

# IŻ-ŻEBBUĠ (GOZO) LOCAL COUNCIL

## Annual Report

## and

## Financial Statements

**for the year ended 31 December 2023**

3 JUN 2024
LOCAL AUDIT OFFICE

**Prepared by**

**Daniel Galea B. Accty. (Hons.) CPA**

# ANNUAL REPORT AND FINANCIAL STATEMENTS

## 31 DECEMBER 2023

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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 Local Council on the 29th May 2024 and signed on its behalf by

Dr Marlene Cini
Mayor

Odette Camilleri
Executive Secretary

# STATEMENT OF COMPREHENSIVE INCOME

**For the year ended 31 December 2023**

| | Notes | 2023 € | 2022 € |
|---|---|---|---|
| **INCOME** | | | |
| Funds received from Central Government | 4 | **743,334** | 707,458 |
| Income raised under Local Enforcement System | 5 | **1,487** | 1,529 |
| General Income | 6 | **25,918** | 55,466 |
| | | **770,739** | 764,453 |
| **EXPENDITURE** | | | |
| Personal emoluments | 8 | **(167,957)** | (171,880) |
| Operations and maintenance expenses | 9 | **(316,892)** | (274,326) |
| Administrative and other expenditure | 10 | **(377,415)** | (345,370) |
| | | **(862,264)** | (791,576) |
| **Operating deficit for the year** | 7 | **(91,525)** | (27,123) |
| Finance income | 11 | **786** | 181 |
| **Deficit for the year** | | **(90,739)** | (26,942) |

The notes on pages 8 to 22 form an integral part of these financial statements

# STATEMENT OF FINANCIAL POSITION

**As at 31 December 2023**

| | Notes | 2023 € | 2022 € |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 12 | **640,016** | 772,606 |
| | | **640,016** | 772,606 |
| **Current Assets** | | | |
| Inventories | 13 | **2,319** | 2,450 |
| Receivables | 14 | **113,753** | 406,474 |
| Cash and Cash Equivalents | 15 | **517,090** | 379,323 |
| | | **633,162** | 788,247 |
| **Total Assets** | | **1,273,178** | **1,560,853** |
| **RESERVES AND LIABILITIES** | | | |
| **Reserves** | | | |
| Retained Earnings | | **518,969** | 609,708 |
| | | **518,969** | 609,708 |
| **Current Liabilities** | | | |
| Payables | 16 | **280,178** | 544,266 |
| Deferred income | 17 | **474,031** | 406,879 |
| | | **754,209** | 951,145 |
| **Total Reserves and Liabilities** | | **1,273,178** | **1,560,853** |

These financial statements on pages 4 to 22 were approved and authorised for issue by the Local Council on 29th May 2024 and signed on its behalf by:

Dr Marlene Cini
Mayor

Odette Camilleri
Executive Secretary

The notes on pages 8 to 22 form an integral part of these financial statements

## STATEMENT OF CHANGES IN EQUITY

**For the year ended 31 December 2023**

| | Retained Funds € |
|---|---|
| At 1 January 2022 | 636,650 |
| Deficit for the year 2022 | (26,942) |
| **At 31 December 2022** | **609,708** |
| At 1 January 2023 | 609,708 |
| Deficit for the year 2023 | (90,739) |
| **At 31 December 2023** | **518,969** |

The notes on pages 8 to 22 form an integral part of these financial statements

# STATEMENT OF CASH FLOWS

**For the year ended 31 December 2023**

| | Note | 2023 € | 2022 € |
|---|---|---|---|
| **Cash flows from Operating Activities** | | | |
| **Deficit for the year** | | **(90,739)** | (26,942) |
| Reconciliation to cash generated from operations: | | | |
| Depreciation | | **121,841** | 126,656 |
| Loss on disposal of property, plant and equipment | | **-** | 45 |
| Increase in provision for doubtful debts | | **38** | 139 |
| Interest receivable | | **(786)** | (181) |
| Operating surplus before Working Capital Changes | | **30,354** | 99,717 |
| Decrease in Inventories | | **131** | 32 |
| Decrease/(increase) in receivables | | **289,671** | (340,792) |
| (Decrease)/increase in payables | | **(264,088)** | 393,078 |
| **Cash generated from operating activities** | | **56,068** | **152,035** |
| **Cash flows from Investing Activities** | | | |
| Interest received | | **786** | 181 |
| Purchase of property, plant & equipment | | **(105,183)** | (665,173) |
| Receipt of grants | | **186,096** | 692,677 |
| **Cash generated from investing activities** | | **81,699** | **27,685** |
| Net Increase in Cash and Cash Equivalents | | **137,767** | 179,720 |
| Cash and Cash Equivalents at the Beginning of the year | | **379,323** | 199,603 |
| **Cash and Cash Equivalents at the End of the year** | *15* | **517,090** | **379,323** |

The notes on pages 8 to 22 form an integral part of these financial statements

**Notes to the Financial Statements for the year ended 31 December 2023**

## 1. General Information

The Iż-Żebbuġ (Gozo) Local Council is the local Authority of Iz-Zebbug (Gozo) set up in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at Church Street, Iż-Żebbuġ, Gozo. These financial statements were approved for issue by the Council Members on 29th May 2024. The Local Council's presentation as well as functional currency is 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.

*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 ("IFRS Accounting 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 accounting standards, and interpretations adopted*

The following amended standards became applicable for 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.

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.

*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:

**Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**

**2. Material Accounting Policy Information (cont.)**

*Property, plant and equipment (cont.)*

| | % |
|---|---|
| Land | 0 |
| Trees | 0 |
| Buildings | 1 |
| Office Furniture and Fittings | 7.5 |
| 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 | 100 |
| Litter Bins | Replacement basis |
| Playground Furniture | 100 |
| Traffic Signs | Replacement basis |
| Road Signs | Replacement basis |
| Street Mirrors | Replacement basis |
| Street Lights | 100 |

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each statement of financial position date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount. Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

*Impairment of Assets*

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Comprehensive Income.

*Amounts receivable*

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Comprehensive Income.

*Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds and the redemption value is recognised in the income and expenditure account over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Local Council has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

**Notes to the Financial Statements for the year ended 31 December 2023**

**2. Material Accounting Policy Information (cont.)**

*Other payables*

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

*Financial instruments*

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

Financial assets and financial liabilities are measured initially at fair value plus transactions 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 for each identified group.

*Financial liabilities*

The Council's financial liabilities include other payables. These are stated at their nominal amount which is a reasonable approximation of fair value. All interest-related charges are included within 'finance costs'.

*Revenue*

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

Income from central government is not recognised until there is reasonable assurance that the Council will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross and any deductions made therefrom are to be disclosed separately with expenses.

*Local Enforcement System*

The income recognised in the Statement of Comprehensive Income was derived from administrative fees charged to the five Regional Councils and the Local Enforcement System Agency.

**Notes to the Financial Statements for the year ended 31 December 2023**

## 2. Material Accounting Policy Information (cont.)

*Government grants*

Government grants relating to operating expenditure are recognised 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.

*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 € at the rates of exchange prevailing at the date of the Statement of Financial Position.

*Borrowing costs*

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

## 3. Judgements in applying accounting policies and key sources of estimation

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

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.

## 4. Funds received from central government

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| In terms of section 55 of the Local Councils Act | **612,816** | 610,428 |
| Other Government Income | **130,518** | 97,030 |
| | **743,334** | 707,458 |

## 5. Local Enforcement system

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| Administrative charges to LESA | **1,487** | 1,529 |
| | **1,487** | 1,529 |

**Notes to the Financial Statements for the period ended 31 December 2023 (cont.)**

## 6. General Income

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| Community services | 430 | 150 |
| Temporary permits | 24,418 | 23,268 |
| Other Income | 1,070 | 32,048 |
| | 25,918 | 55,466 |

## 7. Operating deficit for the year

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| Operating deficit for the year is stated after charging | | |
| Staff salaries | 167,957 | 171,880 |
| Depreciation of non-current assets | 121,841 | 126,655 |

## 8. Personal Emoluments

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| Mayor's Honoraria | 11,079 | 10,742 |
| Mayor's and Councillors' Allowances | 13,000 | 13,000 |
| Executive Secretary Salary and Allowances | 39,049 | 42,301 |
| Employees' Salaries | 93,751 | 94,506 |
| Social Security Contributions | 11,078 | 11,331 |
| | 167,957 | 171,880 |

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)

## 9. Operations and Maintenance

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| *Repairs and Upkeep:* | | |
| Road/Street Pavements | **19,995** | 14,599 |
| Street Signs and markings | **9,191** | 16,086 |
| Public property | **105,941** | 33,106 |
| | **135,127** | 63,791 |
| *Contractual Services:* | | |
| Waste Disposal | **42,256** | 37,675 |
| Refuse Collection | **32,366** | 85,111 |
| Hiring of skips | **3,023** | - |
| Cleaning and Maintenance of Public Conveniences | **9,828** | 12,014 |
| Cleaning and Maintenance of Parks and Gardens | **30,717** | 21,060 |
| Cleaning and Maintenance of Beach and Coastal areas | **1,485** | - |
| Road & Street Cleaning | **25,102** | 14,740 |
| Other contractual services | **3,307** | 1,425 |
| Street Lighting | **33,165** | 35,747 |
| Local enforcement expenses | **516** | 2,763 |
| | **181,765** | 210,535 |
| Total Operations and Maintenance Costs | **316,892** | 274,326 |

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)

## 10. Administrative and other expenditure

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| Utilities | **7,099** | 9,219 |
| Other repairs and upkeep | **16,813** | 23,528 |
| Rent | **16,800** | 10,950 |
| National and International Memberships | **597** | 890 |
| Office Services | **9,622** | 9,997 |
| Transport and Travel | **3,377** | 3,683 |
| Information Services | **4,161** | 4,179 |
| Insurance Coverage | **5,664** | 3,463 |
| Bank charges | **1,295** | 933 |
| Professional Services | **31,760** | 26,893 |
| Community and Hospitality | **3,238** | 2,763 |
| Social and cultural events | **145,938** | 113,374 |
| Other expenses | **1,765** | 5,560 |
| Twinning expenses | **7,407** | 3,098 |
| (Decrease)/Increase in provision for doubtful debts | **38** | 139 |
| Loss on disposal of property, plant and equipment | **-** | 45 |
| Depreciation and amortisation | **121,841** | 126,656 |
| | **377,415** | 345,370 |

## 11. Finance Income

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| Bank Interest Receivable | **786** | 181 |

**Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**

## 12. Property, plant and equipment

| | Office Furniture/ Fittings | Office/ Computer Equipment | Plant & Machinery | Urban Improvements | Assets under Construction | New Street Signs | Motor Vehicle | Construction/ Special Programmes | Total |
|---|---|---|---|---|---|---|---|---|---|
| | € | € | € | € | € | € | € | € | € |
| **Cost** | | | | | | | | | |
| At 1 January 2023 | 46,309 | 38,487 | 5,620 | 743,371 | 30,719 | 59,235 | 56,622 | 4,059,750 | **5,040,113** |
| Additions | - | - | 534 | 74,293 | 30,356 | - | - | - | **105,183** |
| At 31 December 2023 | 46,309 | 38,487 | 6,154 | 817,664 | 61,075 | 59,235 | 56,622 | 4,059,750 | **5,145,296** |
| **Depreciation** | | | | | | | | | |
| At 1 January 2023 | 30,376 | 31,298 | 2,289 | 487,556 | - | 59,235 | 495 | 1,543,180 | **2,154,429** |
| Charge for the year | 2,237 | 1,456 | 71 | 37,392 | - | - | 381 | 80,304 | **121,841** |
| At 31 December 2023 | 32,613 | 32,754 | 2,360 | 524,948 | - | 59,235 | 876 | 1,623,484 | **2,276,270** |
| **Grants** | | | | | | | | | |
| At 1 January 2023 | - | 3,395 | 3,331 | 5,823 | - | - | 54,720 | 2,045,809 | **2,113,078** |
| Additions | - | - | - | 37,991 | 61,075 | - | - | 16,866 | **115,932** |
| At 31 December 2023 | - | 3,395 | 3,331 | 43,814 | 61,075 | - | 54,720 | 2,062,675 | **2,229,010** |
| **Net Book values** | | | | | | | | | |
| **At 31 December 2023** | **13,696** | **2,338** | **463** | **248,902** | **-** | **-** | **1,026** | **373,591** | **640,016** |

**Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**

## 12. Property, plant and equipment (cont.)

| | Office Furniture/ Fittings | Office/ Computer Equipment | Plant & Machinery | Urban Improvements | Assets under Construction | New Street Signs | Motor Vehicle | Construction/ Special Programmes | Total |
|---|---|---|---|---|---|---|---|---|---|
| | € | € | € | € | € | € | € | € | € |
| **Cost** | | | | | | | | | |
| At 1 January 2022 | 41,244 | 35,453 | 5,620 | 604,990 | 90,000 | 59,235 | 16,800 | 3,522,425 | **4,375,767** |
| Additions | 5,892 | 3,034 | - | 138,381 | 30,719 | - | 39,822 | 447,325 | **665,173** |
| Disposals | (827) | - | - | - | - | - | - | - | **(827)** |
| Reclassification | - | - | - | - | (90,000) | - | - | 90,000 | **-** |
| At 31 December 2022 | 46,309 | 38,487 | 5,620 | 743,371 | 30,719 | 59,235 | 56,622 | 4,059,750 | **5,040,113** |
| **Depreciation** | | | | | | | | | |
| At 1 January 2022 | 28,497 | 30,026 | 2,289 | 454,878 | - | 59,235 | 195 | 1,452,940 | **2,028,060** |
| Charge for the year | 2,166 | 1,272 | - | 32,678 | - | - | 300 | 90,240 | **126,656** |
| Eliminated on disposal | (287) | - | - | - | - | - | - | - | **(287)** |
| At 31 December 2022 | 30,376 | 31,298 | 2,289 | 487,556 | - | 59,235 | 495 | 1,543,180 | **2,154,429** |
| **Grants** | | | | | | | | | |
| At 1 January 2022 | - | 3,395 | 3,331 | 5,823 | 90,000 | - | 15,500 | 1,609,023 | **1,727,072** |
| Additions | - | - | - | - | - | - | 39,220 | 346,786 | **386,006** |
| Adjustments | - | - | - | - | (90,000) | - | - | 90,000 | **-** |
| At 31 December 2022 | - | 3,395 | 3,331 | 5,823 | - | - | 54,720 | 2,045,809 | **2,113,078** |
| **Net Book values** | | | | | | | | | |
| **At 31 December 2022** | **15,933** | **3,794** | **-** | **249,992** | **30,719** | **-** | **1,407** | **470,761** | **772,606** |

**Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**

## 13. Inventories

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| Stock of books | 2,319 | 2,450 |
| | 2,319 | 2,450 |

## 14. Receivables

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| Accounts receivables | 5,825 | 40,632 |
| Prepayments and accrued income | 107,928 | 365,842 |
| | 113,753 | 406,474 |

Receivables are analysed as follows:

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| Within credit period | 113,753 | 355,229 |
| Exceeded credit period but not impaired | - | 51,245 |
| Impaired and provided for | 29,744 | 30,567 |
| Provision for doubtful debts | (29,744) | (30,567) |
| | 113,753 | 406,474 |

Included in the accounts receivable are amounts due from related parties amounting to €41,875 (2022 : €24,827). The amounts from related parties which are impaired are €1,996 (2022: €1,996) These amounts are unsecured, interest free and repayable on demand.

## 15. Cash & cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts.

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| Cash at Bank | 516,890 | 377,819 |
| Cash in Hand | 200 | 1,504 |
| | 517,090 | 379,323 |

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)

## 16. Payables

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| Accounts payable | **222,950** | 420,109 |
| Accruals and other payables | **57,228** | 124,157 |
| | **280,178** | 544,266 |

Included in the accounts payable are amounts due to related parties amounting to €32,482 (2022 : €10,506). These amounts are unsecured, interest free and repayable on demand.

## 17. Deferred Income

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| **Government grants** | | |
| At 1 January | **406,879** | 100,564 |
| Increase in year | **145,199** | 361,141 |
| | **552,078** | 461,705 |
| Transferred to capital grants under PPE | **(61,074)** | (30,114) |
| Transferred to income | **(16,973)** | (24,712) |
| At 31 December | **474,031** | 406,879 |
| **Current Deferred Income** | **474,031** | 406,879 |

**Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**

## 18. Capital Commitments

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| Details of capital commitments at the accounting date are as follows: | | |
| - Approved but not yet contracted for | **171,000** | 852,292 |
| - Contracted for but not provided in the financial statements | **1,238,852** | - |
| (i) Approved but not yet contracted for: | | |
| Furniture & Fittings | **5,000** | 5,000 |
| Measure 4.3 - Resurfacting | **-** | 695,292 |
| Heritage Trail - GAGF | **-** | 20,000 |
| Upgrading Qbajjar Promenade | **-** | 100,000 |
| Landscaping works | **-** | 25,000 |
| Resurfacing and culverts | **140,000** | |
| CCTV cameras | **19,000** | - |
| Plant & Machinery | **2,000** | 2,000 |
| Computer equipment | **5,000** | 5,000 |
| | **171,000** | 852,292 |
| (i) Contracted for but not provided in the Financial Statements: | | |
| Pavements | **20,000** | - |
| Rubble wall building | **20,000** | - |
| Gozo the destination of Tales and Trails – Heritage Trail | **215,520** | - |
| Belveder - Triq Santa Marija | **88,646** | - |
| Railings and installation of lighting at Triq Santa Marija | **156,719** | - |
| Progetti fil-Kommunita' | **102,967** | - |
| Measure 4.3 - Resurfacting | **635,000** | - |
| | **1,238,852** | - |

The Council will be receiving grants from EU Funds, Gozo Regional Council and GAGF for the projects mentioned above.

## 19. Contingent liabilities and assets

There were no contingent liabilities in respect of bank guarantees at year end. The Council had received a claim for damages through a court case on a vehicle, which amounts did not exceed Eur1,000 in total. The Council has refused this claim and the matter is still being disputed

Other claims for damages caused on Zebbug Roads has been received but are currently being contested.

## 20. Ultimate controlling party

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

## 21. Financial Risk Management

The Council's activities expose it to credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Council is not exposed to any market risk. The Council's risk management is coordinated by the council members and focuses on actively securing the council's short to medium term cash flow by minimising exposure to financial risks.

The most significant financial risks to which the Council is exposed to are described below.

Summary of financial assets and liabilities by category:

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| **Current Assets** | | |
| Loans and receivables: | | |
| Accounts and other receivables | **113,753** | 406,474 |
| Cash and Cash Equivalents | **517,090** | 379,323 |
| | **630,843** | 785,797 |
| **Current Liabilities** | | |
| Financial liabilities measured at amortised costs: | | |
| Payables | **280,178** | 544,266 |

*Credit risk*

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

The 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 |
|---|---|---|
| | € | € |
| *Class of financial assets – carrying amounts* | | |
| Accounts and other receivables | **113,753** | 406,474 |
| Cash and Cash Equivalents | **517,090** | 379,323 |
| | **630,843** | 785,797 |

**Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**

## 21. Financial Risk Management (cont.)

*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 €518,394 (2022: €379,323). This should ensure an ongoing working capital of the Council for the next 12 months.

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| *Due within one year:* | | |
| Payables | **280,178** | 544,266 |
| | **280,178** | 544,266 |

*Going Concern Risk*

The Council had a net loss of €90,739 (2022: €26,942) during the year ended 31 December 2023, and as at that date, the Council had a net current liability position of €121,047 (2022: €162,898). These financial statements have been prepared on a going concern basis in view of the fact that it is understood that the ultimate controlling party will provide adequate funds for the Council to cover present liabilities as well as short term obligations and commitments arising.

*Foreign Currency Risk*

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

*Interest Rate Risk*

The Council operates bank accounts without any financing facilities. As a result, the Council is not exposed to cash flow interest rate risk on bank balances.

*Timing of Cash Flows*

The presentation of the financial assets and liabilities listed above under the current heading within the Statement of Financial Position is intended to indicate the timing in which cash flows will arise.

*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 ratio.

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.

**Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**

## 22. Related party transactions

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

| *Name of Entity* | *Nature of relationship* |
|---|---|
| Department of Local Government | Significant control |
| North Joint Committee (Local Enforcement) | Joint Control |
| North Regional Committee | Joint Control |
| Central Regional Committee | No control |
| Gozo Regional Committee | No control |
| South Eastern Regional Committee | No control |
| South Regional Committee | No control |
| Local Enforcement System Agency | No control |
| Planning Authortiy | No control |
| Malta Information Technology Agency | No control |
| Water Services Corporation | No control |
| Enemalta Corporation | No control |
| ARMS Limited | No control |
| Director General - Works Division | No control |
| Wasteserv Malta Limited | No control |
| Police General Headquarters | No control |
| Department of Lands | No control |
| Airmalta plc | No control |
| Bank of Valletta plc | No control |
| Malta Tourism Authority | No control |
| Office of the Prime Minister | No control |
| Office of the Commissioner for Data Protection | No control |

The amounts due from / to related parties at year-end are disclosed in notes 14 and 16. The terms and conditions do not specify the nature of the consideration to be provided in settlement. These amounts are unsecured, interest free and repayable on demand.

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

| | Related party activity € | 2023 Total activity € | % | Related party activity € | 2022 Total activity € | % |
|---|---|---|---|---|---|---|
| *Income* | | | | | | |
| Transactions with central government | 743,334 | | | 707,458 | | |
| Transactions with regions | 1,487 | | | 1,529 | | |
| | 744,821 | 770,739 | 97 | 708,987 | 764,453 | 93 |
| *Expenditure* | | | | | | |
| Transactions with government entities | 74,622 | | | 41,638 | | |
| Key personnel remuneration | 167,957 | | | 171,880 | | |
| | 242,579 | 862,264 | 28 | 213,518 | 791,576 | 27 |

## 23. Fair values estimation

At 31 December 2023 and at 31 December 2022, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively, approximated their fair values due to the short term maturities of these assets and liabilities. The fair values of non-current financial assets and non-current financial liabilities are not materially different from their carrying amount.

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IZ-ZEBBUG (GOZO) 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 Iz-Zebbug (Gozo) Local Council, set out on pages 4 to 22, 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 significant accounting policies and other explanatory information.

In our opinion, except for the effects of 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

During the prior years, we have not obtained sufficient supporting documentation and explanations with respect to the Local Council's property, plant and equipment, including the additions, the depreciation charge and the grants capitalized. In view of the said lack of information and supporting documentation, we could not perform satisfactory audit procedures to obtain reasonable assurance on the correctness of the opening balances of the property, plant and equipment shown in Note 12 to these financial statements.

We have requested a report from the architect about the projects that were completed during the year ended 31 December 2023 and the projects that were ongoing as of that date. This report was not received by the time of issuing this report. Consequently, we could not confirm whether there should have been any accruals as at 31 December 2023 relating to such projects that have not been reflected in these financial statements, which would result in an understatement of the accruals and of the property, plant and equipment.

When testing the accounts payable, we did not receive confirmation from 22% of the samples chosen for testing, by the time we closed off our audit, despite the various chasing that was carried out. We could not satisfy ourselves through alternative audit procedures as to the correctness and completeness of this account payable.

In Note 14 to the financial statements, it is stated that the accounts receivables from related parties, amount to €41,875 (2022: €24,827). No breakdown of this figure was obtained and, in our opinion, the total amount of accounts receivable of €5,825 (2022: €40,632) is from related parties.



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

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

### Basis for Qualified Opinion - continued

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

### Material Uncertainty Related to Going Concern

We draw attention to the Local Council's Statement of Financial Position on page 5 which shows that as at 31 December 2023, the current liabilities of the Local Council exceeded its current assets by €121,047. This condition indicates that a material uncertainty exists that may cast significant doubt as to whether the Local Council will be able to meet its liabilities as and when they fall due. Our opinion is not modified in respect of this matter.

### Other Information

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

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

### Council Responsibilities for the Financial Statements

As described on page 3, the Executive Secretary and the Local Council Members are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Executive Secretary and the Local Council Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Secretary and the Local Council Members are responsible for assessing the Local Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to presume that the Local Council will continue as a going concern.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Local Council's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Secretary and the Local Council Members.

- Conclude on the appropriateness of the Executive Secretary's and the Local Council Members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Local Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Local Council to cease to continue as a going concern.

- 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.



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

RSM Malta
Registered Auditors

Date: 29 May 2024