



REĠJUN NOFSINHAR
SOUTHERN REGIONAL COUNCIL

SOUTHERN REGIONAL COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2022

REGISTRY

28 APR 2023

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SOUTHERN REGIONAL COUNCIL

Annual report and financial statements for the year ended 31 December 2022

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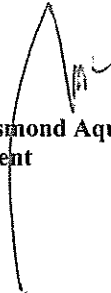
SOUTHERN REGIONAL COUNCIL

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

The Local Councils (Financial) Regulations 1993 require the Executive Secretary to prepare a detailed annual administrative report which included the Regional Council's Statement of Comprehensive Income for the year and of the Regional Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the Regional Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to the Local Councils, the income and expenditure of the Council for the year, its retained funds as at the year end, and that they comply with the Act, the Local Councils (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, the Local Council (Financial) Regulations and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the Regional Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Regional Council on 20 April 2023 and signed on its behalf by:



Mr Jesmond Aquilina
President



Ms Mariella Strout
Acting Executive Secretary

SOUTHERN REGIONAL COUNCIL

Statement of Comprehensive Income for the year ended 31 December 2022

	Note	2022 €	2021 €
Revenue			
Funds received from central government	3	583,332	650,000
Income raised from Local Enforcement System	4	2,887	975
LESA reimbursement	5	83,248	165,863
General income	6	3,934	57,464
		<u>673,401</u>	<u>874,302</u>
Expenditure			
Personnel emoluments	7	(398,893)	(221,373)
Operations and maintenance	8	(1,842)	(5,758)
Administration and other expenditure	9	(157,862)	(107,720)
		<u>(558,597)</u>	<u>(334,851)</u>
Operating surplus for the year		114,804	539,451
Financial assistance to the local councils within the Regional Council	10	(56,224)	(408,896)
		<u>58,580</u>	<u>130,555</u>

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

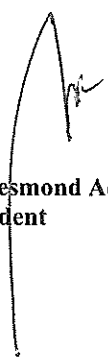
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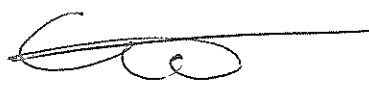
Statement of Financial Position as at 31 December 2022

	Note	2022 €	2021 €
Assets			
<i>Non current assets</i>			
Property, plant and equipment	11	<u>90,689</u>	107,849
<i>Current assets</i>			
Trade and other receivables	12	22,020	104,450
Cash and cash equivalents	13	<u>2,168,403</u>	<u>1,966,693</u>
		<u>2,190,423</u>	<u>2,071,143</u>
Total assets		<u>2,281,112</u>	<u>2,178,992</u>
Equity and liabilities			
<i>Reserves</i>			
Retained earnings		<u>1,426,397</u>	<u>1,367,817</u>
<i>Current liabilities</i>			
Trade and other payables	14	<u>854,715</u>	<u>811,175</u>
Total liabilities		<u>854,715</u>	<u>811,175</u>
Total equity and liabilities		<u>2,281,112</u>	<u>2,178,992</u>

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

These Financial Statements were approved by the Southern Regional Council on 20 April 2023 and signed on its behalf by:


Mr Jesmond Aquilina
President


Ms Mariella Strout
Acting Executive Secretary

SOUTHERN REGIONAL COUNCIL

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

	2022 €	2021 €
Retained Earnings		
At 1 January	1,367,817	1,237,262
Total Comprehensive Profit for the year	58,580	130,555
	<hr/>	<hr/>
At 31 December	1,426,397	1,367,817

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

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Statement of Cash Flows for the year ended 31 December 2022

	Note	2022 €	2021 €
Cash Flow from Operating Activities			
Total Comprehensive Profit for the year		58,580	130,555
Adjustments for:			
Depreciation		17,900	18,563
Reversal of provision for bad debts		(20,535)	(10,702)
Operating Profit before Working Capital Changes		<u>55,945</u>	138,416
Working Capital Changes:			
Decrease/(Increase) in receivables		102,965	(63,113)
Increase/(Decrease) in payables		43,540	105,425
Net Cash flows generated from operating activities		<u>202,450</u>	180,728
Cash flow from Investing Activities			
Purchase of property, plant and equipment		(4,340)	(115,431)
Receipt of government grant		3,600	-
Net Cash Flow used in Investing Activities		<u>(740)</u>	(115,431)
Net increase in Cash and Cash Equivalents		201,710	65,297
Cash and Cash Equivalents at the Beginning of the year		1,966,693	1,901,396
Cash and Cash Equivalents at the End of the year	13	<u>2,168,403</u>	<u>1,966,693</u>

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

SOUTHERN REGIONAL COUNCIL

Notes to the financial statements for the year ended 31 December 2022

1. GENERAL INFORMATION

The Southern Regional Council is the local authority of Malta set up in accordance with the Local Councils Act. The office of the Regional Council is situated at 395, Triq il-Vitorja, Qormi QRM2504. These financial statements were approved for issue by the Regional Council Members on 20 April 2023. The Regional Council's financial statements are prepared on a going concern basis and are presented in euro which is the functional currency of the Regional Council.

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 years presented, unless otherwise stated.

a) *Accounting convention*

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

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

b) *Changes in accounting policies and disclosures*

In the current year, the Local Council has reviewed a number of new standards and amendments to IFRS issued by the International Accounting Standards Boards (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022.

Amendments to the Conceptual Framework for IFRS 3 Business Combinations

The amendments were issued on 14 May 2020 and update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard. These amendments had no impact on the financial statements.

Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use

The amendments were issued on 14 May 2020. They prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. These amendments had no impact on the financial statements.

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Notes to the financial statements for the year ended 31 December 2022

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts: Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). These amendments had no impact on the financial statement.

New Standards and amendments not yet effective:

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 Councillors and Executive Secretary anticipate that the adoption of the 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. The most relevant changes are the following:

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 2024, with early application permitted, but is not yet endorsed for use in the EU.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. The amendments are applicable for annual reporting periods beginning on or after 1 January 2023, with optional early adoption.

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Notes to the financial statements for the year ended 31 December 2022

b) Changes in accounting policies and disclosures (continued)

IFRS 17 'Insurance Contracts'

IFRS 17 'Insurance Contracts' was issued in May 2017, with amendments to the standard issued in June 2021. The standard sets out the requirements that an entity should apply in accounting for insurance contracts it issues and reinsurance contracts it holds. Following the amendments, IFRS 17 is effective from 1 January 2023. This Standard will not have any effect on the Council's financial statements.

c) Revenue recognition

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the statement of comprehensive income as it accrues.

d) Local enforcement system

Income from the Local Enforcement System is recognized in the Statement of Comprehensive Income as it accrues.

e) Right of use asset

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Council expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

f) Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Council's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

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Notes to the financial statements for the year ended 31 December 2022

g) *Property, plant and equipment*

Property, plant and equipment, are initially recorded at cost and are subsequently stated at cost less depreciation and accumulated impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of items. Subsequent costs are included in the asset's carrying amount, or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Regional Council, and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives as follows:

	%
Computer Equipment	25.0
Office Equipment	20.0
Furniture and Fittings	7.5
Motor Vehicles	20.0
Construction Works - Completed	10.0

h) *Government grants*

Government grants are accounted for on a systematic basis in the Statement of Comprehensive income over the periods necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related costs, then the grant is accounted for when it becomes receivable.

Government and EU grants relating to property, plant and equipment are written-off against the expenditure incurred on such property, plant and equipment in the year of purchase in line with the capital approach as per International Accounting Standard 20, Government Grants.

i) *Impairment of assets*

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

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Notes to the financial statements for the year ended 31 December 2022

j) Receivables

Amounts receivable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amounts of the asset in the present value of the estimated future cash flows discounted at the effective interest rate. The amount of the provision is recognized in the Statement of Comprehensive Income.

k) Foreign currencies

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

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

l) Surplus and deficits

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

m) 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.

n) Related parties

Related parties are those persons or bodies of persons having relationship with the Council as defined in IAS 24. During the year under review, the Regional Council's related party that exercised a significant control was the Department of Local Government. The parties that exercise no control were Water Services Corporation, LESA, Enemalta, ARMS and Malta Environmental and Planning Authority.

o) Trade and other payables

Trade payables comprise obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Regional Council.

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Notes to the financial statements for the year ended 31 December 2022

p) Financial instruments

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

Financial assets are derecognized 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 derecognized when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost;
- fair value through profit or loss (FVTPL); or
- fair value through other comprehensive income (FVOCI).

In the periods presented the Council does not have any financial assets categorised as FVTPL and FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

Subsequent measurement of financial assets

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Council's cash and cash equivalents and receivables fall into this category of financial instruments.

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Notes to the financial statements for the year ended 31 December 2022

p) Financial instruments (continued)

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses - the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Council's first identifying a credit loss event. Instead, the Council considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Council's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Council's financial liabilities include trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Council designated a financial liability at FVTPL.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related changes and, if applicable, changes in an instrument's fair value that are reported in statement of income and expenditure are included within finance costs or finance income.

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Notes to the financial statements for the year ended 31 December 2022

q) *Critical accounting estimates and judgments*

The preparation of financial statements in conformity with IFRS requires council members to make judgments, 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 judgment 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 assumption are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future period if the revision affects both current and future periods.

In the opinion of the Regional Council Members, the accounting estimates and judgments made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

3. FUNDS RECEIVED FROM CENTRAL GOVERNMENT

	2022	2021
	€	€
Government allocation received during the year	<u>583,332</u>	<u>650,000</u>

4. INCOME RAISED FROM LOCAL ENFORCEMENT SYSTEM

	2022	2021
	€	€
Regional Committee LESA – Administration Fee	<u>2,887</u>	<u>975</u>

5. LESA REIMBURSEMENT

	2022	2021
	€	€
Reimbursement Salaries	75,762	76,768
Reimbursement Expenses	<u>7,486</u>	<u>89,095</u>
	<u>83,248</u>	<u>165,863</u>

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Notes to the financial statements for the year ended 31 December 2022

6. GENERAL INCOME

	2022	2021
	€	€
Grant re Cultural Activities	-	57,364
Other Income	3,934	100
	<u>3,934</u>	<u>57,464</u>

7. PERSONNEL EMOLUMENTS

	2022	2021
	€	€
President's Honoraria	21,484	21,143
Executive Secretary's Salary	45,095	42,604
Employees' Salaries	302,601	142,645
Social Security Contributions	29,713	14,981
	<u>398,893</u>	<u>221,373</u>

AVERAGE NUMBER OF PEOPLE EMPLOYED

Executive Secretary	1	1
Employees	12	6
President	1	1
	<u>1</u>	<u>1</u>

8. OPERATIONS AND MAINTENANCE

	2022	2021
	€	€
Tribunal Cost	1	5,758
Refuse Collection	1,841	-
	<u>1,842</u>	<u>5,758</u>

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Notes to the financial statements for the year ended 31 December 2022

9. ADMINISTRATION AND OTHER EXPENDITURE

	2022	2021
	€	€
Annual Plenary Session	4,586	7,827
Bank Charges and Interest	701	606
Cleaning and Supplies Cost	8,701	6,127
Computer Maintenance Agreement	2,463	5,551
Data Protection Officer	1,868	3,737
Depreciation	17,900	18,563
Equipment Hire	2,606	-
Funeral Wreath & Flowers	125	100
General Expenses	-	141
Health Insurance	827	1,070
Handyman Works	5,800	5,146
Insurance including Money Insurance	673	898
Legal Fees	1,239	2,478
LES Services	765	-
Other Hospitality Costs	5,634	4,642
Motor Vehicles Expenses	3,775	4,447
Postage, Printing and Stationery	14,964	4,672
Reversal of provision for bad debts	(20,535)	(10,702)
PR Material	21	3,290
Professional Fee	12,980	19,074
Rent	20,357	-
Repairs and Maintenance	3,670	11,940
Subscription, Licences and Memberships	1,861	2,369
Staff Uniform	1,152	379
Staff Training & Team Building Events	17,407	8,664
Telephone and Communication	2,326	2,995
Transportation	40,518	-
Overseas Travel	2,877	1,284
Water/Electricity & Gas	2,601	2,422
	<u>157,862</u>	<u>107,720</u>

10. FINANCIAL ASSISTANCE TO THE LOCAL COUNCILS WITHIN THE REGIONAL COUNCIL

	2022	2021
	€	€
Fire Symposium	-	48,020
Christmas Decoration Projects	19,629	200
Reimbursement to Eco Community Officers	-	22,388
Activities Project	10,000	-
Special Projects and other projects from previous years	-	306,103
Library Project	-	7,000
Kwarta Tajba Project	1,500	40,810
Tarmac Project	-	(19,600)
Art Lessons and Exhibition Project	750	3,975
Other Community Projects	24,345	-
	<u>56,224</u>	<u>408,896</u>

Notes to the financial statements
for the year ended 31 December 20222

11. PROPERTY, PLANT AND EQUIPMENT

	Computer Equipment	Office Equipment	Furniture & Fittings	Motor Vehicles	Construction Works	Total
	€	€	€	€	€	€
Cost						
As at 1 January 2022	23,360	8,596	15,715	30,471	72,077	150,219
Additions during the year	955	2,653	732	-	-	4,340
As at 31 December 2022	24,315	11,249	16,447	30,471	72,077	154,559
Grants and Other Reimbursements						
Grants during the year	(3,600)	-	-	-	-	(3,600)
As at 31 December 2022	(3,600)	-	-	-	-	(3,600)
Depreciation and Impairment Provision						
As at 1 January 2022	12,232	7,961	5,022	8,094	9,061	42,370
Charge for the year	2,148	406	1,670	6,094	7,582	17,900
As at 31 December 2022	14,380	8,367	6,692	14,188	16,643	60,270
NET BOOK VALUE						
As at 31 December 2022	6,335	2,882	9,755	16,283	55,434	90,689

	Computer Equipment	Office Equipment	Furniture & Fittings	Motor Vehicles	Construction Works	Total
	€	€	€	€	€	€
Cost						
As at 1 January 2021	8,522	7,802	10,281	5,000	3,183	34,788
Additions during the year	14,838	794	5,434	25,471	68,894	115,431
As at 31 December 2021	23,360	8,596	15,715	30,471	72,077	150,219
Depreciation and Impairment Provision						
As at 1 January 2021	8,522	7,588	3,843	2,000	1,854	23,807
Charge for the year	3,710	373	1,179	6,094	7,207	18,563
As at 31 December 2021	12,232	7,961	5,022	8,094	9,061	42,370
NET BOOK VALUE						
As at 31 December 2021	11,128	635	10,693	22,377	63,016	107,849

SOUTHERN REGIONAL COUNCIL

Notes to the financial statements for the year ended 31 December 2022

12. TRADE AND OTHER RECEIVABLES

	2022	2021
	€	€
Receivables	7,096	5,970
Prepayments	10,141	3,376
Accrued Income	4,783	95,104
	<u>22,020</u>	<u>104,450</u>
Analysis of Trade receivables		
Within the credit period	6,522	5,970
Exceeded credit period but not yet impaired	574	-
	<u>7,096</u>	<u>5,970</u>

Receivables are stated net of provision for doubtful debts of Eur1,652,809 (2021: Eur1,673,344).

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and balances with banks. Cash and cash equivalents included in the Statement of Cash Flows comprise the following amounts in the Statement of Financial Position.

	2022	2021
	€	€
Bank Balance		
Current Accounts	2,168,070	1,966,360
Cash in Hand	333	333
	<u>2,168,403</u>	<u>1,966,693</u>
Cash at bank and in hand		

SOUTHERN REGIONAL COUNCIL

Notes to the financial statements for the year ended 31 December 2022

14. TRADE AND OTHER PAYABLES

	2022	2021
	€	€
Trade payables	16,933	13,884
CIR payable	9,380	15,723
Accruals	28,740	37,864
DLG Funds	439,568	535,866
Deferred income	360,094	207,838
	<hr/>	<hr/>
Financial liabilities	854,715	811,175

15. CAPITAL COMMITMENTS

By the time these financial statements were approved, the Regional Council has approved a construction project for of an Administration Building Rehabilitation Project for an estimated building cost for Eur645,000. The project will be financed from the Regional Council's internal funds and is expected to be completed by end of 2024.

Another committed investment is the purchase of an electric van during 2023 for an estimated cost of Eur45,000, of which Eur36,000 will be co-financed by LESA.

SOUTHERN REGIONAL COUNCIL

Notes to the financial statements for the year ended 31 December 2022

16. RELATED PARTY TRANSACTIONS

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

Name of Entity	Nature of relationship
Department of Local Government	Significant control
Joint Committee (Local Enforcement)	Joint control
Local Enforcement System Agency	Joint control
Local Council Association	No control
Water Services Corporation	No control
Enemalta Corporation / ARMS	No control

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

	2022	2021
	€	€
Annual financial allocation	583,332	650,000
LESA reimbursement	83,248	165,863

The ultimate controlling party of the Regional Council is Central Government since the Council's main revenue is from Government allocation received every quarter. Apart from the normal funds received from Government, the Council also receives funds relating to specific projects as well as other funds for the improvement and betterment of the locality.

Key management compensation

Transactions with key management personnel are disclosed in note 7. The Council considers its Mayor, Councillors and the Executive Secretary to be Key Management Personnel. Remuneration paid to its Key Management Personnel amounted to Eur66,579 for 2022 (2021: Eur63,747).

17. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Council's activities expose it to credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Council is not exposed to any market risk. The Council's risk management is coordinated by the council members and focuses on actively securing the Council's short to medium term cash flow by minimising exposure to financial risks.

The most significant financial risk to which the Council is exposed are described below.

SOUTHERN REGIONAL COUNCIL

Notes to the financial statements for the year ended 31 December 2022

17. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

17.1 Credit Risk

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

		2022	2021
		€	€
Classes of financial assets – carrying amounts			
Trade and other receivables	(Note 12)	11,879	101,074
Cash and cash equivalents	(Note 13)	2,168,070	1,966,360
		<u>2,179,949</u>	<u>2,067,434</u>

The Council continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Council's policy is to deal only with creditworthy counterparties.

The Council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the Council's financial assets is secured by collateral or other credit enhancements.

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

17.2 Liquidity Risk

The Council's trade and other payables exposure to liquidity risk arises from its obligations to meet its financial liabilities which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funds to meet the Council's obligations when they become due.

The Council manages its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. The Council's liquidity is deemed to be sufficient in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments.

		2022	2021
		€	€
Current liabilities			
Financial liabilities measured at amortised cost:			
Trade and other payables		465,881	565,473
Accruals		28,740	37,864
		<u>494,621</u>	<u>603,337</u>

SOUTHERN REGIONAL COUNCIL

Notes to the financial statements for the year ended 31 December 2022

17. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

17.2 Liquidity Risk (continued)

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

31 December 2022	Current within 1 year €	Non- current 1 to 5 years €	Later than 5 years €
Trade and other payables	26,313	-	-
DLG Funds	439,568	-	-
Accruals	28,740	-	-

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

31 December 2021	Current within 1 year €	Non- current 1 to 5 years €	Later than 5 years €
Trade and other payables	29,607	-	-
DLG Funds	535,866	-	-
Accruals	37,864	-	-

17.3 Interest Rate Risk

The Council has no significant interest-bearing assets other than cash and cash equivalent (Note 13), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. The Council monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, the Council considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

17.4 Foreign Currency Risk

The Council is not exposed to foreign exchange risk since it does not transact in foreign currencies.

SOUTHERN REGIONAL COUNCIL

Notes to the financial statements for the year ended 31 December 2022

17. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

17.5 Summary of financial assets and liabilities by category

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

	2022	2021
	€	€
Current assets		
Loans and receivables:		
Trade and other receivables	11,879	101,074
Cash and cash equivalents	2,168,070	1,966,360
	<u>2,179,949</u>	<u>2,067,434</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Trade and other payables	26,313	29,607
DLG Funds	439,568	535,866
Accruals	28,740	37,864
	<u>494,621</u>	<u>603,337</u>

17.6 Capital Risk Management

The Council's objectives when managing capital are to safeguard the Council's ability to continue as a going concern so that it can continue to provide a service to the residents of the Regional Council by maintaining an optimal capital structure to reduce cost of capital.

The Council's equity, as disclosed in the statement of financial position, constitutes its capital. The Council's capital structure is monitored by the Executive Secretary and the Council with appropriate reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Council's activities, the capital level as at the end of the reporting period is deemed adequate by the Council.

18. Fair Value Estimation

As at 31 December 2022 and 2021, the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

19. Events After the End of the Reporting Period

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

Report of the Local Government Auditor

To the Auditor General

Report on the audit of the financial statements

Qualified opinion

We have audited the financial statements of Regjun Nofsinhar set out on pages 2 to 22 which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for qualified opinion

The accounting records of Regjun Nofsinhar are primarily prepared from reports generated by the Local Enforcement System (LES) IT system which is operated by an external service provider. LES receivables of €6,171, which are net of a provision of €1,653,784, reported in these financial statements are therefore also based on these reports. Through our audit procedures we have verified that these financial statements reflect expenses and amounts receivable and payable relating to contraventions issued and paid as reported by the LES IT system. We were not provided with satisfactory evidence that the IT system is operating properly and as intended and that the reports generated by it are free from material misstatements and there were no practicable alternative audit procedures that we could perform to obtain reasonable assurance on the completeness and existence of the information reported by the IT system.

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 Committee in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of those charged with governance for the financial statements

As described on page 1 the Executive Secretary and the members of the Regional Committee 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 committee are responsible for assessing the committee'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 committee or to cease operations, or have no realistic alternative but to do so.

The Executive Secretary and the members of the committee are responsible for overseeing the committee'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 Committee'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 committee'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 committee to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

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

A handwritten signature in black ink, appearing to be 'Mark Bugeja'.

Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

Fort Business Centre,
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20 April 2023