



L-Imtsida Local Council
Annual Report and Financial Statements
31 December 2023



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

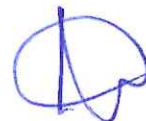
The Local Councils (Financial) Regulations 1993 require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's comprehensive income for the period and of the Council's retained funds at the end of the period. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Council (Financial) Regulations, 1993 and the Local Council (Financial) Procedures, 1996.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Council (Financial) Regulations 1993, and the Local Council (Financial) Procedures 1996. The Executive Secretary is also responsible for safeguarding the assets of the Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Local Council on the 3rd May 2024 and signed on its behalf by:



Margaret Baldacchino Cefai
Mayor



Alan Vella
Executive Secretary

Statement of Changes in Equity

	Retained earnings €
Balance at 1 January 2022	825,524
Total surplus for the year	24,571
Balance at 31 December 2022	<u>850,095</u>
Balance at 1 January 2023	850,095
Total (deficit) for the year	(454,715)
Balance at 31 December 2023	<u>395,380</u>

The notes on pages 6 to 31 form an integral part of these financial statements

Statement of Cash Flows

	Notes	2023	2022
		€	€
Cash flows from operating activities			
(Deficit)/Surplus for the year		(454,715)	24,571
Adjustments for:			
Depreciation on property, plant and equipment	10	55,490	43,649
Depreciation on right of use asset	10	428	3,096
Amortisation on intangible asset	10	1,393	1,778
Increase in Provision for doubtful debts	10	1,000	785
Finance cost	5	(1,348)	1,830
(Deficit)/Surplus for the year before working capital movements		(397,752)	75,709
(Increase)/Decrease in receivables		44,512	(87,320)
(Decrease)/Increase in payables		340,290	166,864
Net cash (used in)/generated from operating activities		(12,950)	155,253
Cash flows used in investing activities			
Payments to acquire property, plant and equipment	12	(115,910)	(114,670)
Net cash used in investing activities		(115,910)	(114,670)
Cash flows used in financing activities			
Grants received	12	89,124	43,649
Lease repayments		(500)	(2,449)
Interest on lease liabilities		1,348	(1,830)
Net cash generated from financing activities		89,972	39,370
Movement in cash and cash equivalents		(38,888)	79,953
Cash and cash equivalents at the beginning of the year		573,064	493,111
Cash and cash equivalents at the end of the year	14	534,176	573,064

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

L-Imsida Local Council (the "Local Council") is the local authority of I-Imsida setup in accordance with the Local Councils Act. The office of the Local Council is situated at Civic Centre, Pjazza Menqa, I-Imsida. These financial statements were approved for issue by the Local Council members on 30 January 2024. The Local Council's presentation as well as functional currency is denominated in Eur (€).

2. Material accounting policies

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

The Council's management has concluded that the disclosure of the entity's material accounting policies below are appropriate.

a. Basis of preparation

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). The financial statements are prepared under the historical cost convention, as modified to include fair values stated in the accounting policies below.

These financial statements are prepared in accordance with the requirements of International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

b. Use of estimates and judgements

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

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

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

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

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

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

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)

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

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

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

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

The principal accounting policies and reporting procedures used by the Local Council are as follows:

e. Revenue and expenditure recognition

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

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

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

2. Accounting policies - continued**f. Expenditures**

Expenditures except personal emoluments are recognised in the income statement upon utilisation of the service or at the date of their origin.

g. Personal emoluments

Contributions toward the state pension in accordance with local legislation are recognised in profit or loss when they are due.

h. Functional and presentation currency

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

i. Local Enforcement System

The Local Council forms part of the Central Regional Council. On 1st September 2011, all LES funds were diverted to five regions. With effect from 1st September 2011, the only income attributable to the Local Council is commission income based on the value of contraventions paid at the Local Council. In line with Memo issued from the Department for Local Government dated 30th September 2015, the LES operations started gradually being phased out from the Regional Committee towards the Local Enforcement System Agency (LESA) with effect from 1st October 2015, until December 2015.

j. Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Computer Software

Computer software is valued at cost less accumulated amortisation and impairment losses to date. Amortisation to write off the cost is calculated on a monthly basis using the straight-line method. The estimated useful life is four years.

k. Property, plant and equipment

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

2. Accounting policies - continued

k. Property, plant and equipment - continued

• Land	0%
• Trees	0%
• Buildings	1%
• Office furniture and fittings	7.5%-100%
• Construction works	10%-100%
• Urban Improvements (Street Furniture)	10%-100%
• Special Projects	10%-100%
• Office Equipment	20%-100%
• Motor Vehicles	20%-46%
• Plant and Machinery	20%-100%
• Plants	100%
• Computer Equipment	25%-100%
• Litter Bins	Replacement Basis
• Traffic and Road Signs	Replacement Basis
• Street Mirrors	Replacement Basis
• Street Lights	100%
• Playground Furniture	100%

Assets not yet utilized are reclassified to proper account upon completion of work.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount, and are taken into account in determining operating profit. 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 recognized 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 Profit or Loss and Other Comprehensive Income during the financial year in which they are incurred.

i. Impairment of assets

Impairment of property, plant and equipment

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

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

2. Accounting policies - continued**l. Impairment of assets - continued**

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

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

m. Receivables

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

Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Local Council will not be able to collect all amounts due according to the set original terms. The amount of provision is recognised in the Statement of Profit or loss and Other Comprehensive Income. Bad debts are written off during the year in which they are identified.

n. Cash and cash equivalents

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

o. Profits and losses

Only profits that were realized at the date of the Statement of Financial Position are recognized in these Financial Statements. All foreseeable liabilities and potential losses arising up to the said date are accounted for even if they become apparent between the said date and the date on which the Financial Statements are approved.

p. Payables

Payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material in which case, payables are measured at amortised cost using the effective interest method.

2. Accounting policies - continued**q. Provisions**

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

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

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

Measurement and recognition of leases as a lessee

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

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

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

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

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

The Local Council has elected to account for short-term leases and leases of low-value assets using the practical expedients. These leases relate to the rent of store at Msida playing field. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

2. Accounting policies - continued**r. Leases – continued****The Local Council as a lessor**

As a lessor the Local Council classifies its leases as either operating or finance leases.

The Local Council assessed whether it transfers substantially all the risks and rewards of ownership. Those assets that do not transfer substantially all the risks and rewards are classified as operating leases. As at date, the Local Council has entered into a lease agreement for its community centre.

s. Capital Management

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

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

To achieve the above, the Local Council carries out a quarterly review of the working capital ratio ('Financial Situation Indicator'). The Local Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

t. Financial instruments**Recognition and derecognition**

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

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

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

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

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

2. Accounting policies - continued**t. Financial instruments – continued**

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

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

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

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Local Council's cash equivalents, most receivables and accrued income fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Local Council considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

2. Accounting policies - continued**t. Financial instruments – continued**

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Classification and measurement of financial liabilities

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

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

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

u. Related parties

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

v. Government Grants

Government grants relating to operating expenditure are recognized in the Statement of Comprehensive Income in the same period that the related expenditure is incurred. Government grants relating to the purchase of property, plant and equipment are accounted for using the capital approach and are thus deducted from the carrying amount of the relative non-current asset. Government grants that are related specifically to non-capital expenditures are recognised immediately in the Statement of Profit or Loss and Other Comprehensive Income. Government grants received during the year for future construction of property, plant and equipment are presented in the statement of financial position as advanced payment while grants received during the year for future operating expenditures are presented in the statement of financial position as deferred income.

3. Funds Received from Central Government

	2023 €	2022 €
In terms of Section 55 of the Local Councils Act (Cap 363)	711,104	701,404
Other government income	33,081	125,921
	<u>744,185</u>	<u>827,325</u>

4. Income raised under Local Enforcement System

	2023 €	2022 €
Administrative charges to Regional Committees	8,853	8,851
Contraventions	4,788	3,676
	<u>13,641</u>	<u>12,527</u>

5. Finance cost

	2023 €	2022 €
(Reversal)/Interest on lease liabilities	(1,348)	1,830
	<u>(1,348)</u>	<u>1,830</u>

6. General income

	2023 €	2022 €
Rental income	21,841	20,000
Other income	21,659	2,203
	<u>43,500</u>	<u>22,203</u>

7. Income from Bye Law

	2023 €	2022 €
Income from permits	<u>67,282</u>	<u>60,936</u>

8. Personal Emoluments

	2023 €	2022 €
Mayor's allowance	16,003	15,516
Executive secretary salary and allowances	44,741	53,393
Employees' salaries	118,109	96,439
Social security contributions	13,430	11,189
Councillors' allowances	22,400	22,600
	<u>214,683</u>	<u>199,137</u>

Average number of people employed

Employees	6	6
Mayor and Councillors	<u>7</u>	<u>7</u>

9. Operations and Maintenance

	2023 €	2022 €
Repairs and Upkeep:		
Patching works	5,416	1,793
Operating materials and supplies	3,542	1,110
Road and street pavements	249,593	8,346
Road signs and markings	12,558	10,941
Council property	325	1,947
Office furniture and equipment	5,040	3,008
Bins	5,947	2,686
Sundry repairs	124,977	9,699
	<u>407,398</u>	<u>39,530</u>

9. Operations and Maintenance - continued

	2023 €	2022 €
Contractual Services:		
Refuse collection (including bins on wheels)	98,161	245,369
Waste disposal	125,356	73,848
Bulky refuse collection (including open skips)	49,953	27,355
Road and street cleaning (mechanical and manual)	111,542	46,643
Cleaning and maintenance of public conveniences	22,662	13,049
Cleaning and maintenance of parks and gardens	64,518	57,960
Cleaning council premises	10,596	10,723
LES related expenditure	1,176	1,128
Contract management services	12,886	12,886
Street lighting and security	42,183	33,765
Other contractual service	1,593	1,416
	<u>540,626</u>	<u>524,142</u>
	<u>948,024</u>	<u>536,672</u>

10. Administrative and other expenditures

	2023 €	2022 €
Water and electricity	6,465	6,663
Telecommunications	2,944	3,304
Rent (note 22)	172	116
Accountancy services	5,106	4,673
Advertising and public relations expenses	3,012	3,670
Office services	215	161
Transport	3,995	4,115
Travel	13,783	3,030
Conference and participation expenses	303	3,274
Documentation	18	175
Insurance	5,834	4,058
Engineering services	538	2,203
Other support service	9,009	6,131
Postages	382	82
Printing and stationery	4,720	5,203
Community services	43,758	36,740
Staff training and uniforms	1,582	91
Bank charges	1,064	395
Depreciation on property, plant and equipment (note 12)	55,490	43,649
Depreciation on right of use asset (note 22)	428	3,096
Amortisation on intangible asset (note 11)	394	1,778
Provision for doubtful debts (note 13)	1,000	785
Sundry minor expenses	756	389
	<u>161,964</u>	<u>133,781</u>

11. Intangible asset

	Computer Software €
At 1 January 2022	
Cost	10,043
Accumulated amortisation	(5,857)
Net book amount	<u>4,186</u>
Movements for the year ended 31 December 2022	
Opening net book amount	4,186
Amortisation charge	(1,778)
Closing net book amount	<u>2,408</u>
At 31 December 2022	
Cost	10,043
Accumulated amortisation	(7,635)
Net book amount	<u>2,408</u>
Movements for the year ended 31 December 2023	
Opening net book amount	2,408
Amortisation charge	(1,393)
Closing net book amount	<u>1,015</u>
At 31 December 2023	
Cost	10,043
Accumulated amortisation	(9,028)
Net book amount	<u>1,015</u>

Amortisation of €1,393 (2022: €1,778) is included in administrative expenses.

12a. Property, plant and equipment

	Trees €	Office Furniture & Fittings €	Computer & Office Equipment €	Urban Improvements €	Plant & Machinery €	Motor Vehicles €	Street Signs, Mirrors & Lights €	Construction Works €	Building €	Assets not yet utilised €	Total €
Cost											
At 1st January 2023	20,417	90,530	46,783	238,561	3,175	13,860	51,284	2,105,652	472,246	36,847	3,079,355
Additions	-	3,697	-	12,702	-	60,171	-	-	-	39,340	115,910
At 31st December 2023	20,417	94,227	46,783	251,263	3,175	74,031	51,284	2,105,652	472,246	76,187	3,195,265
Grants											
At 1st January 2023	6,690	36,769	4,631	82,888	-	-	-	1,333,676	-	-	1,464,654
Additions	-	1,642	-	2,482	-	50,000	-	-	-	35,000	89,124
At 31st December 2023	6,690	38,411	4,631	85,370	-	50,000	-	1,333,676	-	-	1,518,778
Depreciation											
At 1st January 2023	-	39,931	38,916	151,694	1,923	13,860	51,284	678,834	209,522	-	1,185,964
Charge for the year	-	2,780	2,032	13,601	380	1,017	-	18,069	17,611	-	55,490
At 31st December 2023	-	42,711	40,948	165,295	2,303	14,877	51,284	696,903	227,133	-	1,241,454
Net Book Value											
At 31st December 2023	13,727	13,105	1,204	598	872	9,154	-	75,073	245,113	41,187	400,033

12b. Property, plant and equipment

	Trees €	Office Furniture & Fittings €	Computer & Office Equipment €	Urban Improvements €	Plant & Machinery €	Motor Vehicles €	Street Signs, Mirrors & Lights €	Construction Works €	Building €	Assets not yet utilised €	Total €
Cost											
At 1st January 2022	20,417	87,647	46,783	207,863	2,745	13,860	51,284	2,006,178	472,246	27,334	2,936,357
Additions	-	2,883	-	30,698	430	-	-	99,474	-	9,513	142,998
At 31st December 2022	20,417	90,530	46,783	238,561	3,175	13,860	51,284	2,105,652	472,246	36,847	3,079,355
Grants											
At 1st January 2022	6,690	34,705	4,631	59,431	-	-	-	1,287,220	-	-	1,392,677
Additions	-	2,064	-	23,457	-	-	-	46,456	-	-	71,977
At 31st December 2022	6,690	36,769	4,631	82,888	-	-	-	1,333,676	-	-	1,464,654
Depreciation											
At 1st January 2022	-	37,568	35,431	148,430	1,559	13,860	51,284	662,273	191,910	-	1,142,315
Charge for the year	-	2,363	3,485	3,264	364	-	-	16,561	17,612	-	43,649
At 31st December 2022	-	39,931	38,916	151,694	1,923	13,860	51,284	678,834	209,522	-	1,185,964
Net Book Value											
At 31st December 2022	13,727	13,830	3,236	3,979	1,252	-	-	93,142	262,724	36,847	428,737

13. Receivables

	2023 €	2022 €
Receivables	61,795	139,671
Other receivables	-	1,000
Accrued income	100,135	6,632
Financial assets at amortised cost	161,930	147,303
Prepayments	5,803	7,681
Total receivables	167,733	154,984

The total financial assets at amortised cost for the year amounted to €161,930 (2022: €147,303). Receivables are stated net of provision for doubtful debts €785 (2022: €785)

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

	2023 €	2022 €
Age of receivables that are past due but not impaired		
60-90 days	16,589	42,858
91-120 days	3,150	25,224
More than 120 days	42,056	71,589
Total	61,795	139,671

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

14. Cash and cash equivalents

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

	2023 €	2022 €
Petty cash	230	210
Cash on hand	22,946	2,202
Bank balances:		
Current	447,078	285,710
Savings	63,922	284,942
Total cash and cash equivalents	534,176	573,064

15. Deferred Income

	2023 €	2022 €
At beginning of year	38,670	31,170
Increase in period	421,160	7,500
	459,830	38,670
Current (note 17)	428,660	7,500
Non-Current	31,170	31,170
	459,830	38,670

16. Payables

	2023 €	2022 €
Payables	146,495	158,285
Other payables	8,341	12,129
Accruals	40,930	34,970
Lease liabilities (note 23)	<u>482</u>	<u>2,449</u>
Financial liabilities measured at amortised cost	196,248	207,833
Deferred Income	428,660	7,500
Advance Payment	<u>52,054</u>	<u>63,696</u>
Total payables - current	<u>676,972</u>	<u>279,029</u>
Payables due after more than one year		
	2023 €	2022 €
Lease liabilities (note 23)	<u>3,295</u>	<u>45,331</u>
	<u>3,295</u>	<u>45,331</u>

The total financial liabilities measured at amortised cost for the year amounted to €196,248 (2022: €207,833).

17. Contingent liabilities

At 31 December 2023, the Local Council had a guarantee facility of €1,100 and garnishee order of €1,470.84.

18. Related party transactions

During the year, the Local Council had affected transactions with related parties resulting mainly in connection with income and administrative transactions, are disclosed in notes 3 and 10 to these financial statements. The following were the related parties:

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

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

	2023	2022
	€	€
(a) Funds received from Local Government	711,104	701,404

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

The Mayor, Councillors and Executive Secretary of the Local Council make up the Key Management Personnel. Total remuneration paid to them amounts to € 85,827 (2022: €94,106).

Ultimate controlling party

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

19. Financial risk management

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

Credit risk

Financial assets which potentially subject the Local Council to concentrations of credit risk consist principally of cash at bank and debtors. The Local Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Local Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Local Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible, and in this respect, the Local Council has no significant concentration of credit risk.

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

	2023	2022
	€	€
Classes of financial assets – carrying amounts:		
Financial assets at amortised cost		
Receivables	161,930	147,303
Cash and cash equivalents	534,176	573,064
	696,106	720,367

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

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Local Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short-term commitments. The Local Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact, at year end, the Local Council has as cash in bank and in hand the amount of €534,176. This should ensure an ongoing working capital of the Local Council for the next 12 months. The Local Council also maintains a positive net current asset position of €434,329 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

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

At 31 December 2023

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	146,495	-	-
Other payables	8,341	-	-
Accruals	40,930	-	-
Lease liabilities	482	2,169	1,126

19. Financial risk management – continued

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

At 31 December 2022

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	158,285	-	-
Other payables	12,129	-	-
Accruals	34,970	-	-
Lease liabilities	2,449	16,771	41,929

Foreign currency risk

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

Interest rate risk

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

20. Summary of financial assets and liabilities

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

	2023 €	2022 €
Current assets		
Financial assets at amortised cost:		
Receivables	161,930	147,303
Cash and cash equivalents	534,176	573,064
	<u>696,106</u>	<u>720,367</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	145,495	158,285
Other payables	8,338	12,129
Accruals	40,930	34,970
Lease liabilities	482	2,449
	<u>196,248</u>	<u>207,833</u>
Non-Current liabilities		
Financial liabilities measured at amortised costs:		
Lease liabilities	3,295	45,331
	<u>3,295</u>	<u>45,331</u>

21. 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.

22. Leases**Right of use Asset**

The Local Council's right of use asset is as follows:

	Office Space €
Cost	
At 1 January/31 December 2022	<u>58,814</u>
At 1 January 2023	58,814
Modification	
At 31 December 2023	<u>(54,536)</u>
	<u>4,278</u>
Accumulated Depreciation	
At 1 January 2022	9,286
Charge for the year	<u>3,096</u>
At 31 December 2022	12,382
At 1 January 2023	12,382
Charge for the year	428
Modification	<u>(12,382)</u>
At 31 December 2023	<u>428</u>
Carrying amount as at 31 December 2022	<u>46,432</u>
Carrying amount as at 31 December 2023	<u>3,850</u>

Lease liabilities

	2023 €	2022 €
Current	482	2,449
Non-current	<u>3,295</u>	<u>45,331</u>
	<u>3,777</u>	<u>47,780</u>

The Local Council leases its office space from the Commissioner of Lands. The Local Council's right of use asset has been revalued since the Commissioner of Lands department has reduced the lease payments re Office Space to €500 p.a. from 2023. The lease is recognised as a right of use asset in the Statement of Financial Position, with the exception of short-term leases (leases with an effected term of 12 months or less) and leases of low-value underlying assets. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and right of use asset.

22. Leases - continued

Right-of-use assets	No of right-of-use asset leased	Remaining term	Average lease term	No of leases with extension options	No of leases with termination options
Office space	1	9 years	17 years	-	-

Future minimum lease payments at 31 December 2023 and 2022 were as follows:

	Not later than one year €	Later than one year but not later than five years €	Later than five years €	Total €
31 December 2023				
Lease payments	500	2,000	2,000	4,500
Finance charges	(18)	(535)	(170)	(723)
Net present values	482	1,465	1,830	3,777
31 December 2022				
Lease payments	4,193	16,771	41,929	62,893
Finance charges	(1,744)	(6,049)	(7,320)	(15,113)
Net present values	2,449	10,722	34,609	47,780

Lease payments not recognised as a liability

The Local Council has elected not to recognise a lease liability for short-term leases (leases with an expected lease term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. The expense related to payments for short-term leases not included in the measurement of lease liability amounted to €172 (2022: €116) and is included in the 'administrative expenses' in Statement of Profit or Loss and Other Comprehensive Income.

23. Capital commitments**Capital expenditure**

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

	2023 €	2022 €
Authorised but not contracted	<u>1,910,068</u>	<u>798,230</u>

These commitments for capital expenditure will be financed out of reserved funds, DPF Funds Regional Funds, DLG Schemes and Project Green Funds.

Report of the Local Government Auditor

To the Auditor General

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Msida Local Council (“the Council”) set out on pages 2 to 31 which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including the material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Council as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act, the Local Councils (Financial) Procedures 1996 (the “Legislation”).

Basis for opinion

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

Responsibilities of those charged with governance for the financial statements

As described on page 1 the Executive Secretary and the members of the Local Council are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Legislation, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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



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

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

A handwritten signature in blue ink, appearing to read "Mark Bugeja".

Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

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

7 May 2024

