

Naxxar Local Council

Annual Report and Financial Statements
31 December 2023



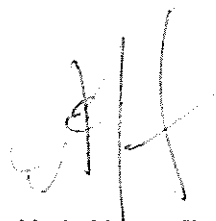
	Pages
Table of Contents	
Statement of Local Council Members' and Executive Secretary's Responsibilities	1
Statement of Profit or Loss and other Comprehensive Income	2
Statement of Financial Position	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 – 26
Report of the Local Government Auditor on the Financial Statements	27 - 29

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

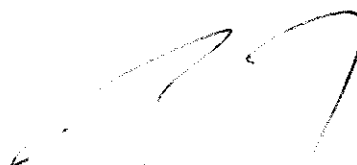
The Local Councils (Financial) Regulations 1993 require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's comprehensive income for the period and of the Council's retained funds at the end of the period. By virtue of the same 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 Council (Financial) Regulations, 1993 and the Local Council (Financial) Procedures, 1996.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Council (Financial) Regulations 1993, and the Local Council (Financial) Procedures 1996. The Executive Secretary is also responsible for safeguarding the assets of the 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 29 May 2024 and signed on its behalf by:



Anne Marie Muscat Fenech Adami
Mayor



Paul Gatt
Executive Secretary

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2023	2022
		€	€
Income			
Funds received from Central Government	3	1,207,309	1,266,396
Income raised under Local Enforcement System	4	8,672	9,393
General income	5	104,740	85,083
Income from Bye Law	6	2,255	2,630
		<u>1,322,976</u>	<u>1,363,502</u>
Expenditure			
Personal emoluments	7	235,477	226,845
Operations and maintenance	8	569,821	745,554
Administrative and other expenditures	9	453,518	346,391
		<u>1,258,816</u>	<u>1,318,790</u>
Operating profit for the year		<u>64,160</u>	44,712
Profit for the year		<u>64,160</u>	44,712
Total comprehensive income for the year		<u>64,160</u>	44,712

The notes on pages 6 to 26 form an integral part of these financial statements

Statement of Financial Position

	Notes	2023	2022
		€	€
ASSETS			
Non-current assets			
Intangible asset	10	375	596
Property, plant and equipment	11	1,616,404	2,305,198
		1,616,779	2,305,794
Current assets			
Inventories	13	7,645	7,645
Receivables	12	227,285	109,699
Cash and cash equivalents	14	444,664	627,519
		679,594	744,863
Total Assets		2,296,373	3,050,657
Reserves			
Retained earnings		1,772,309	1,708,149
Non-current liabilities			
Payables	15	-	731,002
		-	731,002
Current liabilities			
Payables	15	524,064	611,506
		524,064	611,506
Total Liabilities		524,064	1,342,508
Total Reserves and Liabilities		2,296,373	3,050,657

These financial statements were approved by the Local Council on the 29 May 2024 and are signed on its behalf by:


Anne Marie Muscat Fenech Adami
Mayor


Paul Gatt
Executive Secretary

The notes on pages 6 to 26 form an integral part of these financial statements

Statement of Changes in Equity

	Retained Earnings €
Balance at 1 January 2022	1,663,437
Total comprehensive income for the year	44,712
Balance at 31 December 2022	1,708,149
Balance at 1 January 2023	1,708,149
Total comprehensive income for the year	64,160
Balance at 31 December 2023	1,772,309

The notes on pages 6 to 26 form an integral part of these financial statements

Statement of Cash Flows

	Notes	2023	2022
		€	€
Cash flows from operating activities			
Profit for the year		64,160	44,712
Adjustments for:			
Depreciation on property, plant and equipment	11	150,695	133,086
Amortisation on intangible asset	10	221	222
Reversal of provision for bad debts		(20,520)	(871)
Bad debts written off		18,210	-
		<hr/>	<hr/>
Surplus for the year before working capital movements		212,766	177,149
Increase in receivables		(30,949)	(11,737)
Decrease in Inventories		-	1
(Decrease)Increase in payables		(818,444)	532,767
		<hr/>	<hr/>
Net cash (used in)/generated from operating activities		(636,627)	698,180
		<hr/>	<hr/>
Cash flows used in investing activities			
Payments to acquire property, plant and equipment	11	(346,464)	(574,814)
Grants received		800,236	-
		<hr/>	<hr/>
Net cash generated from/(used in) investing activities		453,772	(574,814)
		<hr/>	<hr/>
Movement in cash and cash equivalents		(182,855)	123,366
Cash and cash equivalents at the beginning of the year		627,519	504,153
Cash and cash equivalents at the end of the year	14	444,664	627,519

Notes to the Financial Statements
For the year ended 31 December 2023**1. Statutory Information**

Naxxar Local Council (the "Local Council") is the local authority of Naxxar, setup in accordance with the Local Councils Act. The office of the Local Council is situated at Civic Centre, 21st September Avenue, Naxxar.

2. Material accounting policies

An entity should disclose its material accounting policies. Accounting policies are material and must be disclosed if they can be reasonably expected to influence the decisions of users of the financial statements.

The Local Council's management has concluded that the disclosure of the Local Council's material accounting policies below and in the succeeding pages are appropriate.

a. Basis of preparation

The financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap 363). The financial statements are prepared under the historical cost convention, in accordance to the requirements of International Financial Reporting Standards (IFRSs) as adopted by the European Union (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. Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

However, in the opinion of the Local Council members, there are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

2. Material accounting policies - continued**c. New or revised standards or interpretations****New standards adopted as at 1 January 2023**

Some accounting pronouncements which have become effective from 1 January 2023 and have therefore been adopted do not have a significant impact on the Local Council's financial results or position.

Other standards and amendments that are effective for the first time in 2023 and could be applicable to the Local Council are:

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)

These amendments do not have a significant impact on these financial statements and therefore no disclosures have been made.

d. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Local Council

At the date of authorisation of these financial statements, several new, but not yet effective, standards and amendments to existing standards, and interpretations have been published by the IASB and IFRIC. None of these standards or amendments to existing standards have been adopted early by the Regional Council and no interpretations have been issued that are applicable and need to be taken into consideration by the Local Council.

Other standards and amendments that are not yet effective and have not been adopted early by the Local Council include:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- Lack of Exchangeability (Amendments to IAS 21)

These amendments are not expected to have a significant impact on the financial statements in the period of initial application and therefore no disclosures have been made.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Local Council's financial statements.

2. Material accounting policies - continued**e. Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Naxxar Local Council and the revenue can be reliably measured, regardless of when the payment is received.

Revenue is recognised upon transfer of funds from the Central Government when there are no significant uncertainties concerning the derivation of consideration or associated costs.

Interest income is recognised in the profit or loss as it accrued under finance income.

f. Functional and presentation currency

Items included in the Local Council's financial statements are measured using the currency of the primary economic environment in which the entity operates. The Local Council's financial statements are presented in Euro, which is the Local Council's functional currency.

g. Local Enforcement System

As from October 2015, LESA took over the administration of the Local Enforcement System. The amount disclosed in the financial statements under Local Enforcement Income represents the 10% administrative charges.

h. Intangible assets

Intangible assets comprise computer software. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of 25% using the straight-line method. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

i. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated on a monthly basis using the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives as follows:

• Land	0%
• Trees	0%
• Buildings	1-1.12%
• Office furniture and fittings	7.5%-66.68%
• Construction works	10%-34.29%
• Urban Improvements (Street Furniture)	10%-10.34%
• Special Projects	10%-34.29%
• Office Equipment	20%-66.68%
• Motor Vehicles	20%
• Plant and Machinery	20%
• Plants	100%

2. Material accounting policies – continued

• Computer Equipment	25%
• Litter Bins	Replacement Basis
• Traffic and Road Signs	Replacement Basis
• Street Mirrors	Replacement Basis
• Street Lights	100%
• Playground Furniture	100%

Asset under construction represents costs incurred on projects which are still not finalized and is stated at cost. These include renovation and upgrading specific area which will be transferred to construction works upon completion. The account is not depreciated until such time the asset is completed and available for use.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount, and are taken into account in determining operating profit.

An asset's carrying amount is written down immediately to its recoverable amount if it's carrying amount is greater than its estimated recoverable amount (Accounting policy (j)).

j. Impairment of assets*Impairment of property, plant and equipment*

The carrying amounts of the Local Council's property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

k. Receivables

Receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

2. Material accounting policies – continued

Receivables are carried at original invoice amount less provisions made for impairment of these receivables. A provision for impairment of receivables is established when there is objective evidence that the Local Council will not be able to collect all amounts due according to the set original terms. The amount of provision is recognised in the Statement of Profit or Loss and Other Comprehensive Income. Bad debts are written off during the year in which they are identified.

l. Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and cash in bank.

m. Profits and losses

Only profits that were realized at the date of the Statement of Financial Position are recognized 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.

n. Payables

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

o. Provisions

Provisions are recognised when the Local Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

p. Leases**The Local Council as a lessee**

For contracts entered into, the council considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

Measurement and recognition of leases as a lessee

At lease commencement date, the council recognises a right of use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the council, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the commencement date (net of any incentives received).

2. Material accounting policies – continued

The Local Council depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Local Council also assesses the right-of-use asset for impairment when such indicators exist.

At lease commencement date, the Local Council measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Local Council's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

q. 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 (net of transaction costs) and the redemption value is recognised in the Statement of Profit or Loss and Other 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 from the end of the reporting period.

r. Capital Management

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

To achieve the above, the Local Council carries out a quarterly review of the working capital ratio ('Financial Situation Indicator'). The Local 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.

s. Financial instruments**Recognition and derecognition**

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

2. Material accounting policies – continued**s. Financial instruments – continued**

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

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 are classified into the following categories:

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

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

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.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within 'finance costs', 'finance income' or 'other financial items'.

Subsequent measurement of financial assets**Financial assets at amortised cost**

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 Local Council's cash and cash equivalents, and most receivables fall into this category of financial instruments.

2. Material accounting policies – continued**s. Financial instruments – continued****Impairment of financial assets**

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the 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.

The Local Council considers a broad 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

The Local Council's financial liabilities include payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Local Council designates a financial liability at fair value through profit or loss.

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 charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'finance costs' or 'finance income'.

t. Related parties

Related parties are those persons or bodies of persons having relationships with the Local Council as defined in IAS 24.

2. Material accounting policies – continued**u. Government Grants**

Government grants relating to operating expenditure are recognized in the Statement of profit or loss and other 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. Government grants that are related specifically to non-capital expenditures are recognised immediately in the Statement of Profit or Loss and Other Comprehensive Income.

3. Funds received from Central Government

	2023 €	2022 €
In terms of Section 55 of the Local Councils Act (Cap 363)	1,162,368	1,152,668
Other Government income	44,941	113,728
	<u>1,207,309</u>	<u>1,266,396</u>

4. Income raised under Local Enforcement System

	2023 €	2022 €
Administrative charges to Regional Committees	8,672	8,472
Contraventions	-	921
	<u>8,672</u>	<u>9,393</u>

5. General income

	2023 €	2022 €
General income	443	621
Insurance claim	-	1,968
Documents and information charges	-	20
Crane permits and use of roads	101,547	82,454
Contributions and sponsorships	2,750	20
	<u>104,740</u>	<u>85,083</u>

6. Income from Bye Law

	2023 €	2022 €
Income from skip permits	72	581
Income /(discount) from advertising on street furniture	643	(1,245)
Community services including organisation of courses	1,540	1,794
Signs	-	1,500
	<u>2,255</u>	<u>2,630</u>

7. Personal Emoluments

	2023 €	2022 €
Mayor's honoraria	16,003	15,516
Executive Secretary and allowances	41,607	52,052
Employees' salaries	132,194	116,864
Social security contributions	14,660	13,174
Overtime	9,013	6,439
Mayor's and Councillors' allowance	22,000	22,800
	<u>235,477</u>	<u>226,845</u>

Average number of people employed

Employees	7	7
Mayor and Councillors	9	9
	<u>9</u>	<u>9</u>

8. Operations and Maintenance

	2023 €	2022 €
Repairs and Upkeep:		
Repairs to Public Property	5,883	11,603
Road/street pavements	14	1,901
Road signs and markings	11,338	9,206
Environmental upkeep	356	1,791
Sundry repairs	3,497	1,822
Council property	2,124	1,663
	<u>23,212</u>	<u>27,986</u>

8. Operations and Maintenance - continued

	2023	2022
	€	€
Contractual Services:		
Refuse collection (including bins on wheels)	41,733	276,894
Waste disposal	98,516	120,042
Bulky refuse collection (including open skips)	24,864	21,357
Road and street cleaning (mechanical and manual)	148,331	123,078
Cleaning and maintenance of public conveniences	16,497	17,848
Cleaning and maintenance of parks and gardens	97,119	94,887
Cleaning and maintenance non-urban and plants	21,830	22,083
Cleaning and maintenance council premises	9,332	8,990
LES related expenditure	709	292
Street lighting	86,556	29,311
Other contractual services	1,122	2,786
	<u>546,609</u>	<u>717,568</u>
	<u>569,821</u>	<u>745,554</u>

9. Administrative and other expenditures

	2023	2022
	€	€
Travelling expenses	2,356	2,058
Telecommunications	5,996	3,313
Repairs and servicing	3,884	1,019
Rent	2,855	2,801
Professional fees	101,806	148,717
Utilities	18,000	11,747
Memberships	1,150	327
Motor vehicle expenses	5,349	4,000
Office services	5,648	4,112
Information services	6,587	4,197
Community services	2,190	236
Social and cultural activities	47,122	10,036
Christmas lighting & decorations	60,066	5,397
Animal welfare	-	2,668
Bank charges	1,636	868
Hospitality costs and conference expenses	7,156	4,357
Insurance	3,493	3,249
Training and uniforms	3,078	250
Sundry minor expenses	76	618
Tuition for courses and expenses	4,040	3,895
Twinning expenses	22,424	-
Direct write-off of receivable	18,210	89
Reversal of provision for bad debts	(20,520)	(871)
Depreciation and amortisation	150,916	133,308
	<u>453,518</u>	<u>346,391</u>

10. Intangible asset

	Computer Software €
At 1 January 2022	
Cost	237,350
Grants	(225,717)
Accumulated amortisation	(10,815)
Net book amount	818
Movements for the year ended 31 December 2022	
Opening net book amount	818
Amortisation charge	(222)
Closing net book amount	596
At 31 December 2022/1 January 2023	
Cost	237,350
Grants	(225,717)
Accumulated amortisation	(11,037)
Net book amount	596
Movements for the year ended 31 December 2023	
Opening net book amount	596
Amortisation charge	(221)
Closing net book amount	375
At 31 December 2023	
Cost	237,350
Grants	(225,717)
Accumulated amortisation	(11,258)
Net book amount	375

Amortisation of €221 (2022: €222) is included in administrative expenses.

11a. Property, plant and equipment

Asset	Property	Assets under construction	Street signs & lights	Urban Improvements & Construction	Plant, machinery & equipment	Office furniture & fittings	Trees	Motor Vehicles	Special programmes	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
As at 1 January 2023	284,802	1,386,997	179,737	753,192	72,617	53,047	68,732	10,805	3,858,281	6,668,210
Additions	-	179,434	38,972	944	5,114	2,281	-	-	119,719	346,464
Capitalization	-	(1,417,259)	-	1,417,259	-	-	-	-	-	-
Disposal	-	-	-	-	-	(18)	-	-	-	(18)
As at 31 December 2023	<u>284,802</u>	<u>149,172</u>	<u>218,709</u>	<u>2,171,395</u>	<u>77,731</u>	<u>55,310</u>	<u>68,732</u>	<u>10,805</u>	<u>3,978,000</u>	<u>7,014,656</u>
Grants and other disbursements										
As at 1 January 2023	-	-	-	-	14,818	2,700	-	-	1,292,097	1,309,615
Additions	-	-	-	764,096	-	-	-	-	120,466	884,562
As at 31 December 2023	-	-	-	<u>764,096</u>	<u>14,818</u>	<u>2,700</u>	-	-	<u>1,412,563</u>	<u>2,194,177</u>
Accumulated Depreciation										
As at 1 January 2023	13,051	-	179,737	477,616	56,127	44,492	-	8,802	2,273,572	3,053,397
Charge for the year	2,850	-	38,972	8,903	1,239	1,179	-	2,003	95,549	150,695
Released on disposal	-	-	-	-	-	(17)	-	-	-	(17)
As at 31 December 2023	<u>15,901</u>	-	<u>218,709</u>	<u>486,519</u>	<u>57,366</u>	<u>45,654</u>	-	<u>10,805</u>	<u>2,369,121</u>	<u>3,204,075</u>
Net Book Value										
As at 31 December 2023	<u>268,901</u>	<u>149,172</u>	-	<u>920,780</u>	<u>5,547</u>	<u>6,956</u>	<u>68,732</u>	-	<u>196,316</u>	<u>1,616,404</u>

11b. Property, plant and equipment

Asset	Property €	Assets under construction €	Street signs & lights €	Urban improvements & construction €	Plant, machinery & equipment €	Office furniture & fittings €	Trees €	Motor Vehicles €	Special programmes €	Total €
Cost										
As at 1 January 2022	284,802	814,372	179,737	752,938	72,617	53,047	68,732	10,805	3,858,280	6,095,330
Additions	-	572,625	-	2,188	-	-	-	-	1	574,814
Disposal	-	-	-	(1,934)	-	-	-	-	-	(1,934)
As at 31 December 2022	284,802	1,386,997	179,737	753,192	72,617	53,047	68,732	10,805	3,858,281	6,668,210
Grants and other disbursements										
As at 1 January 2022	-	-	-	-	14,818	2,700	-	-	1,292,097	1,309,615
As at 31 December 2022	-	-	-	-	14,818	2,700	-	-	1,292,097	1,309,615
Accumulated Depreciation										
As at 1 January 2022	10,202	-	179,737	470,727	53,874	43,364	-	6,641	2,157,700	2,922,245
Charge for the year	2,849	-	-	8,823	2,253	1,128	-	2,161	115,872	133,086
Released on disposal	-	-	-	(1,934)	-	-	-	-	-	(1,934)
As at 31 December 2022	13,051	-	179,737	477,616	56,127	44,492	-	8,802	2,273,572	3,053,397
Net Book Value										
As at 31 December 2022	271,751	1,386,997	-	275,576	1,672	5,855	68,732	2,003	292,612	2,305,198

12. Receivables

	2023 €	2022 €
Receivables	129,900	70,780
Provision for doubtful debts	-	(18,210)
LES Debtors	22,909	25,219
Provision for doubtful LES debts	(22,909)	(25,219)
Accrued income	89,326	51,506
Financial assets at amortised cost	219,226	104,076
Prepayments	8,059	5,623
Total receivables	227,285	109,699

The total financial assets at amortised cost for the year amounted to €219,226 (2022: €104,076).

The average credit period on sales of services is 60 days. Receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Local Council has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

	2023 €	2022 €
Age of receivables that are past due but not impaired		
60-90 days	125,528	21,012
91-120 days	66	24,436
More than 120 days	4,306	25,332
Total	129,900	70,780

In determining the recoverability of a receivable, the Local Council considers any change in the credit quality of the receivable from the date credit was initially granted up to the end of the reporting period. The impairment loss on receivables is included in administrative expenses in the Statement of Profit or Loss and Other Comprehensive income.

Receivables are stated net of a provision for doubtful debts of €Nil (2022: €18,210).

LES receivables are stated net of a provision for doubtful debts of €22,909 (2022: €25,219).

13. Inventories

	2023 €	2022 €
Inventories held for resale	<u>7,645</u>	<u>7,645</u>

14. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and cash in bank. Cash and cash equivalents included in the Statement of Financial Position and Statement of Cash Flow comprise the following amounts:

	2023 €	2022 €
Cash in hand	2,842	594
Bank balances:		
Savings and Current accounts	441,822	626,925
Total cash and cash equivalents	<u>444,664</u>	<u>627,519</u>

15. Payables

	2023 €	2022 €
Payables	343,265	383,058
Accruals	109,263	160,593
Other creditors	32,787	56,399
Financial liabilities	<u>485,315</u>	<u>600,050</u>
Deferred income	38,749	11,456
Total payables – current	<u>524,064</u>	<u>611,506</u>

The total financial liabilities for the year amounted to €485,315 (2022: €600,050).

Payables after more than one year

	2023 €	2022 €
Advance payments	-	731,002
	<u>-</u>	<u>731,002</u>

16. Related party transactions

During the year, the Local Council had affected transactions with related parties resulting mainly in connection with income and administrative transactions, are disclosed in notes 3, 4 and 8 to these financial statements. The following were the related parties:

Name of Entity	Nature of relationship
Department of Local Councils	Significant Control
Gozo Regional Committee	No Control
Central Regional Committee	No Control
North Regional Committee	Joint Control
South Regional Committee	No Control
South Eastern Regional Committee	No Control
Local Enforcement Systems Agency	No Control
ARMS Ltd	No Control
Commissioner of Data Protection	No Control
Department of Information	No Control
Ministry of Finance	No Control
Police General Head Quarters	No Control
Malta Environment and Planning Authority	No Control
Water Services Corporation	No Control
Enemalta Corporation	No Control
Cleansing Directorate	No Control
Department of Lands	No Control
Wasteserv Malta Limited	No Control
Bank of Valletta plc	No Control
Department of Lands	No Control
Local Councils' Association	No Control
Central Bank of Malta	No Control
Department of Inland Revenue	No Control
Ministry for Justice, Culture and Local Government	No Control

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

	2023	2022
	€	€
(a) Funds received from Local Government	1,162,368	1,152,668

16. Related party transactions – continued**Key management compensation**

Transactions with key management personnel are disclosed in note 7.

Ultimate controlling party

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

17. Financial risk management

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

Credit risk

Financial assets which potentially subject the Local Council to concentrations of credit risk consist principally of cash at bank and debtors. The Local 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 Local 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 Local Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible, and in this respect the Local Council has no significant concentration of 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 and is summarised as follows:

	2023 €	2022 €
Classes of financial assets – carrying amounts:		
Financial assets at amortised cost		
Receivables	219,226	104,076
Cash and cash equivalents	444,664	627,519
	663,890	731,595

17. Financial risk management – continued***Liquidity risk***

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Local 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 Local 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 Local Council has as cash in bank and in hand the amount of €444,664. This should ensure an ongoing working capital of the Local Council for the next 12 months. The Local Council also maintains a positive net current asset position of €155,530 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

At 31 December 2023 the Local Council's financial liabilities have contractual maturities which are summarised below:

At 31 December 2023

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	343,265	-	-
Accruals	109,263	-	-
Other creditors	32,787	-	-
	485,315	-	-

17. Financial risk management – continued

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

At 31 December 2022

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	383,058	-	-
Accruals	160,593	-	-
Other creditors	56,399	-	-
	600,050	-	-

Foreign currency risk

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

Interest rate risk

Interest rate risk mainly arises through interest bearing liabilities and assets. The objectives of interest rate risk management is to optimise the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense.

18. Fair values estimation

The nominal values less estimated credit adjustments of receivables and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair values.

19. Summary of financial assets and liabilities

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

	2023 €	2022 €
Current assets		
Financial assets at amortised cost:		
Receivables	219,226	104,076
Cash and cash equivalents	444,664	627,519
	<u>663,890</u>	<u>731,595</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	376,052	439,457
Accruals	109,263	160,593
	<u>485,315</u>	<u>600,050</u>

20. Capital commitments**Capital expenditure**

Commitments for capital expenditure not provided for in these financial statements are as follows:

	2023 €	2022 €
Contracted but not provided for	-	580,043
Authorised but not contracted	617,768	358,750
	<u>617,768</u>	<u>358,750</u>

The Capital expenditure that has been approved but not yet contracted for represents the purchase of office equipment amounting to €2,000, refurbishing council offices €25,000, lift at tal-Ghaqba Windmill €180,000 and Urban Improvements of €410,768. Against the capital expenditure in Urban Improvements, grants amounting to €330,088 are expected to be received and a grant of €107,000 from the Capital Projects Scheme for the lift at tal-Ghaqba Windmill.

Grant Thornton Malta

Fort Business Centre,
Level 2
Triq L-Intornjatur, Zone 1
Central Business
District
Birkirkara CBD1050
Malta

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 Naxxar Local Council (the “council”) set out on pages 2 to 26 which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other 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 material accounting policies information.

In our opinion, except for the effects of the matters 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 council as at 31 December 2023, 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), and have been properly prepared in accordance with the requirements of the Local Councils Act (Cap. 363), the Financial Regulations issued in terms of this Act, the Local Councils (Financial) Procedures 1996 (the “Legislation”).

Basis for qualified opinion

1. Up to 31 August 2011, all income and expenditure from the Local Enforcement System (LES) were centralised through the North Joint Committee. The Joint Committee ceased operations on that date. No audited financial statements of the Joint Committee have been made available to us and consequently we were unable to determine whether the Council is entitled to receive any further income from the Joint Committee.

- From 1 January 2018, the Council changed its accounting policy for grants from the income to the capital approach in accordance with IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance'. In their audit report for the year ended 31 December 2018, the predecessor auditors noted that, according to working schedules provided by the council, the amounts released to income for special programmes and computer equipment categories up to 2016 was €145,897 and €3,605 respectively. However, in the audited financial statements for the year ended 2018, the amounts of grants released for special programmes and computer equipment categories were of €182,945 and €3,336 respectively. The Council did not provide an explanation for these discrepancies during the audits for the years ended starting 31 December 2018 up to 2023. Consequently, we could not obtain sufficient evidence to determine whether or not the resultant carrying amounts of fixed assets reported in these financial statements are materially misstated.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the council in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Local Council are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Act, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Secretary and the members of the Local Council are responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless they either intend to liquidate the council or to cease operations, or have no realistic alternative but to do so.

The Executive Secretary and the members of the Local Council are responsible for overseeing the council's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is
- sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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



Mark Bugeja (Partner) for and on behalf of
GRANT THORNTON
Certified Public Accountants

Fort Business Centre
Triq L-Intornjatur, Zone 1
Central Business District
Birkirkara CBD 1050
Malta

29 May 2024