leases (cont.)*

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Association's estimate of the amount expected to be payable under a residual value guarantee or if the Association changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Association presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position

*Short-term leases and leases of low-value assets*

The Association has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Association recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

*Impairment of Assets*

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 Association 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 and 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.

*Government Grants*

Government grants relating to administrative and other expenditure are recognized 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.

*Payables*

Payables are classified with either the current or the non-current liabilities depending on their due dates and are stated at their nominal value unless the effect of discounting is material, in which case trade payables are measured at amortised cost using the effective interest method.

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

**Accounting Policies and Reporting Procedures (cont.)**

*Other payables*

Other payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material in which case trade and other payables are measured at amortised cost using the effective interest method.

*Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds and the redemption value is recognised in the income and expenditure account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Association has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

*Financial instruments*

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

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 Association'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 Association'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'.

*Related parties*

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



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

**Accounting Policies and Reporting Procedures (cont.)**

*Income recognition*

Income is recognised at the fair value of the amount received or receivable, to the extent that it is probable that future economic benefits will flow to the Association and these 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 assets to that asset's net carrying amount.

Government grants are recognised when there is reasonable assurance that all conditions attaching to them are complied with and the grants will be received. Government grants related to income are recognised in profit or loss over the periods necessary to match them with the related costs which are intended to compensate, on a systematic basis. Such grants are presented as a credit in the statement of comprehensive income.

*Local Enforcement Income*

The Local Councils' Association does not form part of any Joint Committee. The function of the Association within the system is to manage the bank account in which the LES Online receipts are deposited and then distribute the paid contraventions to the various Local Councils. The amounts disclosed in the financial statements under Local Enforcement payables is the net of the cash held at the bank, into which the LES Online deposits are credited and the amount of contravention receipts, so credited, that were not yet distributed by year end. The notes within the cash and cash equivalents and payables further illustrate the situation.

*Foreign currencies*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Association operates. These financial statements are presented in €, which is the Association's functional and presentation currency.

Transactions denominated in foreign currencies are translated into € at the rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into € at the rates of exchange prevailing at the date of the Statement of Financial Position.

*Borrowing costs*

Borrowing costs are recognised as an expense in the period in which they are incurred.

*Profits and losses*

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.

*Capital Management*

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

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

To achieve the above, the Association carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was positive at the reporting date and has not changed significantly from the previous year. The Association 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 31 December 2021 (cont.)**3. Judgments in applying accounting policies and key sources of estimation**

The preparation of financial statements in conformity with IFRS as adopted by the EU requires the Association 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 Association, 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.

**4. Funds received from Central Government**

	2021 €	2020 €
In terms of Section 55 of the Local Councils Act, 1993 (Cap 363)	<u>240,000</u>	<u>240,000</u>

**5. General Income**

	2021 €	2020 €
Re-imbursement of travel expenses	40,634	21,836
Re-imbursement of insurance expenses	109,235	87,317
Registration fees from local conferences	-	5,527
LES management fees	266,407	178,639
Other management fees	50,000	-
Other income	<u>110,178</u>	<u>73,839</u>
	<u>576,454</u>	<u>367,158</u>

**6. Surplus for the year**

	2021 €	2020 €
Surplus for the year is stated after charging		
Staff salaries	175,051	150,721
Depreciation of property, plant & equipment	<u>21,456</u>	<u>17,208</u>



LOCAL COUNCILS' ASSOCIATION

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

**7. Personal Emoluments**

	2021	2020
	€	€
President's Allowance	21,143	20,807
Elected Officers' Allowances	23,257	22,888
Executive Secretary Salary and Allowances	41,569	40,714
Employees' Salaries	78,670	58,471
Social Security Contributions	10,412	7,841
	<u>175,051</u>	<u>150,721</u>
Reclassification of payroll costs to EU Projects	(9,409)	-
	<u>165,642</u>	<u>150,721</u>

**8. Administration and other expenditure**

	2021	2020
	€	€
Utilities	7,948	9,233
Repair and Upkeep	12,851	9,020
Rent	4,362	4,362
National and International Memberships	9,634	8,943
Office Services	13,999	14,791
Travelling Costs	5,188	2,270
Refundable Tickets	40,634	21,836
Transport	12,773	5,852
Information Services	18,194	13,319
Other Contractual Service	114,973	92,866
Bank charges	1,902	1,144
Training	1,555	8,060
Conferences	-	14,431
Community & Hospitality	112,501	44,393
Profit on disposal of property, plant & equipment	(127)	(682)
Depreciation on right of use assets	23,058	23,058
Depreciation and amortization	21,456	17,205
	<u>400,901</u>	<u>290,101</u>

**9. Investment Income**

	2021	2020
	€	€
Bank Interest	<u>4,513</u>	<u>6,041</u>

**10. Finance costs**

	2021	2020
	€	€
Lease interest	<u>4,474</u>	<u>4,474</u>

**Notes to the Financial Statements for the year ended 31 December 2021 (cont.)****11. Property, Plant and Equipment**

	Office Furniture & Fittings €	Office Equipment €	Computer Equipment €	Assets Not Yet Capitalised €	Total €
<b>Cost</b>					
At 1 January 2021	97,221	62,932	33,937	45,957	240,047
Additions	44,103	10,554	826	19,519	75,002
Disposal	(954)	(130)	(395)	-	(1,479)
<b>At 31 December 2021</b>	<b>140,370</b>	<b>73,356</b>	<b>34,368</b>	<b>65,476</b>	<b>313,570</b>
<b>Depreciation</b>					
At 1 January 2021	20,884	36,799	26,409	-	84,092
Charge for the year	8,051	8,592	4,112	-	20,755
Released on disposal	(238)	(32)	(287)	-	(557)
<b>At 31 December 2021</b>	<b>28,697</b>	<b>45,359</b>	<b>30,234</b>	<b>-</b>	<b>104,290</b>
<b>Grants</b>					
At 1 January 2021	-	-	-	-	-
Additions	-	-	-	15,099	15,099
<b>At 31 December 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,099</b>	<b>15,099</b>
<b>Net Book values</b>					
<b>At 31 December 2021</b>	<b>111,673</b>	<b>27,997</b>	<b>4,134</b>	<b>50,377</b>	<b>194,181</b>

	Office Furniture & Fittings €	Office Equipment €	Computer Equipment €	Assets Not Yet Capitalised €	Total €
<b>Cost</b>					
At 1 January 2020	38,029	39,564	25,550	-	103,143
Additions	61,854	23,659	8,957	45,957	140,427
Disposal	(2,662)	(291)	(570)	-	(3,523)
<b>At 31 December 2020</b>	<b>97,221</b>	<b>62,932</b>	<b>33,937</b>	<b>45,957</b>	<b>240,047</b>
<b>Depreciation</b>					
At 1 January 2020	13,510	23,784	18,904	-	56,198
Charge for the year	8,360	13,125	7,814	-	29,299
Released on disposal	(986)	(110)	(309)	-	(1,405)
<b>At 31 December 2020</b>	<b>20,884</b>	<b>36,799</b>	<b>26,409</b>	<b>-</b>	<b>84,092</b>
<b>Net Book values</b>					
<b>At 31 December 2020</b>	<b>76,337</b>	<b>26,133</b>	<b>7,528</b>	<b>45,957</b>	<b>155,955</b>

Notes to the Financial Statements for the year ended 31 December 2021 (cont.)**12. Intangible assets**

	Computer software €
<b>Cost</b>	
At 1 January 2021	3,442
Additions	6,357
	<hr/>
At 31 December 2021	<b>9,799</b>
	<hr/>
<b>Depreciation</b>	
At 1 January 2021	2,431
Charge for the year	701
	<hr/>
At 31 December 2021	<b>3,132</b>
	<hr/>
<b>Net Book value</b>	
At 31 December 2021	<b>6,667</b>
	<hr/>

	Computer software €
<b>Cost</b>	
At 1 January 2020	2,328
Additions	1,114
	<hr/>
At 31 December 2020	<b>3,442</b>
	<hr/>
<b>Depreciation</b>	
At 1 January 2020	885
Charge for the year	1,546
	<hr/>
At 31 December 2020	<b>2,431</b>
	<hr/>
<b>Net Book value</b>	
At 31 December 2020	<b>1,011</b>
	<hr/>

Amortisation of intangible assets is recognised in administrative expenses.



**Notes to the Financial Statements for the year ended 31 December 2021 (cont.)****13. Receivables**

	2021	2020
	€	€
<b>Current</b>		
Other receivables	3,245	9,006
Prepayments	22,163	9,201
Accrued income	79,180	76,018
Refundable expenditure in respect to EU and other Projects	498,495	394,678
Law Enforcement Receivable - Note 15.1	21,295	11,883
	<u>624,378</u>	<u>500,786</u>

*Receivables*

Other receivables are analysed as follows:

	2021	2020
	€	€
Within credit period	3,245	9,006
	<u>3,245</u>	<u>9,006</u>

Included in the accounts receivable are amounts due from related parties amounting to €2,703 (2020 : €3,935). These amounts are unsecured, interest free and repayable on demand.

Refundable expenditure is stated net of provision for bad debts of €52,482 (2020: €52,482)

**14. Cash and Cash Equivalents**

Cash and cash equivalents consist of cash in hand and at bank. Cash and cash equivalents in the statement of Cash Flows comprise of the following amounts in the Association's Statement of Financial Position:

	2021	2020
	€	€
Cash at Bank		
Current and savings accounts	2,338,111	1,899,692
LES Savings accounts	1,356,881	1,008,800
Cash in Hand	5	2
	<u>3,694,997</u>	<u>2,908,494</u>
(less) LES Savings account transferred to payables	(1,356,881)	(1,008,800)
(less) Regional Committees/Local Councils funds transferred to payables	(88,624)	(760,168)
Local Councils' Association's cash & cash equivalents	<u>2,249,492</u>	<u>1,139,526</u>

**Notes to the Financial Statements for the year ended 31 December 2021 (cont.)****15. Payables**

	2021	2020
	€	€
<b>Current</b>		
Accounts payable	18,504	12,655
Other payables	6,009	6,009
Accruals	19,934	17,147
Deferred income	1,580,388	564,372
Deferred rental income	8,333	6,000
Lease Liabilities - Note 23	18,079	18,079
	<u>1,651,247</u>	<u>624,262</u>

Included in the accounts payable are €5,862 (2020: €5,862) due to related parties. These amounts are unsecured, interest free and repayable on demand.

**15.1 Law Enforcement System Payable**

	2021	2020
	€	€
Amount distributable to Regional Committees/Local Councils	1,335,586	996,917
LES Savings Account	<u>(1,356,881)</u>	<u>(1,008,800)</u>
	<u>(21,295)</u>	<u>(11,883)</u>

**15.2 Regional Committees/Local Councils Funds**

	2021	2020
	€	€
Regional Committees/Local Councils Bank Accounts	88,624	760,168
Amount distributable to Regional Committees/Local Councils	<u>(88,624)</u>	<u>(760,168)</u>
	<u>-</u>	<u>-</u>

**16. Ultimate controlling party**

The ultimate controlling party is the Department of Local Government within the Ministry for National Heritage, Culture and Local Government. The individual financial statements of the Association are included with the consolidated financial statements of the Government of Malta.



**Notes to the Financial Statements for the year ended 31 December 2021 (cont.)****17. Capital commitments**

	2021	2020
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	690,000	29,000
- Contracted for but not provided in the financial statements	-	-
(i) Approved but not yet contracted for:		
Office Furniture and fittings	35,000	10,000
Computer Equipment	5,000	9,000
Office equipment	5,000	5,000
Lift	45,000	-
Parking Area	600,000	5,000
Computer Software	-	5,000
	<b>690,000</b>	<b>29,000</b>

These will be financed from the Association's Own Funds.

**18. Contingent Liability**

Proceedings have been filed by Ms Isabella Testaferrata De Noto against the Association, which are currently being heard before the Industrial Tribunal with reference 3664/JD.

A court case filed by 356 Holdings Limited against Local Councils' Association, various Local Councils and Faces Consultants Limited with number 1018/2019/AF before the First Hall Civil Courts, relative to public procurement regulations. The case is currently adjourned for the 22nd February 2022 for judgement on the preliminary pleas.

Similar proceedings have been filed by 356 Holdings Limited against the Association, various Local Councils and Faces Consultants Limited before the Public Contracts Review Board. Case is currently adjourned sine die.

An appeal from the decision of the Public Contracts Review Board was filed by Christ Gatt before the Court Appeal case number 316/2021/1 - Gatt Christ vs Direttur tal-Kuntratti, which appeal is adjourned for a decision for the 26th January 2022.

The Association is subject to a judicial letter filed by Mr John Mary sive Jimmy Magro, filed on the 7th of August 2017. No further action was taken to date.

**19. Related Party Transactions**

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Government	Significant control
Airmalta plc	No control
Bank of Valletta plc	No control
Office of the Prime Minister	No control
Data Commissioner	No control
Malta Industrial Parks	No control

During the course of the year, the Association entered into transactions with related parties which are related through common ultimate controlling party.



**Notes to the Financial Statements for the year ended 31 December 2021 (cont.)****19. Related Party Transactions (cont.)**

The amounts due from / to related parties at year-end are disclosed in notes 13 and 15. The terms and conditions do not specify the nature of the consideration to be provided in settlement. These amounts are unsecured, interest free and repayable on demand.

*Key Management compensation*

The Association considers the President, Elected Officers and the Executive Secretary to be Key Management Personnel.

Transactions with key management personnel are disclosed in note 7

	Related party activity	2021 Total activity	%	Related party activity	2020 Total activity	%
	€	€		€	€	
<i>Income</i>						
Transactions with central government	240,000			240,000		
Transactions with government entities	376,585			252,478		
Transactions with local councils	109,235			92,844		
	<u>725,820</u>	<u>816,454</u>	<u>89</u>	<u>585,322</u>	<u>607,158</u>	<u>96</u>
<i>Expenditure</i>						
Transactions with central government	13,484			12,418		
Transactions with government entities	52,944			35,431		
Key personnel remuneration	88,465			86,905		
	<u>154,893</u>	<u>566,543</u>	<u>27</u>	<u>134,754</u>	<u>440,822</u>	<u>31</u>

**20. Fair value of financial assets and financial liabilities**

At 31 December 2021 and at 31 December 2020, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively, approximated their fair values due to the short term maturities of these assets and liabilities. The fair values of non-current financial assets and non-current financial liabilities are not materially different from their carrying amount.

**21. Leases**

The Association sub-leased parts of its premises to two related parties during this year for €20,000 and €24,600 each per annum respectively and expires on 1 June 2022 and 16 April 2022. Rental income recognised in 2021 amount to €40,329 (2020: €33,000).

Minimum lease payments receivable under this contract amount to:

	2021	2020
	€	€
Not later than one year	15,508	11,425
Later than one year and not later than five years	-	-
	<u>15,508</u>	<u>11,425</u>

**Notes to the Financial Statements for the year ended 31 December 2021 (cont.)****21. Leases (cont.)**

'Property, plant and equipment' comprises owned and leased assets that do not meet the definition of investment property. The Association leases assets, including land and buildings and motor vehicles. Information about leases for which the Association is a lessee is presented below.

	2021	2020
	€	€
Property, plant and equipment owned	194,181	155,955
Right-of-use assets, except for investment property	44,686	67,744
	<u>238,867</u>	<u>223,699</u>

**Right-of-use assets****2021**

	Property	Vehicles
Balance at 1 January	67,383	361
Depreciation charge for the year	(22,697)	(361)
Balance at 31 December	<u>44,686</u>	<u>-</u>

**2020**

	Property	Vehicles
Balance at 1 January	87,360	3,442
Depreciation charge for the year	(19,977)	(3,081)
Balance at 31 December	<u>67,383</u>	<u>361</u>

	2021	2020
	€	€
Lease liabilities		
<b>Maturity analysis - contractual undiscounted cash flows</b>		
Less than one year	22,154	22,154
One to five years	89,482	89,482
Total undiscounted lease liabilities at 31 December	<u>111,636</u>	<u>111,636</u>
Lease liabilities included in the statement of financial position at 31 December	<u>48,649</u>	<u>71,202</u>
Current	18,079	18,079
Non-current	<u>30,570</u>	<u>53,123</u>

**Amounts recognised in profit or loss**

Interest on lease liabilities	(4,474)	(4,474)
Income from sub-leasing right-of-use assets	40,329	33,000

**Amounts recognised in the statement of cash flows**

Total cash outflow for lease	(20,526)	(20,526)
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**Notes to the Financial Statements for the year ended 31 December 2021 (cont.)****22. Financial Risk Management**

The contracted maturity of financial liabilities is as follows:

<b>2021</b>	<b>0-90 days</b>	<b>91-180 days</b>	<b>180-365 days</b>	<b>Total</b>
	€	€	€	€
Payables	18,504	-	-	18,504
Accruals	19,934	-	-	19,934
Lease liabilities	48,649	-	-	48,649
Other payables	6,009	-	-	6,009
	<u>93,096</u>	<u>-</u>	<u>-</u>	<u>93,096</u>
<b>2020</b>	<b>0-90 days</b>	<b>91-180 days</b>	<b>180-365 days</b>	<b>Total</b>
	€	€	€	€
Payables	12,655	-	-	12,655
Accruals	17,147	-	-	17,147
LES payable	-	-	-	-
Lease liabilities	71,202	-	-	71,202
Other payables	6,009	-	-	6,009
	<u>107,013</u>	<u>-</u>	<u>-</u>	<u>107,013</u>

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

Where applicable, any significant changes in the Association's exposure to financial risks or manner in which the Association manages and measures these risks are disclosed below.

Where possible, the Association aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of the risk exposure associated with financial instruments sharing similar characteristics is disclosed in more details in the notes to the financial statements.

*Categories of Financial Instruments*

	<b>2021</b>	<b>2020</b>
	€	€
<i>Financial assets</i>		
Cash and bank balances	<b>2,249,492</b>	1,139,526
Loans and receivables	<u><b>602,215</b></u>	<u>491,585</u>
<i>Financial liabilities</i>		
Amortised cost	<u><b>93,096</b></u>	<u>35,811</u>

*Credit risk*

Financial assets which potentially subject the Local Councils' Association to concentrations of credit risk consist principally of cash at bank and receivables. The Local Councils' Association's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Local Councils' Association has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to receivables is monitored continuously and the Local Councils' Association places a provision on any debt on which there is doubt of recoverability.



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

**22. Financial Risk Management (cont.)**

The Association does not have any receivables which are past due at the end of the reporting period.

*Liquidity Risk*

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Local Councils' Association'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 Local Councils' Association 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 Councils' Association has as cash and cash equivalents the amount of €2,249,492. This should ensure an ongoing working capital of the Local Councils' Association for the next 12 months. The Association also maintains a positive current net asset position of €1,192,053 (2020: €962,927) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

*Foreign Currency Risk*

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

*Interest Rate Risk*

The Local Councils' Association operates bank accounts without any financing facilities. As a result, the Local Councils' Association is not exposed to cash flow interest rate risk on bank balances.

*Market risks*

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks. The Local Councils' Association is not exposed to Market Risks.

*Other risks*

The Local Councils' Association's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Local Councils' Association to cash flow interest rate risk. In general, the Local Councils' Association is not exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows in view of the nature of the assets and liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.