

Local Council Ta' Sannat
Annual Report and Financial Statements
For the year ended 31 December 2022

Prepared by: Pauliana Said

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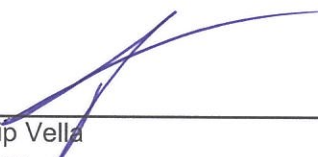
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**Statement of Local Council Members' and Executive Secretary's Responsibilities
For the year ended 31 December 2022**

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's 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, 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 Council on 3rd May 2023 and signed on its behalf by:



Philip Vella
Mayor



Jason Curmi
Executive Secretary

Statement of Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 €	2021 €
Revenue			
Funds Received from Central Government	3	280,404	270,527
Income raised under the Local Enforcement System	4	1,219	1,489
General Income	5	125,925	54,295
		-----	-----
		407,548	326,311
		-----	-----
Expenditure			
Personal Emoluments	6	(112,577)	(82,290)
Operations and Maintenance	7	(131,476)	(119,663)
Administration and Other Expenditure	8	(215,559)	(113,001)
		-----	-----
		(459,612)	(314,954)
		-----	-----
Operating (loss)/profit for the year		(52,064)	11,357
Finance Charges			
Finance costs	9	(3,022)	(3,299)
		-----	-----
Total Comprehensive (loss)/profit for the year	6	(55,086)	8,058
		-----	-----

Statement of Financial Position

For the year ended 31 December 2022

	Notes	2022 €	2021 €
ASSETS			
Intangible Assets	10	201	409
Property, plant and equipment	11	232,652	249,422
Total non-current assets		<u>232,853</u>	<u>249,831</u>
Current Assets			
Receivables	12	197,184	68,566
Cash and cash equivalents	13	65,300	403,019
Total current assets		<u>262,484</u>	<u>471,585</u>
TOTAL ASSETS		<u><u>495,337</u></u>	<u><u>721,415</u></u>
RESERVES AND LIABILITIES			
Retained earnings		134,612	189,698
Total reserves		<u>134,612</u>	<u>189,698</u>
LIABILITIES			
Non Current liabilities			
Bank Borrowings	15	34,919	43,753
Total non-current liabilities		<u>34,919</u>	<u>43,753</u>
Current liabilities			
Payables	14	325,806	487,965
Total current liabilities		<u>325,806</u>	<u>487,965</u>
TOTAL RESERVES AND LIABILITIES		<u><u>495,337</u></u>	<u><u>721,416</u></u>

These financial statements were approved by the Local Council on 3rd May 2023 and signed on its behalf by:

Philip Vella
Mayor

Jason Curmi
Executive Secretary

Statement of Changes in Reserves

For the year ended 31 December 2022

	Retained Funds €
At 1 January 2021	181,640
Profit for the year	8,058

At 31 December 2021	189,698

At 1 January 2022	189,698
Loss for the year	(55,086)

At 31 December 2022	134,612

Statement of Cash Flows

For the year ended 31 December 2022

	Notes	2022 €	2021 €
Cash flow from operating activities			
Net (loss)/profit for the year		(55,086)	8,058
Reconciliation to cash generated from operations:			
Depreciation		47,639	43,766
Amortisation		208	214
Increase in provision for bad debts		399	1,452
Interest Payable		2,456	3,299
Write off of receivables		-	451
		-----	-----
Operating (loss)/profit before working capital changes		(4,384)	57,240
Decrease in receivables		3,931	8,231
(Decrease) /Increase in payables		(143,440)	316,038
		-----	-----
Cash (used in)/generated from operating activities		(143,893)	381,509
		-----	-----
Cash flows from investing activities			
Purchase of property, plant and equipment		(608,888)	(1,108,172)
Receipt of Grant		426,886	887,957
		-----	-----
Cash used in investing activities		(182,002)	(220,215)
		-----	-----
Cash flows from financing activities			
Repayment of borrowings		(9,368)	(8,941)
Interest payable		(2,456)	(3,299)
		-----	-----
Cash used in financing activities		(11,824)	(12,240)
		-----	-----
Net (decrease)/increase in cash in the year		(337,719)	149,054
Cash and cash equivalents at beginning of year		403,019	253,965
		=====	=====
Cash and cash equivalents at end of year	13	65,300	403,019
		=====	=====

Notes to the Financial Statements

For the year ended 31 December 2022

1 General Information

The Local Council Ta Sannat is the local authority of Sannat set up in accordance with the Local Councils Act (1993). The office of the Local Council is situated at Sannat Road, Sannat, Gozo. These financial statements were approved for issue by the Council Members on 3rd May 2023. The Local Council's presentation as well as functional currency are 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

During the period under review, the Council has applied the following new and revised International Financial Reporting Standards as adopted by the EU, that did not have any material impact on these financial statements:

Reference to the Conceptual Framework (Amendments to IFRS 3) - The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard. Effective for annual reporting periods beginning on or after 1 January 2022.

Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16) - The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. Effective for annual reporting periods beginning on or after 1 January 2022.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) - The amendments specify that the 'cost of fulfilling' comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). Effective for annual reporting periods beginning on or after 1 January 2022.

Annual Improvements to IFRS Standards 2018-2020 - Makes amendments to the following standards:
IFRS 1 - The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

IFRS 9 - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

IFRS 16 - The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

IAS 41 - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. Effective for annual reporting periods beginning on or after 1 January 2022.

Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) - The amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

Standards, amendments and interpretations to existing standards that are not yet effective

A number of new International Financial Reporting Standards and amendments and revisions thereto were in issue but not yet adopted by the EU during the financial year under review. These include the following:

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) - The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. Effective for annual reporting periods beginning on or after 1 January 2024.

Amendments to IFRS 17 - Amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 Insurance Contracts was published in 2017. The main changes are:

- Deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023.
- Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk.
- Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognised in a business acquired in a business combination.
- Clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level.
- Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements.
- Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives.
- Amendments to require an entity that at initial recognition recognises losses on onerous insurance contracts issued to also recognise a gain on reinsurance contracts held.

- Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts.
- Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach.
Effective for annual reporting periods beginning on or after 1 January 2023.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) - The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. Effective for annual reporting periods beginning on or after 1 January 2023. Endorsed for use in the EU, however, as practice statements are not endorsed for application in the European Union, the amendments to IFRS Practice Statement 2 have not been endorsed.

Definition of Accounting Estimates (Amendments to IAS 8) - The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new development is not the correction of an error. Effective for annual reporting periods beginning on or after 1 January 2023.

Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendment to IFRS 17) - The amendment permits entities that first apply IFRS 17 and IFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before. An entity that elects to apply the amendment applies it when it first applies IFRS 17.

The Council is assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Council anticipates that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

Intangible Asset

Computer software is valued at cost less accumulated depreciation and impairment losses to date. Depreciation to write off the cost is calculated on a yearly basis using the straight line method at 20% per annum.

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 yearly 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	%
Trees	0%
Buildings	1%
Office furniture and fittings	8%
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	10%
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.

Related Parties

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

Revenue

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

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.

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises expenses for the related costs for which the grants are intended to compensate, which in the case of grants related to assets requires deducting it from the carrying amount of the asset, using the capital approach.

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 euro at the rates of exchange prevailing at the date of the Statement of Financial Position.

Profits and losses

Only profits 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.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historic experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Executive Secretary, the accounting estimates and judgements made in the preparation of the financial statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS1 (revised) - 'Presentation of Financial Statement'.

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
- that the Council maintains a positive working capital

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

Financial Instrument

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of the 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 measured initially at fair value plus transaction costs. They are measured subsequently as described below.

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 at each identified group.

Financial Liabilities

The Council's financial liabilities includes other payables. These are stated at their nominal account which is a reasonable approximation of fair value.

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

3 Funds received from central government

	2022 €	2021 €
In terms of section 55 of the Local Supplementary government income	280,027 377	269,027 1,500
	----- 280,404	----- 270,527
	=====	=====

4 Income raised under Local Enforcement System

	2022 €	2021 €
Administration Income from Contraventions	1,219	1,489
	=====	=====

5 General Income

	2022	2021
	€	€
Community Services	52,426	32,720
Cultural Events	24,452	-
Contributions	40,371	4,250
Income from Permits	8,676	17,244
General income	-	81
	-----	-----
	125,925	54,295
	=====	=====

6 (Loss)/Profit for the year

	2022	2021
	€	€
(Loss)/Profit for the year is stated after charging:		
Staff Salaries	112,577	82,290
Amortisation of Intangible assets	208	214
Depreciation of property, plant and equipment	47,639	43,766
	=====	=====

Staff Salaries

	2022	2021
	€	€
Mayor's Remuneration	10,742	10,571
Mayor and Councillors' Allowances	13,000	13,400
Executive Secretary salary and allowances	40,931	32,628
Employees' Salaries	41,809	21,212
Social security contributions	6,095	4,479
	-----	-----
	112,577	82,290
	=====	=====

Average number of persons employed

Employees	3	2
Mayor and Councillors	5	5
	-----	-----

7 Operations and Maintenance

	2022	2021
	€	€
<i>Repairs and upkeep</i>		
Road and street pavements	478	3,339
Street signs	3,082	5,268
Road Markings	424	-
Plant and equipment repairs	464	637
Other repairs and upkeep	3,020	4,472
	-----	-----
	7,468	13,716
	=====	=====

<i>Contractual services:</i>		
Refuse collection	81,640	64,350
Bring-in sites and open skips	2,382	2,287
Bulky refuse collection	1,736	1,809
Road and street cleaning	21,113	15,600
Cleaning and maintenance of public conveniences	1,725	1,560
Cleaning and maintenance of non urban	7,263	-
Cleaning and maintenance of parks and gardens	5,029	9,510
Cleaning of council premises	1,267	5,768
Street lighting	1,853	5,063
	-----	-----
	124,008	105,947
	=====	=====
Total operations and maintenance expenses	131,476	119,663
	=====	=====

8 Administration and other expenditure

	2022	2021
	€	€
Utilities	6,283	4,060
Materials and supplies	10,351	2,012
Rent	1,333	1,478
National and international memberships	750	500
Office services	13,543	4,683
Transport	3,191	969
Travelling expenses	218	-
Information services	2,848	1,564
Insurances	6,204	-
Professional services	21,271	30,198
Community and hospitality	95,643	19,944
Depreciation	47,639	43,766
Amortisation	208	214
Lease of equipment	5,501	721
Increase in provision for bad debts	399	1,452
Other contractual services	177	1,440
	-----	-----
	215,559	113,001
	=====	=====

9 Finance Costs

	2022	2021
	€	€
Interest payable	2,456	2,885
Bank charges	566	414
	-----	-----
	3,022	3,299
	=====	=====

10 Intangible Fixed Assets

	Computer Software €	Total €
Cost		
At 1 January 2022	1,427	1,427
Additions	-	-
	-----	-----
At 31 December 2022	1,427	1,427
	=====	=====
Provision for amortisation		
At 1 January 2022	1,018	1,018
Charge for the year	208	208
	-----	-----
At 31 December 2022	1,226	1,226
	=====	=====
Net Book Value		
At 31 December 2022	201	201
	=====	=====
At 31 December 2021	409	409
	=====	=====

Local Council Ta' Sannat
Annual Report and Financial Statements 2022

11 Property, plant and equipment

a)

	Assets											Total
	Construction	Trees	Office Furniture & Fittings	New Street Signs	Urban Improvements	Office Equipment	Plant and Machinery	Computer Equipment	Special Programmes	under Construction		
€	€	€	€	€	€	€	€	€	€	€	€	€
Cost												
At 1 January 2021	376,214	22,500	32,094	3,272	79,066	8,691	4,545	9,583	1,408,403	216,928	216,928	2,161,296
Additions	-	-	-	-	22,050	-	567	2,500	1,020,686	62,369	62,369	1,108,172
Reallocations	-	-	-	-	-	-	-	-	216,928	(216,928)	-	-
At 31 December 2021	376,214	22,500	32,094	3,272	101,116	8,691	5,112	12,083	2,646,017	62,369	62,369	3,269,468
Depreciation												
At 1 January 2021	214,776	-	12,627	3,272	41,661	6,414	2,077	6,311	441,966	-	-	729,104
Charge for the year	7,720	-	973	-	4,856	1,034	816	839	27,528	-	-	43,766
At 31 December 2021	222,496	-	13,600	3,272	46,517	7,448	2,893	7,150	469,494	-	-	772,870
Grants												
At 1 January 2021	107,100	22,500	8,766	-	19,553	-	-	-	759,634	216,928	216,928	1,134,481
Addition	-	-	-	-	-	-	-	-	1,050,326	62,369	62,369	1,112,695
Reallocations	-	-	-	-	-	-	-	-	216,928	(216,928)	-	-
At 31 December 2021	107,100	22,500	8,766	-	19,553	-	-	-	2,026,888	62,369	62,369	2,247,176
Net Book Amount												
At 31 December 2021	46,618	-	9,728	-	35,046	1,243	2,219	4,933	149,635	-	-	249,422

Local Council Ta' Sannat
Annual Report and Financial Statements 2022

11 Property, plant and equipment

b)

	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€
	Construction	Trees	Office Furniture & Fittings	New Street Signs	Urban Improvements	Office Equipment	Plant and Machinery	Computer Equipment	Special Programmes	Motor Vehicles	Asset under Construction	Total					
Cost																	
At 1 January 2022	376,214	22,500	32,094	3,272	101,116	8,691	5,112	12,083	2,646,017	-	62,369	3,269,468					
Additions-New	-	-	-	-	-	7,229	2,256	-	4,214	41,549	553,640	608,888					
Reclassifications	-	-	-	-	-	-	-	-	62,369	-	(62,369)	-					
At 31 December 2022	376,214	22,500	32,094	3,272	101,116	15,920	7,368	12,083	2,712,600	41,549	553,640	3,878,356					
Depreciation																	
At 1 January 2022	222,496	-	13,600	3,272	46,517	7,448	2,893	7,150	469,494	-	-	772,870					
Charge for the year	7,723	-	974	-	4,923	1,637	1,105	814	30,463	-	-	47,639					
At 31 December 2022	230,219	-	14,574	3,272	51,440	9,085	3,998	7,964	499,957	-	-	820,509					
Grants																	
At 1 January 2022	107,100	22,500	8,766	-	19,553	-	-	-	2,026,888	-	62,369	2,247,176					
Additions	-	-	-	-	-	3,123	-	-	15,909	41,549	517,438	578,019					
Reclassification	-	-	-	-	-	-	-	-	62,369	-	(62,369)	-					
At 31 December 2022	107,100	22,500	8,766	-	19,553	3,123	-	-	2,105,166	41,549	517,438	2,825,195					
Net Book Amount																	
At 31 December 2022	38,895	-	8,754	-	30,123	3,712	3,370	4,119	107,477	-	36,202	232,652					

12 Receivables

	2022 €	2021 €
Accounts receivable	12,918	14,307
Prepayments and accrued income	183,816	53,809
Other receivables	450	450
	-----	-----
	197,184	68,566
	=====	=====

Accounts receivable

General receivables are analysed as follows:

	2022 €	2021 €
Within credit period	7,900	8,854
Exceeded credit period but not impaired	5,018	5,453
	-----	-----
	12,918	14,307
	=====	=====

Note

Receivables are net of provision for doubtful debts of Eur 1,851 (2021 : Eur 1,452)

13 Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following Statement of Financial Position amounts:

	2022 €	2021 €
Bank Balances	65,181	402,888
Cash in Hand	119	131
	-----	-----
	65,300	403,019
	=====	=====

14 Payables

	2022 €	2021 €
Amounts payable	83,529	72,289
Accruals	185,986	344,788
Other payables	4,122	-
Loan payable within one year	11,287	11,821
Deferred income	40,882	59,067
	-----	-----
	325,806	487,965
	=====	=====

15 Bank Borrowings	2022	2021
	€	€
Bank loan	34,919	43,753
Loan repayable from 1 to 2 years	11,821	11,821
Loan repayable from 2 to 5 years	23,098	31,932
Loan repayable over 5 years	-	-
	34,919	43,753

The loans taken out by Sannat Local Council, with the approval of the Ministry of Finance carried an interest rate of 4.65% per annum during 2019. The duration of the loans are for a period of 20 years. The bank loans are secured by a 1st General Hypothec over the assets of Sannat Local Council for Loan I and Loan II total of €110,128 and by a letter of undertaking dated 01/02/2008 by the council that :

- funds received from the government shall be channelled to an account held with the bank;
- to authorise the bank to settle loan instalments, fees and costs which may be due;
- to retain at all times sufficient funds in account.

16 Capital commitments

	2022	2021
	€	€
Total capital commitments	3,296,218	791,012
(i) Approved and contracted for: Regeneration of Pjazza Santa Margerita	3,296,218	-
(ii) Contracted but not yet included in the financial statements: Road Resurfacing	-	791,012

These works will be fully funded by the Ministry of Gozo.

17 Related Parties

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
Local Enforcement System Agency	Joint control
Gozo Regional Committee	Joint control
Central Regional Committee	No control
North Regional Committee	No control
South Eastern Regional Committee	No control
South Regional Committee	No control
Police General Head Quarters	No control
Malta Environment and Planning Authority	No control

Water Services Corporation	No control
Enemalta Corporation	No control
Department of Agriculture	No control
Director General - Works Division	No control
Department of Lands	No control
Department of Inland Revenue	No control
Airmalta plc	No control
Bank of Valletta plc	No control
Wasteserv Malta Limited	No control
Kunsill Malti għall-iSports	No control
Mitts Limited	No control
Ministry for the Family	No control
Malta Communications Authority	No control
Green MT	No control

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

	2022	2021
	€	€
Annual Financial Allocation	280,027	269,027
	=====	=====

Key management compensation

Transactions with key management personnel are disclosed in note 6.

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 Government, Councils also receive funds to specific projects as well as other funds for the improvement and betterment of the locality.

18 Financial Risk Management

The Council's activities expose it to a variety of financial risks such as market risk, credit risk, liquidity risk, and interest rate risk. The 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 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:

	2022	2021
	€	€
Receivables from related parties	12,918	14,307
	=====	=====

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 €65,300. This should ensure an ongoing working capital of the Council for the next 12 months. The Council however has a net current liability position of €63,322 showing that adequate headroom might not be available to cover present liabilities as well as short term obligations and commitments arising.

Foreign currency risk

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

Interest rate risk

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

19 Summary of the financial assets and liabilities by category

The carrying amounts of the council's financial assets and liabilities as recognised at the reporting dates

	2022	2021
	€	€
<i>Current Assets</i>		
Trade and other receivables	197,184	68,566
Cash and cash equivalents	65,300	403,019
	-----	-----
	262,484	471,585
	=====	=====
<i>Current Liabilities</i>		
Financial liabilities measured at amortised costs:		
Payables	325,806	487,965
	-----	-----
	325,806	487,965
	=====	=====

20 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.

TA' SANNAT LOCAL COUNCIL**REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL****Report on the audit of the financial statements****Qualified Opinion**

We have audited the accompanying financial statements of Ta' Sannat Local Council, which comprise the statement of financial position as at 31 December 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 4 – 22.

In our opinion, except for the matters described in the Basis for Qualified Opinion section of our report, the financial statements give a true and fair view of the financial position of the Local Council as of 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Qualified Opinion

Following Directive 01/2017 issued by the Department for Local Government, the Local Council changed its accounting policies on depreciation, whereby the straight-line method is to be applied instead of the reducing balance method and the accounting policy on government grants, whereby the capital approach is to be applied instead of the income approach. These changes became effective as from 1 January 2018. We were provided with limited information to ensure that the changes in the accounting policies were properly applied. From the tests that we could carry out, it however transpired that items of property, plant and equipment whose useful life expired, were not written off and these were estimated to have had a carrying value as of the date of the application of the new accounting policy of approximately €22,000. Depreciation seems to have been applied on the carrying values as at 1 January 2018 at the applicable depreciation rates as if the assets' useful life started in 2018. Furthermore, we noticed that grants received for specific projects, were allocated to several items of property, plant and equipment rather than those specific projects, clearly indicating that the allocation of grants to the respective assets was not properly carried out. Based on the limited tests that we could carry out, we could conclude that the application of the changes in the accounting policies was not properly carried out and no remedial action was taken during the current year. This would impact the carrying amounts of property, plant and equipment as well as the depreciation charge for the year.

REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL - continued

Basis for Qualified Opinion - continued

With respect to the disclosures in the financial statements, in the financial statements the year ended 31 December 2018, we have noticed that Note 11 was not properly prepared following the changes in the accounting policy relating to government grants. The amounts added to the grants, did not represent the gross amounts of grants received but the gross amounts of grants received less the amortization up till 31 December 2016. The amortization up till 31 December 2016 should have been netted off against the accumulated depreciation as of that date. This matter has never been adjusted in the financial statements and has been carried forward from one year to the next.

When testing the accounts payable, no confirmations were received for five of the samples chosen, despite the various chasing that was carried out. We could not satisfy ourselves through adequate alternative audit procedures as to the correctness and completeness of the accounts payable.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Local Council in accordance with the ethical requirements of both the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Code of Ethics for Warrant Holders in Malta. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to the Local Council's Statement of Financial Position on page 5 which shows that as at 31st December 2022, the current liabilities of the Local Council exceeded its current assets by €63,322. This condition indicates that a material uncertainty exists that may cast significant doubt as to whether the Local Council will be able to meet its liabilities as and when they fall due. Our opinion is not modified in respect of this matter.

Other Information

The Executive Secretary and the Local Council Members are responsible for the other information. The other information comprises the Statement of Local Council Members' and Executive Secretary's Responsibilities. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL - continued

Council Responsibilities for the Financial Statements

As described on page 3, the Executive Secretary and the Local Council Members are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Executive Secretary and the Local Council Members 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 Local Council Members are responsible for assessing the Local Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to presume that the Local Council will continue as a going concern.

The Executive Secretary and the Local Council Members are responsible for overseeing the Local 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 auditors' 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 ISAs, we exercise professional judgment and maintain professional skepticism 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 Local Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Secretary and the Local Council Members.
- Conclude on the appropriateness of the Executive Secretary's and the Local Council Members' 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 Local 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 auditors' 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 Local Council to cease to continue as a going concern.

REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL - continued

Auditor's Responsibilities for the Audit of the Financial Statements - continued

- 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 the Executive Secretary and the Local Council Members 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.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been properly prepared in accordance with the Local Councils Act (Cap. 363), the Financial Regulations issued in terms of the said Act and the Local Councils (Financial) Procedures.

A handwritten signature in blue ink, appearing to be 'Conrad Borg', is written over a faint, illegible stamp.

*This copy of the audit report has been signed by
Conrad Borg (Principal)
for and on behalf of*

RSM Malta
Registered Auditors

Date: 3 May 2023