

Local Council Ta' Sannat
Annual Report and Financial Statements
For the year ended 31 December 2023

Prepared by: Pauliana Said

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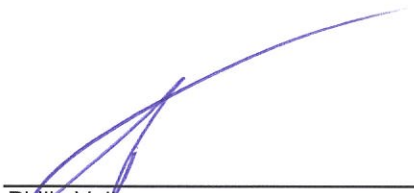
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**Statement of Local Council Members' and Executive Secretary's Responsibilities
For the year ended 31 December 2023**

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, the Local Councils (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on 22/12 2024 and signed on its behalf by:


Philip Vella
Mayor


Marie Josette Vella Magro
Executive Secretary

Statement of Comprehensive Income

For the year ended 31 December 2023

	Notes	2023 €	2022 €
Revenue			
Funds Received from Central Government	3	368,913	280,404
Income raised under the Local Enforcement System	4	1,142	1,219
General Income	5	33,761	125,925
		<u>403,816</u>	<u>407,548</u>
Expenditure			
Personal Emoluments	6	(99,011)	(112,577)
Operations and Maintenance	7	(59,664)	(131,476)
Administration and Other Expenditure	8	(267,436)	(215,559)
		<u>(426,111)</u>	<u>(459,612)</u>
Operating deficit for the year		(22,295)	(52,064)
Finance Income		10	-
Finance costs	9	(2,527)	(3,022)
		<u>(2,517)</u>	<u>(3,022)</u>
Deficit for the financial year	6	<u>(24,812)</u>	<u>(55,086)</u>

The notes on pages 8 to 26 are an integral part of the financial statements.


Statement of Financial Position

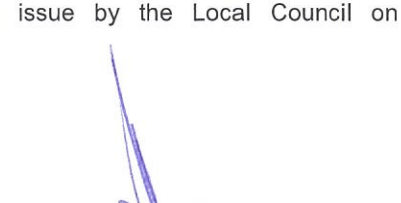
As at 31 December 2023

	Notes	2023 €	2022 €
ASSETS			
Intangible Assets	10	88	201
Property, plant and equipment	11	122,443	232,652
Total non-current assets		122,531	232,853
Current Assets			
Receivables	12	110,103	197,184
Cash and cash equivalents	13	164,237	65,300
Total current assets		274,340	262,484
TOTAL ASSETS		396,871	495,337
RESERVES AND LIABILITIES			
Retained earnings		109,800	134,612
Total reserves		109,800	134,612
LIABILITIES			
Non Current liabilities			
Bank Borrowings	15	27,018	36,837
Total non-current liabilities		27,018	36,837
Current liabilities			
Payables	14	260,053	323,888
Total current liabilities		260,053	323,888
TOTAL RESERVES AND LIABILITIES		396,871	495,337

The notes on pages 8 to 26 are an integral part of the financial statements.

These financial statements were approved and authorised for issue by the Local Council on 22/12 2024 and signed on its behalf by:


Philip Vella
Mayor


Marie Josette Vella Magro
Executive Secretary

Statement of Changes in Reserves

For the year ended 31 December 2023

	Retained Funds €
At 1 January 2022	189,698
Deficit for the financial year	(55,086)

At 31 December 2022	134,612

At 1 January 2023	134,612
Deficit for the financial year	(24,812)

At 31 December 2023	109,800

The notes on pages 8 to 26 are an integral part of the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2023

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 23/05/ 2024. The Local Council's presentation as well as functional currency are denominated in €.

2 Material Accounting Policy Information

The accounting policies that are material to the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation

a. Accounting convention

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

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 to the requirements of the International Financial Reporting Standards (IFRS Accounting Standards) as adopted by the EU and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

b. Standards, amendments and interpretations to existing standards

New or amended accounting standards, and interpretations adopted

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2023

2 Material Accounting Policy Information (continued)

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

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

At the end of the reporting period, certain new standards, interpretations and amendments thereto, were in issue and endorsed by the EU, but not yet effective for the current financial year. There have been no instances of early adoption of standards, interpretations or amendments ahead of their effective date. The Council anticipates that the adoption of the new standards, interpretations or amendments thereto, will not have a material impact on the financial statements upon initial application.

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 monthly 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 monthly basis using the straight line method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

	%
Land	0%
Trees	0%
Buildings	1%
Office furniture and fittings	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

Notes to the Financial Statements

For the year ended 31 December 2023

2 Material Accounting Policy Information (continued)

Property, Plant and Equipment (continued)

Road Signs	%
Street Mirrors	Replacement Basis
Street Lights	Replacement Basis 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 cost 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 amounts of the asset in the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Comprehensive Income.

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.

Notes to the Financial Statements

For the year ended 31 December 2023

2 Material Accounting Policy Information (continued)

Revenue (continued)

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 related to the acquisition property, plant and equipment are accounted for using the Capital Approach. Under the Capital Approach, government grants are deducted directly against the cost of the non-current asset to which they relate. The grant under this approach is recognised as income over the life of a depreciable asset by way of reduced depreciation charge.

Government grants relating to operating expenditure are recognised in the statement of comprehensive income in the same period that the related expenses are incurred.

Local Enforcement Systems

The amount disclosed in the financial statements under Local Enforcement Systems in come represents the administrative fee of 10% that is now chargeable to the Regional Committees and the Law Enforcement Systems Agency for contraventions paid at the Council.

Payables

Liabilities for accounts payable and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Council. Accounts are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

Borrowings

Borrowings are initially recognised at cost, being the fair value of the consideration received and including acquisition charges associated with the borrowing.

Subsequent to initial recognition, all interest-bearing borrowings, are measured at amortised cost, using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on settlement.

Borrowing costs are recognised as an expense in the period in which they are incurred.

Notes to the Financial Statements

For the year ended 31 December 2023

2 Material Accounting Policy Information (continued)

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.

Critical Accounting Estimates and Judgements

The preparation of financial statements in conformity with IFRS Accounting Standards as adopted by the EU requires Council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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

Capital Management

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

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

To achieve the above, the Council carries out a quarterly review of the working capital ratio ('Financial Situation Indicator'). This ratio was positive at the reporting date and has not changed significantly from the previous year. The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

Financial Instruments

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.

Notes to the Financial Statements

For the year ended 31 December 2023

2 Material Accounting Policy Information (continued)

Financial Instruments (continued)

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'.

Notes to the Financial Statements

For the year ended 31 December 2023

3 Funds received from central government

	2023 €	2022 €
In terms of section 55 of the Local Supplementary government income	285,027 83,886	280,027 377
	----- 368,913	----- 280,404
	=====	=====

4 Income raised under Local Enforcement System

	2023 €	2022 €
Administration Income from Contraventions	1,142	1,219
	=====	=====

5 General Income

	2023 €	2022 €
Community Services	14,750	52,426
Cultural Events	3,953	24,452
Contributions	-	40,371
Income from Permits	15,058	8,676
	----- 33,761	----- 125,925
	=====	=====

6 Deficit for the financial year

	2023 €	2022 €
Deficit for the financial year is stated after charging:		

Staff Salaries	99,011	112,577
Amortisation of Intangible assets	113	208
Depreciation of property, plant and equipment	43,852	47,639
	=====	=====

	2023 €	2022 €
<i>Staff Salaries</i>		

Mayor's Honoraria	11,079	10,742
Mayor and Councillors' Allowances	13,000	13,000
Executive Secretary salary and allowances	30,954	40,931
Employees' Salaries	38,592	41,809
Social security contributions	5,386	6,095
	----- 99,011	----- 112,577
	=====	=====

Notes to the Financial Statements

For the year ended 31 December 2023

6 Deficit for the financial year (continued)

<i>Staff Salaries (continued)</i>	2023	2022
<i>Average number of persons employed</i>		
Employees	3	3
Mayor and Councillors	5	5

7 Operations and Maintenance

	2023	2022
	€	€
<i>Repairs and upkeep</i>		
Road and street pavements	-	478
Street signs	3,199	3,082
Road Markings	424	424
Plant and equipment repairs	16	464
Other repairs and upkeep	1,807	3,020
	5,446	7,468
	=====	=====
<i>Contractual services:</i>		
Refuse collection	36,980	81,640
Bring-in sites and open skips	6,430	2,382
Bulky refuse collection	1,900	1,736
Road and street cleaning	591	21,113
Cleaning and maintenance of public conveniences	384	1,725
Cleaning and maintenance of non urban	-	7,263
Cleaning and maintenance of parks and gardens	7,933	5,029
Cleaning of council premises	-	1,267
Street lighting	-	1,853
	54,218	124,008
	=====	=====
Total operations and maintenance expenses	59,664	131,476
	=====	=====

Notes to the Financial Statements

For the year ended 31 December 2023

8 Administration and other expenditure

	2023 €	2022 €
Utilities	7,326	6,283
Materials and supplies	7,097	10,351
Rent	1,173	1,333
National and international memberships	500	750
Office services	10,889	13,548
Transport	1,243	3,191
Travelling expenses	-	218
Information services	3,349	2,848
Insurances	7,720	6,204
Professional services	30,164	21,271
Community and hospitality	147,838	95,643
Depreciation	43,852	47,634
Amortisation	113	208
Lease of equipment	6,973	5,501
(Decrease)/Increase in provision for bad debts	(801)	399
Other contractual services	-	177
	-----	-----
	267,436	215,559
	=====	=====

9 Finance Costs

	2023 €	2022 €
Interest payable	2,006	2,456
Bank charges	521	566
	-----	-----
	2,527	3,022
	=====	=====

Notes to the Financial Statements

For the year ended 31 December 2023

10 Intangible Fixed Assets

	Computer Software €	Total €
Cost		
At 1 January 2023	1,427	1,427
At 31 December 2023	1,427	1,427
Provision for amortisation		
At 1 January 2023	1,226	1,226
Charge for the year	113	113
At 31 December 2023	1,339	1,339
Net Book Value		
At 31 December 2023	88	88
At 31 December 2022	201	201

11 Property, plant and equipment

a)

	Construction	Trees	Office Furniture & Fittings		New Street Signs	Urban Improvements	Office Equipment	Plant and Machinery	Computer Equipment	Special Programmes	Motor Vehicles	Assets under Construction		Totals
			€	€								€	€	
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	-	-	-	-	-	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	553,640	3,878,356	
Depreciation														
At 1 January 2022	222,498	-	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	230,221	-	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	
Addition	-	-	-	-	-	3,123	-	-	15,909	41,549	517,438	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	517,438	2,825,195	
Net Book Amount														
At 31 December 2022	38,893	-	8,754	-	30,123	3,712	3,370	4,119	107,477	-	-	36,202	232,652	

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	Assets under Construction	Total
	€	€	€	€	€	€	€	€	€	€	€	€
Cost												
At 1 January 2023	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
Additions	-	-	-	-	4,404	-	-	141	22,614	-	746,367	773,526
Write off	-	-	-	(3,272)	-	-	-	-	-	-	-	(3,272)
At 31 December 2023	376,214	22,500	32,094	-	105,520	15,920	7,368	12,224	2,735,214	41,549	1,300,007	4,648,610
Depreciation												
At 1 January 2023	230,220	-	14,574	3,272	51,440	9,085	3,998	7,964	499,957	-	-	820,508
Charge for the year	7,720	-	973	-	5,364	877	1,171	2,066	25,681	-	-	43,852
Write off	-	-	-	(3,272)	-	-	-	-	-	-	-	(3,272)
At 31 December 2023	237,940	-	15,547	-	56,804	9,962	5,169	10,030	525,638	-	-	861,088
Grants												
At 1 January 2023	107,100	22,500	8,766	-	19,553	3,123	-	-	2,105,166	41,549	517,438	2,825,195
Addition	-	-	-	-	-	-	-	-	92,265	-	747,619	839,884
At 31 December 2023	107,100	22,500	8,766	-	19,553	3,123	-	-	2,197,431	41,549	1,265,057	3,665,079
Net Book Amount												
At 31 December 2023	31,174	-	7,781	-	29,163	2,835	2,199	2,194	12,145	-	34,950	122,443

Notes to the Financial Statements

For the year ended 31 December 2023

12 Receivables

	2023 €	2022 €
Accounts receivable	167	12,918
Prepayments and accrued income	109,486	183,816
Other receivables	450	450
	-----	-----
	110,103	197,184
	=====	=====

Accounts receivable

Accounts receivable are analysed as follows:

	2023 €	2022 €
Within credit period	-	7,900
Exceeded credit period but not impaired	167	5,019
	-----	-----
	167	12,919
	=====	=====

Note

Accounts receivable are net of provision for doubtful debts of Eur 1,050 (2022 : Eur 1,851)

13 Cash and cash equivalents

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

	2023 €	2022 €
Bank Balances	164,237	65,181
Cash in Hand	-	119
	-----	-----
	164,237	65,300
	=====	=====

Notes to the Financial Statements

For the year ended 31 December 2023

14 Payables

	2023	2022
	€	€
Accounts payable	93,007	83,529
Accruals	61,853	185,986
Other payables	5,999	4,122
Loan payable within one year	9,369	9,369
Deferred income	89,825	40,882
	<u>260,053</u>	<u>323,888</u>
	=====	=====

15 Bank Borrowings

	2023	2022
	€	€
Bank loans	<u>27,018</u>	<u>36,837</u>
	=====	=====
Loans repayable from 1 to 2 years	9,369	9,369
Loans repayable from 2 to 5 years	17,649	27,468
Loans repayable over 5 years	-	-
	<u>27,018</u>	<u>36,837</u>
	=====	=====

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. The duration of the loans is 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.

Notes to the Financial Statements

For the year ended 31 December 2023

16 Capital commitments

	2023 €	2022 €
Total capital commitments	3,114,309	3,296,218
	=====	=====
(i) Approved and contracted for:		
Regeneration of Pjazza Santa Margerita	2,501,123	3,296,218
Rejuvenating Gozo	96,711	-
Refurbishment of Playing field	58,919	-
Refurbishment of Kalkara tal Gir	32,662	-
Street furniture and pots in Square	48,503	-
	-----	-----
	2,737,918	3,296,218
	-----	-----
(ii) Approved but not yet contracted for:		
Road works in Sannat	376,391	-
	-----	-----
	3,114,309	3,296,218
	-----	-----

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

Notes to the Financial Statements

For the year ended 31 December 2023

17 Related Parties (continued)

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

<i>Name of entity</i>	<i>Nature of relationship</i>
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:

	2023 €	2022 €
Annual Financial Allocation	285,027 =====	280,027 =====

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, the Council 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.

Notes to the Financial Statements

For the year ended 31 December 2023

18 Financial Risk Management (continued)

Credit Risk (continued)

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

	2023	2022
	€	€
<i>Class of financial assets – carrying amounts</i>		
Trade and other receivables	110,103	197,184
Cash and Cash Equivalents	164,237	65,300
	-----	-----
	274,340	262,484
	-----	-----

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 €164,237. This should ensure an ongoing working capital of the Council for the next 12 months. The Council had a net current asset position of €14,287 as at 31 December 2023.

	2023	2022
	€	€
<i>Due within 1 year or less</i>		
Trade and other receivables	110,103	197,184
	-----	-----

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

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 5), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

Notes to the Financial Statements

For the year ended 31 December 2023

18 Financial Risk Management (continued)

Timing of Cash Flows

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

Capital Risk Management

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

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

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

	2023 €	2022 €
<i>Current Assets</i>		
Trade and other receivables	110,103	197,184
Cash and cash equivalents	164,237	65,300
	-----	-----
	274,340	262,484
	=====	=====
<i>Current Liabilities</i>		
Financial liabilities measured at amortised costs:		
Payables	260,053	323,888
	-----	-----
	260,053	323,888
	=====	=====

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.

Notes to the Financial Statements

For the year ended 31 December 2023

21 Reconciliation of Liabilities Arising from Financing Activities

	Opening balance €	Non-cash €	Payments €	Closing balance €
2023				
Bank Loan	46,206	2,006	-11,825	36,387
	Opening balance €	Non-cash €	Payments €	Closing balance €
2022				
Bank Loan	55,575	2,456	-11,825	46,206

22 Comparative Information

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

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, set out on pages 4 to 26, which comprise the statement of financial position as at 31 December 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of material accounting policy information and other explanatory information.

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 2023, 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

Report on the audit of the financial statements - continued

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 horizontal line.

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

RSM Malta
Registered Auditors

Date: 23 May 2024

