

IŻ-ŻEBBUĠ (GOZO) LOCAL COUNCIL

Annual Report

and

Financial Statements

for the year ended 31 December 2024

Prepared by

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ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2024

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

for the year ended 31 December 2024

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 27th June 2025 and signed on its behalf by

Baskal Saliba
Mayor

Odette Camilleri
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	2024 €	2023 €
INCOME			
Funds received from Central Government	4	**744,603**	743,334
Income raised under Local Enforcement System	5	**4,868**	1,487
General Income	6	**26,108**	25,918
		775,579	770,739
EXPENDITURE			
Personal emoluments	8	**(190,955)**	(167,957)
Operations and maintenance expenses	9	**(335,436)**	(316,892)
Administrative and other expenditure	10	**(355,383)**	(377,415)
		(881,774)	(862,264)
Operating deficit for the year	7	**(106,195)**	(91,525)
Finance income	11	**316**	786
Deficit for the year		**(105,879)**	(90,739)

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	2024 €	2023 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	**570,802**	640,016
		570,802	640,016
Current Assets			
Inventories	13	**2,278**	2,319
Receivables	14	**143,857**	113,753
Cash and Cash Equivalents	15	**156,497**	517,090
		302,632	633,162
Total Assets		**873,434**	**1,273,178**
RESERVES AND LIABILITIES			
Reserves			
Retained Earnings		**413,090**	518,969
		413,090	518,969
Current Liabilities			
Payables	16	**353,081**	280,178
Deferred income	17	**107,263**	474,031
		460,344	754,209
Total Reserves and Liabilities		**873,434**	**1,273,178**

These financial statements on pages 4 to 22 were approved and authorised for issue by the Local Council on 27th June 2025 and signed on its behalf by:

Baskal Saliba
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 2024

	Retained Funds €
At 1 January 2023	609,708
Deficit for the year 2023	(90,739)
At 31 December 2023	**518,969**
At 1 January 2024	518,969
Deficit for the year 2024	(105,879)
At 31 December 2024	**413,090**

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 2024

	Note	2024 €	2023 €
Cash flows from Operating Activities			
Total comprehensive deficit for the year		**(105,879)**	(90,739)
Reconciliation to cash generated from operations:			
Depreciation		**122,832**	121,841
Increase in provision for doubtful debts		**10,283**	38
Interest receivable		**(316)**	(786)
Operating Profit before Working Capital Changes		**26,920**	30,354
Decrease in Inventories		**41**	131
(Decrease)/increase in receivables		**(31,577)**	289,671
Decrease in payables		**(8,565)**	(264,088)
Cash (used in) / generated from operating activities		**(13,181)**	**56,068**
Cash flows from Investing Activities			
Interest received		**316**	786
Purchase of property, plant & equipment		**(655,805)**	(105,183)
Receipt of grant		**308,077**	186,096
Cash (used in) / generated from investing activities		**(347,412)**	**81,699**
Net (Decrease) / Increase in Cash and Cash Equivalents		**(360,593)**	137,767
Cash and Cash Equivalents at the Beginning of the year		**517,090**	379,323
Cash and Cash Equivalents at the End of the year	*15*	**156,497**	**517,090**

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 2024 (cont.)

2. Material Accounting Policies and Reporting Procedures (cont.)

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:

	%
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.

Notes to the Financial Statements for the year ended 31 December 2024

2. Material Accounting Policy Information (cont.)

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.

Payables

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.

Notes to the Financial Statements for the year ended 31 December 2024

2. Material Accounting Policy Information (cont.)

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.

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. The grant under this approach is recognised as income over the life of a depreciable asset by way of a reduced depreciation charge.

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. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS Accounting Standards as adopted by the EU requires council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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

4. Funds received from central government

	2024	2023
	€	€
In terms of section 55 of the Local Councils Act	**684,959**	612,816
Other Government Income	**59,644**	130,518
	744,603	743,334

Notes to the Financial Statements for the period ended 31 December 2024 (cont.)

5. Local Enforcement system

	2024	2023
	€	€
Administrative charges to LESA	4,868	1,487
	4,868	1,487

6. General Income

	2024	2023
	€	€
Community services	3,000	430
Temporary permits	19,636	24,418
Other Income	3,472	1,070
	26,108	25,918

7. Operating deficit for the year

	2024	2023
	€	€
Operating deficit for the year is stated after charging		
Staff salaries	190,955	167,957
Depreciation of non-current assets	122,832	121,841

8. Personal Emoluments

	2024	2023
	€	€
Mayor's Honoraria	11,330	11,079
Mayor's and Councillors' Allowances	13,000	13,000
Executive Secretary Salary and Allowances	40,496	39,049
Employees' Salaries	113,059	93,751
Social Security Contributions	13,070	11,078
	190,955	167,957

Notes to the Financial Statements for the year ended 31 December 2024 (cont.)

9. Operations and Maintenance

	2024	2023
	€	€
Repairs and Upkeep:		
Road/Street Pavements	**37,008**	19,995
Street Signs and markings	**18,295**	9,191
Public property	**83,216**	105,941
	138,519	135,127
Contractual Services:		
Waste Disposal	**52,490**	42,256
Refuse Collection	**42,943**	32,366
Hiring of skips	**2,778**	3,023
Cleaning and Maintenance of Public Conveniences	**17,348**	9,828
Cleaning and Maintenance of Parks and Gardens	**33,434**	30,717
Cleaning and Maintenance of Beach and Coastal areas	**-**	1,485
Road & Street Cleaning	**15,540**	25,102
Other contractual services	**700**	3,307
Street Lighting	**28,587**	33,165
Local enforcement expenses	**3,097**	516
	196,917	181,765
Total Operations and Maintenance Costs	**335,436**	316,892

Notes to the Financial Statements for the year ended 31 December 2024 (cont.)

10. Administrative and other expenditure

	2024	2023
	€	€
Utilities	11,639	7,099
Other repairs and upkeep	33,033	16,813
Rent	13,500	16,800
National and International Memberships	500	597
Office Services	16,958	9,622
Transport and Travel	5,096	3,377
Information Services	4,589	4,161
Insurance Coverage	3,612	5,664
Bank charges	959	1,295
Professional Services	35,533	31,760
Community and Hospitality	6,443	3,238
Social and cultural events	88,605	145,938
Other expenses	1,801	1,765
Twinning expenses	-	7,407
Increase in provision for doubtful debts	10,283	38
Depreciation and amortisation	122,832	121,841
	355,383	377,415

11. Finance Income

	2024	2023
	€	€
Bank Interest Receivable	316	786

Notes to the Financial Statements for the year ended 31 December 2024 (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 2024	46,309	38,487	6,154	817,664	61,075	59,235	56,622	4,059,750	**5,145,296**
Additions	1,249	255	-	-	-	-	-	654,301	**655,805**
At 31 December 2024	47,558	38,742	6,154	817,664	61,075	59,235	56,622	4,714,051	**5,801,101**
Depreciation									
At 1 January 2024	32,613	32,754	2,360	524,948	-	59,235	876	1,623,484	**2,276,270**
Charge for the year	2,252	963	107	40,985	-	-	380	78,145	**122,832**
At 31 December 2024	34,865	33,717	2,467	565,933	-	59,235	1,256	1,701,629	**2,399,102**
Grants									
At 1 January 2024	-	3,395	3,331	43,814	61,075	-	54,720	2,062,675	**2,229,010**
Additions	-	-	-	-	-	-	-	602,187	**602,187**
At 31 December 2024	-	3,395	3,331	43,814	61,075	-	54,720	2,664,862	**2,831,197**
Net Book values									
At 31 December 2024	**12,693**	**1,630**	**356**	**207,917**	**-**	**-**	**646**	**347,560**	**570,802**

Notes to the Financial Statements for the year ended 31 December 2024 (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 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 2024 (cont.)

13. Inventories

	2024	2023
	€	€
Stock of books	2,278	2,319
	2,278	2,319

14. Receivables

	2024	2023
	€	€
Accounts receivables	20,152	5,825
Prepayments and accrued income	123,705	107,928
	143,857	113,753

Receivables

General receivables are analysed as follows:

	2024	2023
	€	€
Within credit period	133,007	113,753
Exceeded credit period but not impaired	10,850	-
Impaired and provided for	39,923	29,744
Provision for doubtful debts	(39,923)	(29,744)
	143,857	113,753

Included in the accounts receivable are amounts due from related parties amounting to €32,356 (2023 : €41,875). The amounts from related parties which are impaired are €12,317 (2023: €2,034) 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.

	2024	2023
	€	€
Cash at Bank	156,297	516,890
Cash in Hand	200	200
	156,497	517,090

Notes to the Financial Statements for the year ended 31 December 2024 (cont.)

16. Payables

	2024	2023
	€	€
Accounts payable	298,796	222,950
Accruals and other payables	54,285	57,228
	353,081	280,178

Included in the accounts payable are amounts due to related parties amounting to €22,904 (2023 : €32,482). These amounts are unsecured, interest free and repayable on demand.

17. Deferred Income

	2024	2023
Government grants	€	€
At 1 January	474,031	406,879
Increase in year	235,419	145,199
	709,450	552,078
Transferred to Capital Grants under PPE	(602,187)	(61,074)
Transferred to income	-	(16,973)
At 31 December	107,263	474,031

Notes to the Financial Statements for the year ended 31 December 2024 (cont.)

18. Capital Commitments

	2024	2023
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	**38,300**	171,000
- Contracted for but not provided in the financial statements	**166,523**	1,238,852
(i) Approved but not yet contracted for:		
Furniture & Fittings	**5,000**	5,000
Progetti Magguri - Public Conveniences	**31,300**	-
Resurfacing and culverts	**-**	140,000
CCTV cameras	**-**	19,000
Plant & Machinery	**-**	2,000
Computer equipment	**2,000**	5,000
	38,300	171,000
(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
Resurfacing Triq il-Ponta	**30,500**	-
Picnic area Qbajjar Promenade	**38,530**	
Playing Field EastEnd	**80,000**	-
CCTV cameras	**17,493**	-
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
	166,523	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.

Notes to the Financial Statements for the year ended 31 December 2024 (cont.)

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:

	2024	2023
	€	€
Current Assets		
Loans and receivables:		
Accounts and other receivables	**143,857**	113,753
Cash and Cash Equivalents	**156,497**	517,090
	300,354	630,843
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	**353,081**	280,178

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:

	2024	2023
	€	€
Class of financial assets – carrying amounts		
Accounts and other receivables	**143,857**	113,753
Cash at bank	**156,297**	516,890
	300,154	630,643

Notes to the Financial Statements for the year ended 31 December 2024 (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 a cash and cash equivalents the amount of €156,497 (2023: €517,090). This should ensure an ongoing working capital of the Council for the next 12 months.

	2024	2023
	€	€
Due within one year:		
Payables	353,081	280,178
	353,081	280,178

Going Concern Risk

The Council had a net loss of €105,879 (2023: €90,739) during the year ended 31 December 2024, and as at that date, the Council had a net current liability position of €157,712 (2023: €121,047). 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 2024 (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 €	2024 Total activity €	%	Related party activity €	2023 Total activity €	
Income						
Transactions with central government	**744,603**			743,334		
Transactions with regions	**4,868**			1,487		
	749,471	**775,579**	**97**	744,821	770,739	
Expenditure						
Transactions with government entities	**95,433**			74,622		
Key personnel remuneration	**190,955**			167,957		
	286,388	**881,774**	**32**	242,579	862,264	

23. Fair values estimation

At 31 December 2024 and at 31 December 2023, 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 2024, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of 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 2024, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Qualified Opinion

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.

When testing the accounts receivable, we did not receive confirmation from the three samples chosen for our testing by the time we closed off our audit, which represented 99% of the accounts receivable, despite the various chasing that was carried out. We could not satisfy ourselves through alternative audit procedures as to the correctness and completeness of these accounts receivable.

Similarly, when testing the accounts payable, we did not receive confirmation from five of the samples chosen for testing, whose balances represented 39% of the total accounts payable. We could not satisfy ourselves through alternative audit procedures as to the correctness and completeness of these accounts payable.

RSM Malta is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

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 2024, the current liabilities of the Local Council exceeded its current assets by €157,712. 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 on the other information that we have obtained prior to the date of this auditor's report, 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: 27 June 2025