

**Local Council Ta' Sannat**  
**Annual Report and Financial Statements**  
**For the year ended 31 December 2024**

*Prepared by: Pauliana Said*

## Contents

	Page
Statement of Local Council Members' and Executive Secretary's Responsibilities	3
Statement of Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Reserves	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 22
Report of the Local Government Auditor to the Auditor General	23 - 26


**Statement of Local Council Members' and Executive Secretary's Responsibilities  
For the year ended 31 December 2024**

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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 7<sup>th</sup> October 2025 and signed on its behalf by:

  
Philip Vella  
Mayor

  
Jeanette Grima  
Executive Secretary

## Statement of Comprehensive Income

For the year ended 31 December 2024

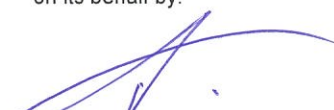
	Notes	2024 €	2023 €
<b>Revenue</b>			
Funds Received from Central Government	3	438,749	368,913
Income raised under the Local Enforcement System	4	963	1,142
General Income	5	51,160	33,761
Finance Income		38	10
		<u>490,910</u>	<u>403,826</u>
<b>Expenditure</b>			
Personal Emoluments	6	(112,734)	(99,011)
Operations and Maintenance	7	(81,330)	(59,664)
Administration and Other Expenditure	8	(234,786)	(267,436)
		<u>(428,850)</u>	<u>(426,111)</u>
<b>Operating surplus/(deficit) for the year</b>		62,060	(22,285)
<b>Finance Charges</b>			
Finance costs	9	(2,366)	(2,527)
<b>Total comprehensive surplus/(deficit) for the year</b>	6	<u>59,694</u>	<u>(24,812)</u>

## Statement of Financial Position

For the year ended 31 December 2024

	Notes	2024 €	2023 €
<b>ASSETS</b>			
Intangible Assets	10	-	88
Property, plant and equipment	11	136,484	122,443
<b>Total non-current assets</b>		<b>136,484</b>	<b>122,531</b>
<b>Current Assets</b>			
Receivables	12	203,715	110,103
Cash and cash equivalents	13	99,379	164,237
<b>Total current assets</b>		<b>303,094</b>	<b>274,340</b>
<b>TOTAL ASSETS</b>		<b>439,578</b>	<b>396,871</b>
<b>RESERVES AND LIABILITIES</b>			
Retained earnings		169,494	109,800
<b>Total reserves</b>		<b>169,494</b>	<b>109,800</b>
<b>LIABILITIES</b>			
<b>Non Current liabilities</b>			
Bank Borrowings	15	16,732	27,018
<b>Total non-current liabilities</b>		<b>16,732</b>	<b>27,018</b>
<b>Current liabilities</b>			
Payables	14	253,352	260,053
<b>Total current liabilities</b>		<b>253,352</b>	<b>260,053</b>
<b>TOTAL RESERVES AND LIABILITIES</b>		<b>439,579</b>	<b>396,871</b>

These financial statements were approved by the Local Council on 7/10/25 2025 and signed on its behalf by:

  
Philip Vella  
Mayor

  
Jeanette Grima  
Executive Secretary

**Statement of Changes in Reserves**

**For the year ended 31 December 2024**

	<b>Retained Funds €</b>
At 1 January 2023	134,612
Deficit for the year	(24,812)
	-----
<b>At 31 December 2023</b>	<b>109,800</b>
	-----
At 1 January 2024	109,800
Surplus for the year	59,694
	-----
<b>At 31 December 2024</b>	<b>169,494</b>
	-----

## Statement of Cash Flows

For the year ended 31 December 2024

	Note	2024 €	2023 €
<b>Cash flow from operating activities</b>			
<b>Net surplus/(deficit) for the year</b>		59,694	(24,812)
Reconciliation to cash generated from operations:			
Depreciation		18,683	43,852
Amortisation		88	113
Decrease in provision for bad debts		-	(801)
Interest payable		1,540	2,006
		<u>80,005</u>	<u>20,358</u>
Operating surplus before working capital changes		80,005	20,358
Increase in receivables		(93,612)	(7,248)
Decrease in payables		(5,162)	(120,095)
		<u>(18,769)</u>	<u>(106,985)</u>
<b>Cash used in operating activities</b>		(18,769)	(106,985)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(838,537)	(773,526)
Receipt of Grant		805,813	991,273
		<u>(32,724)</u>	<u>217,747</u>
<b>Cash (used in)/generated from investing activities</b>		(32,724)	217,747
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(11,825)	(11,825)
Interest paid		(1,540)	-
		<u>(13,365)</u>	<u>(11,825)</u>
<b>Cash used in financing activities</b>		(13,365)	(11,825)
<b>Net (decrease)/increase in cash in the year</b>		(64,858)	98,937
<b>Cash and cash equivalents at beginning of year</b>		164,237	65,300
		=====	=====
<b>Cash and cash equivalents at end of year</b>	13	99,379	164,237
		=====	=====

## Notes to the Financial Statements

### For the year ended 31 December 2024

#### 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 7<sup>th</sup> October 2025. The Local Council's presentation as well as functional currency are denominated in €.

#### 2 Material Accounting Policy Information

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 or amended standards adopted by the Local Council*

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.

## Notes to the Financial Statements (Cont'd)

For the year ended 31 December 2024

### 2 Material Accounting Policy Information (Cont'd)

#### *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	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
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.

## Notes to the Financial Statements (Cont'd)

### For the year ended 31 December 2024

#### 2 Material Accounting Policy Information (Cont'd)

##### *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 for non compliance are to be disclosed separately with

##### *Government grants*

Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises the related costs 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.

## Notes to the Financial Statements (Cont'd)

### For the year ended 31 December 2024

#### 2 Material Accounting Policy Information (Cont'd)

##### *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.

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.

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 (Cont'd)

### For the year ended 31 December 2024

<b>3 Funds received from central government</b>		<b>2024</b>	<b>2023</b>
		€	€
In terms of section 55 of the Local		313,949	285,027
Supplementary government income		124,800	83,886
		<u>438,749</u>	<u>368,913</u>
		=====	=====
<b>4 Income raised under Local Enforcement</b>		<b>2024</b>	<b>2023</b>
		€	€
Administration Income from Contraventions		963	1,142
		<u>963</u>	<u>1,142</u>
		=====	=====
<b>5 General Income</b>		<b>2024</b>	<b>2023</b>
		€	€
Community Services		15,619	14,750
Cultural Events		11,444	3,953
Contributions		5,736	-
Income from Permits		18,361	15,058
		<u>51,160</u>	<u>33,761</u>
		=====	=====
<b>6 Surplus/(deficit) for the year</b>		<b>2024</b>	<b>2023</b>
Surplus/(deficit) for the year is stated after charging:	<i>Notes</i>	€	€
Staff Salaries		112,734	99,011
Amortisation of Intangible assets	10	88	113
Depreciation of property, plant and equipment	11	18,683	43,852
		<u>112,734</u>	<u>99,011</u>
		=====	=====
<i>Staff Salaries</i>		<b>2024</b>	<b>2023</b>
		€	€
Mayor's Remuneration		11,330	11,079
Mayor and Councillors' Allowances		13,000	13,000
Executive Secretary salary and allowances		39,261	30,954
Employees' Salaries		42,304	38,592
Social security contributions		6,839	5,386
		<u>112,734</u>	<u>99,011</u>
		=====	=====
<i>Average number of persons employed</i>			
Employees		3	3
Mayor and Councillors		5	5
		<u>3</u>	<u>3</u>
		=====	=====

## Notes to the Financial Statements (Cont'd)

For the year ended 31 December 2024

### 7 Operations and Maintenance

	2024	2023
	€	€
<i>Repairs and upkeep</i>		
Street signs	2,603	3,199
Road Markings	-	424
Plant and equipment repairs	293	16
Other repairs and upkeep	2,400	1,807
	<u>5,296</u>	<u>5,446</u>
	=====	=====
<i>Contractual services:</i>		
Refuse collection	47,264	36,980
Bring-in sites and open skips	2,235	6,430
Bulky refuse collection	3,353	1,900
Road and street cleaning	7,434	591
Cleaning and maintenance of public conveniences	1,971	384
Cleaning and maintenance of parks and gardens	12,990	7,933
Cleaning and maintenance of non urban areas	432	-
Other contractual services	355	-
	<u>76,034</u>	<u>54,218</u>
	=====	=====
Total operations and maintenance expenses	<u>81,330</u>	<u>59,664</u>
	=====	=====

### 8 Administration and other expenditure

	2024	2023
	€	€
Utilities	5,039	7,326
Materials and supplies	7,362	7,097
Rent	1,645	1,173
National and international memberships	11,412	500
Office services	18,307	10,889
Transport	3,971	1,243
Travelling expenses	6,610	-
Information services	2,074	3,349
Insurances	12,562	7,720
Professional services	42,561	30,164
Community and hospitality	82,560	147,838
Depreciation	18,683	43,852
Amortisation	88	113
Lease of equipment	21,912	6,973
Decrease in provision for bad debts	-	(801)
	<u>234,786</u>	<u>267,436</u>
	=====	=====

**Notes to the Financial Statements (Cont'd)**

**For the year ended 31 December 2024**

<b>9 Finance Costs</b>	<b>2024</b>	<b>2023</b>
	€	€
Interest payable	1,540	2,006
Bank charges	826	521
	-----	-----
	2,366	2,527
	=====	=====
 <b>10 Intangible Fixed Assets</b>		
	<b>Computer Software</b>	<b>Total</b>
	€	€
<b>Cost</b>		
At 1 January 2024 and at 31 December 2024	1,427	1,427
	=====	=====
<b>Provision for amortisation</b>		
At 1 January 2024	1,339	1,339
Charge for the year	88	88
	-----	-----
At 31 December 2024	1,427	1,427
	=====	=====
<b>Net Book Value</b>		
At 31 December 2024	-	-
	=====	=====
At 31 December 2023	88	88
	=====	=====

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
	€	€	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>												
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-New	-	-	-	-	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
<b>Depreciation</b>												
At 1 January 2023	230,220	-	14,574	3,272	51,439	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	-	56,803	9,962	5,169	10,030	525,638	-	-	861,088
<b>Grants</b>												
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
<b>Net Book Amount</b>												
At 31 December 2023	31,174	-	7,781	-	29,164	2,835	2,199	2,194	12,145	-	34,950	122,443

**11 Property, plant and equipment**  
b)

	Construction	Trees	Office Furniture & Fittings	Urban improvements	Office Equipment	Plant and Machinery	Computer Equipment	Special Programmes	Motor Vehicles	Assets under Construction	Total
	€	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>											
At 1 January 2024	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
Additions-New	-	9,382	1,032	-	2,008	2,860	2,360	126,810	-	694,085	838,537
At 31 December 2024	376,214	31,882	33,126	105,520	17,928	10,228	14,584	2,862,024	41,549	1,994,092	5,487,147
<b>Depreciation</b>											
At 1 January 2024	237,940	-	15,547	56,803	9,962	5,169	10,030	525,638	-	-	861,088
Charge for the year	7,720	-	986	5,195	894	1,484	1,488	916	-	-	18,683
At 31 December 2024	245,660	-	16,533	61,998	10,856	6,653	11,518	526,554	-	-	879,771
<b>Grants</b>											
At 1 January 2024	107,100	22,500	8,766	19,553	3,123	-	-	2,197,431	41,549	1,265,057	3,665,079
Addition/Repayment	-	9,382	-	-	-	-	-	72,185	-	724,246	805,813
At 31 December 2024	107,100	31,882	8,766	19,553	3,123	-	-	2,269,616	41,549	1,989,303	4,470,892
<b>Net Book Amount</b>											
At 31 December 2024	23,454	-	7,827	23,969	3,949	3,575	3,066	65,854	-	4,789	136,484

## Notes to the Financial Statements (Cont'd)

### For the year ended 31 December 2024

#### 12 Receivables

	2024	2023
	€	€
Accounts receivable	36,869	167
Prepayments and accrued income	166,396	109,486
Other receivables	450	450
	<u>203,715</u>	<u>110,103</u>
	=====	=====

#### Accounts receivable

General receivables are analysed as follows:	2024	2023
	€	€
Within credit period	-	-
Exceeded credit period but not impaired	36,869	167
	<u>36,869</u>	<u>167</u>
	=====	=====

#### Note

Receivables are net of provision for doubtful debts of Eur 1,050 (2023 : Eur 1,050)

#### 13 Cash and cash equivalents

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

	2024	2023
	€	€
Bank Balances	97,254	164,237
Cash in Hand	2,125	-
	<u>99,379</u>	<u>164,237</u>
	=====	=====

#### 14 Payables

	2024	2023
	€	€
Amounts payable	127,758	93,007
Accruals	54,873	61,853
Other payables	2,581	5,998
Loan payable within one year	9,369	9,369
Deferred income	58,771	89,825
	<u>253,352</u>	<u>260,052</u>
	=====	=====

## Notes to the Financial Statements (Cont'd)

### For the year ended 31 December 2024

15 Bank Borrowings	2024 €	2023 €
Bank loan	16,732	27,018
	=====	=====
Loan repayable from 1 to 2 years	11,821	9,369
Loan repayable from 2 to 5 years	4,911	17,649
	-----	-----
	16,732	27,018
	=====	=====

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

	2024 €	2023 €
Total capital commitments	1,142,757	3,114,309
	=====	=====
(i) Approved and contracted for:		
Regeneration of Pjazza Santa Margerita	616,800	2,501,123
Rejuvenating Gozo	-	96,711
Refurbishment of Playingfield	58,919	58,919
Refurbishment of Kalkara tal Gir	32,662	32,662
Upgrading of open space	57,985	-
Street furniture and pots in Square	-	48,503
	-----	-----
	766,366	2,737,918
	-----	-----
(ii) Approved but not yet contracted for:		
Various Resurfacing works	376,391	376,391
	-----	-----
	1,142,757	3,114,309
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**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 22, which comprise the statement of financial position as at 31 December 2024, 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 2024, 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 01 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.

With respect to the disclosures in the financial statements, in the financial statements for 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 amortisation up till 31 December 2016. The amortisation 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.

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

### Report on the audit of the financial statements - continued

#### 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 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 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 Local 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 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 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: 7 October 2025

