

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2022

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

for the year ended 31 December 2022


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 1 February 2024 and signed on its behalf by



Mario Azzopardi
Mayor



Marianne Sagona
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

		2022	2021
		€	€
	<i>Notes</i>		
Income			
Funds received from Central Government	4	381,335	347,350
Income raised under Local Enforcement System	5	676	634
General Income	6	9,041	13,518
		<u>391,052</u>	<u>361,502</u>
Expenditure			
Personal emoluments	8	(115,133)	(106,218)
Operations and maintenance	9	(70,545)	(111,608)
Administration and other expenditure	10	(170,163)	(127,008)
		<u>(355,841)</u>	<u>(344,834)</u>
Operating Surplus for the year	7	35,211	16,668
Finance costs	11	(2,883)	(2,996)
Finance income	12	263	-
		<u>32,591</u>	<u>13,672</u>
Total comprehensive income for the year		<u><u>32,591</u></u>	<u><u>13,672</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 2022

	Notes	2022 €	2021 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	13	<u>263,805</u>	<u>315,882</u>
		263,805	315,882
Current Assets			
Inventories	14	<u>1,133</u>	<u>492</u>
Receivables	15	<u>71,151</u>	<u>51,644</u>
Cash and Cash Equivalents	16	<u>962,012</u>	<u>861,411</u>
		1,034,296	913,547
Total Assets		<u>1,298,101</u>	<u>1,229,429</u>
RESERVES AND LIABILITIES			
Reserves			
Retained Funds		<u>453,375</u>	<u>420,784</u>
		453,375	420,784
Non-Current Liabilities			
Long-term borrowings	18	<u>717</u>	<u>18,562</u>
		717	18,562
Current Liabilities			
Payables	17	<u>330,955</u>	<u>233,793</u>
Deferred income	19	<u>495,363</u>	<u>536,533</u>
Short-term borrowings	18	<u>17,691</u>	<u>19,757</u>
		844,009	790,083
Total Reserves and Liabilities		<u>1,298,101</u>	<u>1,229,429</u>

These financial statements were approved by the Local Council on 1 February 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 2022

	Retained Funds €
At 1 January 2021	407,112
Total comprehensive income for the year 2021	13,672
	<hr/>
At 31 December 2021	420,784
	<hr/> <hr/>
At 1 January 2022	420,784
Total comprehensive income for the year 2022	32,591
	<hr/>
At 31 December 2022	453,375
	<hr/> <hr/>

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 2022

	2022 €	2021 €
	Note	
Cash flows from Operating Activities		
Total comprehensive income for the year	32,591	13,672
Reconciliation to cash generated from operations:		
Depreciation	77,636	79,298
Interest receivable	(263)	-
Operating Profit before Working Capital Changes	<u>109,964</u>	<u>92,970</u>
(Increase) / decrease in inventories	(641)	1,137
Increase in receivables	(10,131)	(12,227)
Increase in other receivables	(597)	(2,119)
(Decrease) / increase in payables	(37,399)	9,720
Increase in other payables	8,786	20,099
Cash generated from operating activities	<u>69,982</u>	<u>109,581</u>
Cash flows from Investing Activities		
Interest received	263	-
Purchase of property, plant & equipment	(27,798)	(8,838)
Receipt of grants	78,065	63,663
Cash generated from investing activities	<u>50,530</u>	<u>54,825</u>
Cash flows from Financing Activities		
Repayment of long term borrowings	(19,911)	(18,858)
Cash used in financing activities	<u>(19,911)</u>	<u>(18,858)</u>
Net Increase in Cash and Cash Equivalents	100,601	145,548
Cash and Cash Equivalents at the Beginning of the year	<u>861,411</u>	<u>715,863</u>
Cash and Cash Equivalents at the End of the year	<u>16</u> 962,012	<u>861,411</u>

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 2022

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 18th January 2024. The Local Council'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 Local Council

In the current year, the Local Council has applied a number of new standards and amendments to IFRS issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 01 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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.

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:

	%
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

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

Accounting Policies and Reporting Procedures (cont.)

Property, plant and equipment (cont.)

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 income and expenditure account 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.

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 other payables are measured at amortised cost using the effective interest method.

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.

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

2. Accounting Policies and Reporting Procedures (cont.)

Financial assets

For the purpose of subsequent measurement, financial assets of the Council are classified into loans and receivables upon initial recognition.

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

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Council's other receivables fall into this category of financial instruments. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

Financial liabilities

The Council's financial liabilities 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 Council as defined in International Accounting Standard No. 24.

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 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.

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

2. Accounting Policies and Reporting Procedures (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.

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 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.

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

	2022	2021
	€	€
In terms of section 55 of the Local Councils Act	309,732	299,596
Other Government Income	71,603	47,754
	<u>381,335</u>	<u>347,350</u>

Notes to the Financial Statements for the period ended 31 December 2022 (cont.)**5. Local Enforcement system**

	2022	2021
	€	€
Administrative fees on contraventions	<u>676</u>	<u>634</u>
	<u>676</u>	<u>634</u>

6. General Income

	2022	2021
	€	€
Sponsorships	-	1,350
General Income	395	4,009
Rent receivable	4,327	6,125
Income from Permits	<u>4,319</u>	<u>2,034</u>
	<u>9,041</u>	<u>13,518</u>

7. Operating surplus for the year

	2022	2021
	€	€
Operating surplus for the year is stated after charging		
Staff salaries	115,133	106,218
Depreciation of property, plant and equipment	<u>77,636</u>	<u>79,298</u>

8. Personal emoluments

	2022	2021
	€	€
Mayor's Honoraria	10,742	10,571
Mayor's and Councillors' Allowances	13,000	13,000
Executive Secretary Salary and Allowances	35,324	41,215
Employees' Salaries	49,751	35,508
Social Security Contributions	<u>6,316</u>	<u>5,924</u>
	<u>115,133</u>	<u>106,218</u>

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)**9. Operations and Maintenance**

	2022	2021
	€	€
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	19,189	22,351
Walkways	7,735	652
Signs	401	3,189
	<u>27,325</u>	<u>26,192</u>
<i>Contractual Services:</i>		
Waste Disposal	8,354	7,314
Refuse Collection	16,513	58,256
Bulky Refuse Collection	969	339
Road & Street Cleaning	3,137	2,004
Cleaning & Maintaining Non-Urban	-	6,162
Cleaning - Council Premises	-	1,216
Cleaning & Maintaining Parks & Gardens	123	548
Street Lighting	7,946	6,773
Studies & Consultations	6,178	2,804
	<u>43,220</u>	<u>85,416</u>
Total Operations and Maintenance Costs	<u>70,545</u>	<u>111,608</u>

10. Administrative and other expenditure

	2022	2021
	€	€
Utilities	13,962	8,798
Other repairs and upkeep	1,075	3,968
Rent	2,882	2,204
National and International Memberships	760	500
Office Services	3,574	2,014
Transport	4,014	2,144
Information Services	165	260
Insurance Coverage	2,626	1,467
Professional Services	23,137	10,727
Other Hospitality Costs	1,303	1,086
Social and Cultural Events	41,295	14,542
Decrease in provision on the receivables	(2,266)	-
Depreciation	77,636	79,298
	<u>170,163</u>	<u>127,008</u>

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

11. Finance Costs

	2022	2021
	€	€
Bank charges	1,630	686
Bank interest	1,253	2,310
	<u>2,883</u>	<u>2,996</u>

12. Finance Income

	2022	2021
	€	€
Bank Interest Receivable	263	-
	<u>263</u>	<u>-</u>

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

13. Property, plant and equipment

	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	1,300	147,085	-	153,572
Reclassification	-	-	-	-	(252,301)	252,301	-
At 31 December 2022	4,554	603,416	36,753	27,421	32,330	2,156,796	2,861,270
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	-	681,382	1,232,972
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	11,560	-	186,644	263,805

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

13. Property, plant and equipment (cont.)

	New Street Signs €	Urban Improvements €	Computer & Office Equipment €	Office Furniture & fittings €	Assets under Construction €	Special Programmes & Construction €	Total €
Cost							
At 1 January 2021	4,554	599,439	30,516	26,121	137,546	1,900,684	2,698,860
Additions	-	3,977	1,050	-	-	3,811	8,838
At 31 December 2021	4,554	603,416	31,566	26,121	137,546	1,904,495	2,707,698
Depreciation							
At 1 January 2021	4,554	453,508	21,318	13,214	-	583,445	1,076,039
Charge for the year	-	27,719	1,184	1,303	-	49,092	79,298
At 31 December 2021	4,554	481,227	22,502	14,517	-	632,537	1,155,337
Grants							
At 1 January 2021	-	37,195	6,198	-	132,013	1,113,610	1,289,016
Additions	-	-	-	-	-	3,811	3,811
Adjustment	-	-	-	-	-	(56,348)	(56,348)
At 31 December 2021	-	37,195	6,198	-	132,013	1,061,073	1,236,479
Net Book values							
At 31 December 2021	-	84,994	2,866	11,604	5,533	210,885	315,882

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)**14. Inventories**

	2022	2021
	€	€
Stock of stamps	<u>1.133</u>	<u>492</u>

15. Receivables

	2022	2021
	€	€
Accounts receivables	21,126	10,585
Prepayments and accrued income	<u>50,025</u>	<u>41,059</u>
	<u>71,151</u>	<u>51,644</u>

Receivables

Account receivables are analysed as follows:

	2022	2021
	€	€
Within credit period	8,591	10,585
Exceeded credit period but not impaired	12,535	-
Impaired and provided for	4,427	4,497
Provision for doubtful debts	<u>(4,427)</u>	<u>(4,497)</u>
	<u>21,126</u>	<u>10,585</u>

16. Cash & cash equivalents

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

	2022	2021
	€	€
Cash at Bank	961,511	861,229
Cash in Hand	<u>501</u>	<u>182</u>
	<u>962,012</u>	<u>861,411</u>

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)**17. Payables**

	2022	2021
	€	€
Accounts payable	122,329	175,608
Other payables	19,019	25,385
Accruals and deferred income	189,607	32,800
	<u>330,955</u>	<u>233,793</u>
Less Non-current accruals	-	-
	<u><u>330,955</u></u>	<u><u>233,793</u></u>

18. Borrowings

	2022	2021
	€	€
Non-current		
Bank borrowings	<u>717</u>	<u>18,562</u>
Current		
Bank borrowings	<u>17,691</u>	<u>19,757</u>
Borrowings		
Repayable between one and two years	717	17,701
Repayable between two and five years	-	861
Repayable in five years or more	-	-
	<u>717</u>	<u>18,562</u>

Bank Loans

Long term borrowings consist 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 are 4.65% and 4.90% respectively and repayments for the current year amounts to Eur 21,287. The loan is paid through Eur 5,322 quarterly installments inclusive of interest. The Loans are 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 2022 (cont.)**19. Deferred income**

	2022	2021
	€	€
Government grants		
At 1 January	536,533	476,680
Increase in year	78,066	63,664
	<u>614,599</u>	<u>540,344</u>
Transferred to PPE Capital Approach	<u>(119,236)</u>	<u>(3,811)</u>
At 31 December	<u>495,363</u>	<u>536,533</u>
Current Deferred Income	<u>495,363</u>	<u>536,533</u>

20. Capital commitments

	2022	2021
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	-	-
- Contracted for but not provided in the financial statements	<u>463,464</u>	<u>456,655</u>
 (i) Contracted for but not provided in the Financial Statements:		
Triq Ghajn Tuta & Triq il-Gamien	339,662	339,662
Triq il-Gojjin c/w Triq is-Summien	-	116,993
Restawr Ghajn Tuta	11,939	-
Rigenerazzjoni tal-Pjazza San Girgor	83,300	-
Gnien at l-Ghadira Ta' Sarraflu	28,563	-
	<u>463,464</u>	<u>456,655</u>

Notes to the Financial Statements for the year ended 31 December 2022 (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 debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. 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: € 21,126

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 €962,012. This should ensure an ongoing working capital of the Council for the next 12 months.

Going Concern Risk

The Council registered a net surplus of €32,591 (2021: €13,672) during the year ended 31 December 2022, and as at that date, the Council had a net current asset position of €190,287 (2021: €123,464) 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.

	2022	2021
	€	€
Current Assets		
Loans and receivables:		
Accounts receivables	21,126	10,585
Cash and Cash Equivalents	962,012	861,411
	<u>983,138</u>	<u>871,996</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	330,955	233,793
	<u>330,955</u>	<u>233,793</u>

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

21. Financial Risk Management (cont.)

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.

Interest Rate Risk

The Council operates two bank accounts which have financing facilities. These facilities have interest rates which did not fluctuate over the past years and as a result, the Council is not exposed to cash flow interest rate risk on bank balances.

Other risks

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.

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
Office of the Prime Minister	No control
Office of the Commissioner for Data Protection	No control

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)**22. Related parties disclosures (cont.)**

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

	2022			2021		
	Related party activity €	Total activity €	%	Related party activity €	Total activity €	%
<i>Income</i>						
Transactions with central government	381,335			347,350		
Transactions with regions	676			634		
	<u>382,011</u>	<u>391,052</u>	<u>98</u>	<u>347,984</u>	<u>361,652</u>	<u>97</u>
<i>Expenditure</i>						
Transactions with government entities	8,354			7,314		
Key personnel remuneration	115,133			106,218		
	<u>123,487</u>	<u>355,841</u>	<u>34</u>	<u>113,532</u>	<u>349,572</u>	<u>32</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 2022 and at 31 December 2021, 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.

Report of the Local Government Auditor to the Auditor General