



TA' KERĊEM

TA' KERĊEM LOCAL COUNCIL

Annual Report

and

Financial Statements

for the year ended 31 December 2023

Prepared by

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ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2023

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**Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2023**

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

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

This statement was approved by the Local Council on the 30th April 2024 and signed on its behalf by



Mario Azzopardi
Mayor



Marianne Sagona
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

		2023 €	2022 €
	<i>Notes</i>		
Income			
Funds received from Central Government	4	393,714	381,335
Income raised under the Local Enforcement System	5	1,094	676
General Income	6	12,133	9,041
		<u>406,941</u>	<u>391,052</u>
 Expenditure			
Personal emoluments	8	(114,991)	(115,133)
Operations and maintenance	9	(78,145)	(70,545)
Administration and other expenditure	10	(193,699)	(170,163)
		<u>(386,835)</u>	<u>(355,841)</u>
 Operating Surplus for the year	7	20,106	35,211
 Finance costs	11	(979)	(2,883)
Finance income	12	241	263
 Total comprehensive income for the year		<u><u>19,368</u></u>	<u><u>32,591</u></u>

The notes on pages 8 to 22 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 €	2022 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	13	<u>206,009</u>	<u>263,805</u>
		206,009	263,805
Current Assets			
Inventories	14	<u>919</u>	<u>1,133</u>
Receivables	15	<u>145,597</u>	<u>71,151</u>
Cash and Cash Equivalents	16	<u>890,341</u>	<u>962,012</u>
		1,036,857	1,034,296
Total Assets		<u>1,242,866</u>	<u>1,298,101</u>
RESERVES AND LIABILITIES			
Reserves			
Retained Funds		<u>472,743</u>	<u>453,375</u>
		472,743	453,375
Non-Current Liabilities			
Long-term borrowings	18	<u>-</u>	<u>717</u>
		-	717
Current Liabilities			
Payables	17	<u>339,749</u>	<u>330,955</u>
Deferred income	19	<u>430,374</u>	<u>495,363</u>
Short-term borrowings	18	<u>-</u>	<u>17,691</u>
		770,123	844,009
Total Reserves and Liabilities		<u>1,242,866</u>	<u>1,298,101</u>

These financial statements were approved and authorised for issue by the Local Council on 30th April 2024 and signed on its behalf by:


 Mario Azzopardi
 Mayor


 Marianne Sagona
 Executive Secretary

The notes on pages 8 to 22 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Retained Funds €
At 1 January 2022	420,784
Total comprehensive income for the year 2022: <i>Profit for the financial year</i>	<u>32,591</u>
At 31 December 2022	<u><u>453,375</u></u>
At 1 January 2023	453,375
Total comprehensive income for the year 2023: <i>Profit for the financial year</i>	<u>19,368</u>
At 31 December 2023	<u><u>472,743</u></u>

The notes on pages 8 to 22 form an integral part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023	2022
	€	€
	Note	
Cash flows from Operating Activities		
Total comprehensive income for the year	19,368	32,591
Reconciliation to cash generated from operations:		
Depreciation	76,146	77,636
Increase in provision for doubtful debts	526	-
Interest expense	504	1,253
Interest receivable	(241)	(263)
Operating surplus before Working Capital Changes	96,303	111,217
Decrease / (Increase) in inventories	214	(641)
Decrease / (Increase) in receivables	19,194	(10,131)
Increase in other receivables	(66,671)	(597)
Decrease in payables	(6,035)	(37,399)
Increase in other payables	4,962	8,786
Cash generated from operating activities	47,967	71,235
Cash flows from Investing Activities		
Interest received	241	263
Purchase of property, plant & equipment	(157,958)	(27,798)
Receipt of grants	56,991	78,065
Cash (used in) / generated from investing activities	(100,726)	50,530
Cash flows from Financing Activities		
Repayment of borrowings	(18,912)	(21,164)
Cash used in financing activities	(18,912)	(21,164)
Net (decrease)/Increase in Cash and Cash Equivalents	(71,671)	100,601
Cash and Cash Equivalents at the Beginning of the year	962,012	861,411
Cash and Cash Equivalents at the End of the year	890,341	962,012
	16	

The notes on pages 8 to 22 form an integral part of these financial statements

Notes to the Financial Statements for the year ended 31 December 2023

1. General Information

The Ta' Kerċem Local Council is the local Authority of Ta' Kerċem set up in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at Orvieto Square, Ta' Kerċem, Gozo. These financial statements were approved for issue by the Council Members on the 30th April 2024. The Local Council's presentation as well as functional currency is denominated in €.

2. Material Accounting Policy Information

The accounting policies that are material to the 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 ("IFRS Accounting 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 or amended accounting standards, and interpretations adopted

The following amended standards became applicable for the current reporting period:

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The term 'significant' was replaced with 'material' in the context of disclosing accounting policy information. In assessing the materiality of the accounting policy information the Council considers the size of transactions, other events or conditions and their nature.

The Council adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') and the IFRS Interpretations Committee and endorsed by the EU that are mandatory for the current reporting period. The adoption of these amendments to the requirements of IFRS Accounting Standards as adopted by the EU did not result in substantial changes to the Council's accounting policies impacting the Council's financial performance and position.

New or amended accounting standards, and interpretations issued but not yet effective

At the end of the reporting period, certain new standards, interpretations and amendments thereto, were in issue and endorsed by the EU, but not yet effective for the current financial year. 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.

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:

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**2. Material Accounting Policy Information (cont.)**

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

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

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

Impairment of Assets

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

Amounts receivable

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount of the asset 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.

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 Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

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

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)

2. Material Accounting Policy Information (cont.)

Financial instruments

Financial assets and financial liabilities are recognised when the Council 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 expired.

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

Financial assets

For the purpose of subsequent measurement, financial assets of the Council are classified into financial assets at amortised cost upon initial recognition.

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

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

Financial liabilities

The Council's financial liabilities include other payables. These are stated at their nominal amount which is a reasonable approximation of fair value, unless the effect of discounting is material in which case other payables are measured at amortised cost using the effective interest method.

All interest-related charges are included within 'finance costs'.

Revenue

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

Income from central government is not recognised until there is reasonable assurance that the Council will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross and any deductions made therefrom are to be disclosed separately with expenses.

Local enforcement system

The income recognised in the Statement of Comprehensive Income was derived from the administrative fees from the five Regional Committees and Local Enforcement System Agency.

Government grants

Government grants relating to operating expenditure are recognised in the statement of Comprehensive Income in the same period that the related expenditure is incurred.

Government grants relating to the purchase of property, plant and equipment are accounted for using the capital approach, and are thus deducted from the carrying amount of the relative non-current asset.

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**2. Material Accounting Policy Information (cont.)***Foreign currencies*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Local Council operates. These financial statements are presented in €, which is the Council'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.

3. Judgments in applying accounting policies and key sources of estimation

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Council, 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

	2023	2022
	€	€
In terms of section 55 of the Local Councils Act	318,598	309,732
Other Government Income	75,116	71,603
	<u>393,714</u>	<u>381,335</u>

5. Income raised under the Local Enforcement system

	2023	2022
	€	€
Administrative fees on contraventions	1,094	676
	<u>1,094</u>	<u>676</u>

6. General Income

	2023	2022
	€	€
General Income	486	395
Rent receivable	3,192	4,327
Income from Permits	8,455	4,319
	<u>12,133</u>	<u>9,041</u>

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**7. Operating surplus for the year**

	2023	2022
	€	€
Operating surplus for the year is stated after charging		
Staff salaries (Note 8)	114,991	115,133
Depreciation of property, plant and equipment (Note 13)	76,146	77,636

8. Personal emoluments

	2023	2022
	€	€
Mayor's Remuneration	11,079	10,742
Mayor's and Councilors' Allowances	13,000	13,000
Executive Secretary Salary and Allowances	38,496	35,234
Employees' Salaries	45,671	49,751
Social Security Contributions	6,745	6,316
	114,991	115,133

9. Operations and Maintenance

	2023	2022
	€	€
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	34,200	19,189
Walkways	560	7,735
Signs	1,441	401
Road Markings	149	-
	36,350	27,325
<i>Contractual Services:</i>		
Waste Disposal	13,752	8,354
Refuse Collection	16,958	16,513
Bulky Refuse Collection	990	969
Road & Street Cleaning	2,316	3,137
Cleaning & Maintaining Parks & Gardens	1,172	123
Street Lighting	6,076	7,946
Studies & Consultations	531	6,178
	41,795	43,220
Total Operations and Maintenance Costs	78,145	70,545

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**10. Administrative and other expenditure**

	2023	2022
	€	€
Utilities	9,311	13,962
Other repairs and upkeep	1,573	1,075
Rent	1,724	2,882
National and International Memberships	29	760
Office Services	5,373	3,574
Transport	2,780	4,014
Information Services	1,075	165
Insurance Coverage	5,679	2,626
Professional Services	16,322	23,137
Other Hospitality Costs	1,482	1,303
Social and Cultural Events	71,679	41,295
Increase / (Decrease) in provision on receivables	526	(2,266)
Depreciation	76,146	77,636
	193,699	170,163

11. Finance Costs

	2023	2022
	€	€
Bank charges	475	1,630
Bank interest	504	1,253
	979	2,883

12. Finance Income

	2023	2022
	€	€
Bank Interest Receivable	241	263
	241	263

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**13. Property, plant and equipment**

	New Street Signs €	Urban Improvements €	Plant & Machinery, Computer & Office Equipment €	Office Furniture & fittings €	Motor Vehicle €	Assets under Construction €	Special Programmes & Construction €	Total €
Cost								
At 1 January 2023	4,554	603,416	36,753	27,422	-	32,330	2,156,796	2,861,271
Additions	-	4,897	1,149	-	51,205	110,574	-	167,825
Reclassification	-	-	-	-	-	(125,809)	125,809	-
At 31 December 2023	4,554	608,313	37,902	27,422	51,205	17,095	2,282,605	3,029,096
Depreciation								
At 1 January 2023	4,554	507,244	23,931	15,861	-	-	681,383	1,232,973
Charge for the year	-	25,842	1,847	1,401	2,740	-	44,316	76,146
At 31 December 2023	4,554	533,086	25,778	17,262	2,740	-	725,698	1,309,119
Grants								
At 1 January 2023	-	37,195	6,198	-	-	32,330	1,288,770	1,364,493
Additions	-	-	-	-	36,260	108,809	4,406	149,475
Reclassification	-	-	-	-	-	(124,044)	124,044	-
At 31 December 2023	-	37,195	6,198	-	36,260	17,095	1,417,220	1,513,968
Net Book values								
At 31 December 2023	-	38,032	5,926	10,160	12,205	-	139,686	206,009

TA' KERCEM LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)

13. Property, plant and equipment (cont.)

	New Street Signs	Urban Improvements	Plant & Machinery, Computer & Office Equipment	Office Furniture & fittings	Assets under Construction	Special Programmes & Construction	Total
	€	€	€	€	€	€	€
Cost							
At 1 January 2022	4,554	603,416	31,566	26,121	137,546	1,904,495	2,707,698
Additions	-	-	5,187	1,301	147,085	-	153,573
Reclassification	-	-	-	-	(252,301)	252,301	-
At 31 December 2022	4,554	603,416	36,753	27,422	32,330	2,156,796	2,861,271
Depreciation							
At 1 January 2022	4,554	481,227	22,502	14,517	-	632,537	1,155,337
Charge for the year	-	26,017	1,429	1,344	-	48,846	77,636
At 31 December 2022	4,554	507,244	23,931	15,861	-	681,383	1,232,973
Grants							
At 1 January 2022	-	37,195	6,198	-	132,013	1,061,073	1,236,479
Additions	-	-	-	-	128,014	-	128,014
Reclassification	-	-	-	-	(227,697)	227,697	-
At 31 December 2022	-	37,195	6,198	-	32,330	1,288,770	1,364,493
Net Book values							
At 31 December 2022	-	58,977	6,624	11,561	-	186,643	263,805

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**14. Inventories**

	2023	2022
	€	€
Stock of stamps	<u>919</u>	<u>1,133</u>

15. Receivables

	2023	2022
	€	€
Accounts receivables	1,406	21,126
Prepayments and accrued income	144,191	50,025
	<u>145,597</u>	<u>71,151</u>

Receivables

Account receivables are analysed as follows:

	2023	2022
	€	€
Within credit period	290	8,591
Exceeded credit period but not impaired	1,116	12,535
Impaired and provided for	1,431	4,427
Provision for doubtful debts	(1,431)	(4,427)
	<u>1,406</u>	<u>21,126</u>

16. Cash & cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following statement of financial position amounts.

	2023	2022
	€	€
Cash at Bank	890,202	961,511
Cash in Hand	139	501
	<u>890,341</u>	<u>962,012</u>

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**17. Payables**

	2023	2022
	€	€
Trade payables	86,993	102,838
Amounts due to related parties	39,168	19,491
Other payables	19,019	19,019
Accruals	194,569	189,607
	339,739	330,955
Less Non-current accruals	-	-
	339,739	330,955

18. Borrowings

	2023	2022
	€	€
Non-current		
Bank borrowings	-	717
Current		
Bank borrowings	-	17,691
Borrowings		
Repayable between one and two years	-	717
Repayable between two and five years	-	-
Repayable in five years or more	-	-
	-	717

Bank Loans

Long term borrowings consisted of two bank loans borrowed by the Council with the approval of the Minister responsible for the Local Government to be repaid over a period of twenty years. The bank loan's interest rates were 4.65% and 4.90% respectively. The loans were paid through Eur 5,322 quarterly installments inclusive of interest. The Loans were secured by a general hypothec on the Council's assets and a pledge over an insurance policy.

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**19. Deferred income**

	2023	2022
	€	€
Government grants		
At 1 January	495,363	536,533
Increase in year	3,039	78,066
	<u>498,402</u>	<u>614,599</u>
Transferred to PPE Capital Approach	<u>(68,028)</u>	<u>(119,236)</u>
At 31 December	<u><u>430,374</u></u>	<u><u>495,363</u></u>
Current Deferred Income	<u><u>430,374</u></u>	<u><u>495,363</u></u>

20. Capital commitments

	2023	2022
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	371,065	-
- Contracted for but not provided in the financial statements	<u>408,107</u>	<u>463,464</u>
(i) Approved but not yet contracted for:		
Measure 3	184,153	-
CCTV around the locality	10,412	-
Tisbieh Qasam San Gorg	76,500	-
LESA Funds playing field	<u>100,000</u>	<u>-</u>
	<u><u>371,065</u></u>	<u><u>-</u></u>
(ii) Contracted for but not provided in the Financial Statements:		
Triq Ghajn Tuta & Triq il-Gamiem	324,807	339,662
Gnien tal-Ghadira ta' Sarraflu	-	28,563
Restawr Ghajn Tuta	-	11,939
Rigenerazzjoni tal-Pjazza San Girgor	<u>83,300</u>	<u>83,300</u>
	<u><u>408,107</u></u>	<u><u>463,464</u></u>

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**21. Financial Risk Management**

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.

Credit risk

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and receivables. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to receivables is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

The maximum exposure to credit risk for amounts receivable at the reporting date, net of impairment losses, by type of customer is as follows:

- Receivables from Related Parties	€ 1,406
- Cash and cash equivalents	€ 890,341

Liquidity Risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact, at year end, the Council has as cash and cash equivalents the amount of €890,341. This should ensure an ongoing working capital of the Council for the next 12 months.

The following table details the undiscounted contractual cash flows arising from the Company's financial liabilities:

	Weighted average interest rate %	1 year or less €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Remaining contractual maturities €
31 December 2023						
<i>Non-interest bearing</i>						
Trade payables	-	86,993	-	-	-	86,993
Amounts due to related parties	-	39,168	-	-	-	39,168
Other payables	-	19,019	-	-	-	19,019
		145,180	-	-	-	145,180

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**21. Financial Risk Management (cont.)***Liquidity Risk - continued*

	Weighted average interest rate %	1 year or less €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Remaining contractual maturities €
31 December 2023						
<i>Non-interest bearing</i>						
Trade payables	-	102,838	-	-	-	102,838
Amounts due to related parties	-	19,491	-	-	-	19,491
Other payables	-	19,019	-	-	-	19,019
<i>Interest-bearing</i>						
Bank loans	4.78	18,912	-	-	-	18,912
		160,260	-	-	-	160,260

Going Concern Risk

The Council registered a net profit of €19,368 (2022: €32,591) during the year ended 31 December 2023, and as at that date, the Council had a net current asset position of €266,734 (2022: €190,287) These financial statements have been prepared on a going concern basis in view of the fact that it is understood that the ultimate controlling party will provide adequate funds for the Council to cover present liabilities as well as short term obligations and commitments arising.

Summary of financial assets and liabilities by category:

	2023 €	2022 €
Current Assets		
Accounts and other receivables	1,406	21,126
Cash and Cash Equivalents	890,341	962,012
	891,747	983,138
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	316,486	330,955

Foreign Currency Risk

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

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**21. Financial Risk Management (cont.)***Interest Rate Risk*

The Council operated two bank accounts which had financing facilities. These facilities were repaid in full during the year and as a result, the Council is not exposed to cash flow interest rate risk on bank balances.

Timing of cash flows

The presentation of the financial assets and liabilities under current and non-current headings within the statement of financial position is intended to indicate the timing in which cash flows will arise.

Capital Management

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

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

To achieve the above, the Council carries out 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 Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

22. Related parties disclosures

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Councils	Significant control
Gozo Regional Committee	Joint Control
North Regional Committee	No control
Central Regional Committee	No control
South Eastern Regional Committee	No control
South Regional Committee	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Cleansing Services Department	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Police General Headquarters	No control
Department of Lands	No control
Airmalta plc	No control
Bank of Valletta plc	No control
MCAST	No control
National Library of Malta	No control
Malta Tourism Authority	No control

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**22. Related parties disclosures (cont.)**

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

	Related party activity €	2023 Total activity €	%	Related party activity €	2022 Total activity €	%
<i>Income</i>						
Transactions with central government	393,714			381,335		
Transactions with regions	1,094			676		
	<u>394,808</u>	<u>406,941</u>	<u>97</u>	<u>382,011</u>	<u>391,052</u>	<u>98</u>
<i>Expenditure</i>						
Transactions with government entities	30,957			8,354		
Key personnel remuneration	114,991			115,133		
	<u>145,948</u>	<u>387,339</u>	<u>38</u>	<u>123,487</u>	<u>355,841</u>	<u>35</u>

The amounts due from / to related parties at year-end are disclosed in notes 15 and 17. 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.

23. Ultimate Controlling party

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

24. Fair values estimation

At 31 December 2023 and at 31 December 2022, 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.

25. Reconciliation of liabilities arising from financing activities

	Opening balance €	Non-cash adjustments €	Payments €	Closing balance €
2022				
Bank loan	38,319	1,253	(21,164)	18,408
2023				
Bank loan	18,408	504	(18,912)	-

Report of the Local Government Auditor to the Auditor General