

Our Ref: NAO 107/2021/26

Your Ref:

13 May 2024

The Mayor and the Executive Secretary
Għaxaq Local Council
Għaxaq

Dear Sir/Madam,

**AUDIT REPORT and FINANCIAL STATEMENTS
YEAR ENDING 31 DECEMBER 2023**

In terms of Section P2.06 (c.02) of the Local Councils (Audit) Procedures 2006, I am forwarding a copy of the Audit Report and Financial Statements, together with the Management Letter for the financial year ending 31 December 2023.

After seeking the Local Council's approval, you are kindly requested to submit your response to the Director (Monitoring & Support) Local Government Division, the Local Government Auditor, and to this Office as stipulated in Section P2.06 (d) of the same Procedures, by not later than six weeks following receipt of this letter.

Yours faithfully,



T. Mercieca
Asst. Auditor General

Encls.

GHAXAQ LOCAL COUNCIL

**Annual Report and
Financial Statements**

For the year ended 31 December 2023

REGISTRY

- 6 MAY 2024

NATIONAL AUDIT OFFICE

Prepared by: Laurence Manicaro
Certified Public Accountant
On behalf of Parker Russell Turner
Chartered Certified Accountants & Auditors
13, Curate Fenech Street
Birzebbugia BBG 2032

GHAXAQ LOCAL COUNCIL

ANNUAL REPORT AND FINANCIAL STATEMENTS For the year ended 31 December 2023

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Financial Statements for the year ended 31 December 2023

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

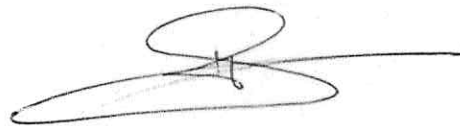
The Local Government (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Council's Statement of Comprehensive Income for the year and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the 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 Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Government (Financial) Regulations, and the Local Government (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 Government Act, Local Government (Financial) Regulations, and the Local Government (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.

Approved by the Council and signed on its behalf on the 30 April 2024 by:



Darren Abela
Mayor



Fiona Cutajar
Executive Secretary


GHAXAQ LOCAL COUNCIL

STATEMENT OF FINANCIAL POSITION
As at 31 December 2023


Assets	Notes	2023 €	2022 €
Non-current assets			
Property, plant and equipment	3	173,124	219,785
Receivables	4	68,125	90,833
		241,249	310,618
Current assets			
Receivables	4	43,767	16,910
Cash at bank and in hand	5	473,976	419,651
		517,743	436,561
Total assets		758,992	747,179
Reserves and liabilities			
Reserves			
Retained earnings		568,669	594,531
Current liabilities			
Payables	6	187,903	146,552
Short-term borrowings	7	2,420	6,096
		190,323	152,648
Total reserves and liabilities		758,992	747,179

The notes on pages 8 to 25 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on 30 April 2024 and signed on its behalf by:



Darren Abela
Mayor



Fiona Cutajar
Executive Secretary

GHAXAQ LOCAL COUNCIL

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the year ended 31 December 2023

	Notes	2023 €	2022 €
Income			
Funds received from central government	8	422,664	440,384
Income raised under Local Enforcement System	9	2,327	2,825
General income	10	21,337	42,147
		<u>446,328</u>	<u>485,356</u>
Expenditure			
Personnel emoluments	12	(119,954)	(123,166)
Operations and maintenance	13	(191,164)	(177,814)
Administration and other expenditure	14	(161,072)	(140,797)
		<u>(472,190)</u>	<u>(441,777)</u>
(Deficit)/ surplus for the year	11	<u>(25,862)</u>	<u>43,579</u>

The notes on pages 8 to 25 are an integral part of the financial statements.

GHAXAQ LOCAL COUNCIL

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Retained earnings
	<u>€</u>
At 1 January 2022	550,952
Surplus for the year	<u>43,759</u>
At 31 December 2022	<u>594,531</u>
At 1 January 2023	594,531
Deficit for the year	<u>(25,862)</u>
At 31 December 2023	<u>568,669</u>

The notes on pages 8 to 25 are an integral part of the financial statements.

GHAXAQ LOCAL COUNCIL

STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 €	2022 €
Cash flows from operating activities			
(Deficit)/ surplus for the year		(25,862)	43,579
Adjustments for:			
Depreciation	3	41,181	58,699
Provision for impairment	14	22,708	-
Gain from sale of property		-	(19,662)
Operating profit before working capital changes		<u>38,027</u>	<u>82,616</u>
Increase in receivables		(26,857)	(5,086)
Increase in payables		41,351	10,658
Net cash generated from operating activities		<u>52,521</u>	<u>88,188</u>
Cash flows used in investing activities			
Purchase of property, plant and equipment	3	(16,291)	(64,226)
Proceeds from sale of property		-	40,000
Net cash used in investing activities		<u>(16,291)</u>	<u>(24,226)</u>
Cash flows from financing activity			
Grants received		21,771	22,063
Net movement in cash and cash equivalents		58,001	86,025
Cash and cash equivalents at the beginning of year		413,555	327,530
		<u>471,556</u>	<u>413,555</u>
Cash at bank and in hand	5	473,976	419,651
Short-term borrowings	7	(2,420)	(6,096)
Cash and cash equivalents at the end of year		<u>471,556</u>	<u>413,555</u>

The notes on pages 8 to 25 are an integral part of the financial statements.

GHAXAQ LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. General Information

Ghaxaq Local Council (the "Council" or "Local Council") is the local authority of Ghaxaq setup in accordance with the Local Councils Act. The office of the Local Council is situated at 15, Vjal il-Labour, Ghaxaq GXQ 1831, Malta.

2. Material Accounting Policies and Reporting Procedures

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

(a) Accounting convention

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

The financial statements are prepared under the historical cost convention as stated in the accounting policies below. These financial statements are prepared in accordance to the requirements of International Financial Reporting Standards as adopted by the EU and comply with the Local Government Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Government (Financial) Procedures 1996.

(b) Standards, amendments and interpretations to existing standards

The new and revised standards that became effective for annual periods beginning on or after 1 January 2023 made several minor amendments to a number of International Financial Reporting Standards (IFRSs). None of the changes to IFRSs and interpretations has had, or is expected to have, a material impact on the council's financial statements.

New and amended standards adopted by the Council

Information on new standards, amendments and interpretations that are relevant to the Council's financial statements is provided below. Certain other new standards and interpretations not listed below have been issued but are not relevant and therefore are not expected to have any impact on the Council's financial statements.

The Council started to adopt the new accounting pronouncements which have become effective this year, and are as follows:

GHAXAQ LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023 – continued

(b) Standards, amendments and interpretations to existing standards – continued

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practise Statement2)

These amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy.

These amendments do not have a significant impact on these financial statements and therefore the disclosures have not been made.

Disclosure of changes on accounting estimates (Amendments to IAS 8)

These amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

These amendments do not have a significant impact on these financial statements and therefore the disclosures have not been made.

IFRS 17 Insurance Contracts

IFRS 17 ‘Insurance Contracts’ has become effective from 1 January 2023. The standard requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts.

These amendments do not have a significant impact on these financial statements and therefore the disclosures have not been made.

New Standards, amendments and interpretations to existing standards that are not yet effective.

At the date of authorisation of these financial statements, several new, but not effective Standards and amendments to existing standards, and Interpretations have been published by the IASB. None of these standards or amendments to existing standards have been adopted early by the Local Council. These are the following:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023 – continued

(b) Standards, amendments and interpretations to existing standards – continued

On 23 January 2020, the IASB issued 'Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place of the reporting date. The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

On 31 October 2023, the IASB issued amendments to IAS 1, that clarifies how conditions with which an entity must comply within twelve months after the reporting period effect the classification of a liability. The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

On 22 September 2022, the IASB issued amendments to IFRS 16. These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted. The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

On 25 May 2023, the IASB issued amendments to IAS 7. These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis. The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

The Councillors and Executive Secretary anticipate that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of 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 Local Council financial statements.

(c) Revenue recognition

Revenue is recognised when the amount of revenue and the associated costs can be measured reliably. Investment and other income is recognised in the statement of profit and loss and other comprehensive income as it accrues.

(d) Local Enforcement System

The amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is chargeable to the LESA and various Regional Committees for contraventions paid at the Local Council.

GHAXAQ LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023 – continued

(e) Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss to date. Depreciation is calculated on a monthly basis using the reducing balance method at rates calculated to write off the cost less residual value of each asset over its expected useful life using depreciation rates as follows:

	%
Buildings	1
Office Furniture and Fittings	7.5
Construction Works completed	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	20
Plant and Machinery	20
Motor vehicles	20
Computer Equipment	25
Playing Field Equipment	100
New Street Signs	100

Projects under construction represents works on urban structures of the Local Council and is stated at cost. Costs included in projects under construction will be transferred to Special projects upon completion. The account is not depreciated until such time that the asset is completed and available for use.

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 financial reporting 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.

Fully depreciated assets are retained in the accounts until these are no longer in use and no further charge for depreciation is made in respect to those assets.

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 Local 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023 – continued

(f) Government Grants

Government Grants relating to operating expenditure are recognized in the Statement of Profit or Loss and Other 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.

(g) Impairment of Non-Financial Assets

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

(h) Functional and presentation currency

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 Euro (€), which is the Local Council's functional and presentation currency.

(i) Surplus and deficit

Only surpluses that were realised at the date of the Statement of Financial Position are recognised in these financial statements. All foreseeable liabilities and potential deficits 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.

(j) Cash and Cash Equivalents

Cash and Cash Equivalents are carried in the Statement of Financial Position at face value. For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash in hand and balances held with banks.

(k) Related parties

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023 – continued

(I) Financial Instruments

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 expired.

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 Local Council are classified into financial assets at amortised costs 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 financial assets are presented within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administration and other expenditure'.

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 Local Council's receivables and cash at bank and in hand 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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023 – continued

(l) Financial Instruments - continued

Financial liabilities

The Council's financial liabilities include other payables and short-term borrowings. These are stated at their nominal amount which is a reasonable approximation of fair value.

All interest-related charges are included within 'finance costs'.

(m) Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS adopted by the EU requires Local 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 Local 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).

GHAXAQ LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2023 – continued

3. Property, Plant and Equipment

	Office Furniture & Fittings	Plant & Mach.	Computer Equipment	Office Equipment	Urban Improv.	Motor Vehicle	New Street Signs	Construction	Special Prog.	Playing Field	Projects under Construction	Total
	€	€	€	€	€	€	€	€	€	€	€	€
Cost												
At 1 Jan 2023	27,047	19,280	29,467	33,444	72,467	8,200	14,884	1,433,960	478,420	362,771	4,473	2,484,413
Additions	-	-	-	259	16,032	-	-	-	-	-	-	16,291
Disposal	-	-	-	-	-	-	-	-	-	-	-	-
At 31 Dec 2023	27,047	19,280	29,467	33,703	88,499	8,200	14,884	1,433,960	478,420	362,771	4,473	2,500,704
Grants and other reimbursements												
At 1 Jan 2023	-	1,883	2,637	-	-	-	-	211,440	360,551	105,000	2,840	684,351
Additions	-	-	-	-	-	-	-	-	21,771	-	-	21,771
At 31 Dec 2023	-	1,883	2,637	-	-	-	-	211,440	382,322	105,000	2,840	706,122
Depreciation												
At 1 Jan 2023	23,865	16,466	26,382	31,037	56,505	8,200	14,884	1,130,357	14,810	257,771	-	1,580,277
Charge for the year	438	148	371	899	3,589	-	-	28,355	7,381	-	-	41,181
At 31 Dec 2023	24,303	16,614	26,753	31,936	60,094	8,200	14,884	1,158,712	22,191	257,771	-	1,621,458
Net Book Value												
At 31 Dec 2023	2,744	783	77	1,767	28,405	-	-	63,808	73,907	-	1,633	173,124

GHAXAQ LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2023 – continued

3. Property, Plant and Equipment – Continued

	Property €	Office Furniture & Fittings €	Plant & Mach. €	Computer Equipment €	Office Equipment €	Urban Improv. €	Motor Vehicle €	New Street Signs €	Construction €	Special Prog. €	Playing Field €	Projects under Construction €	Total €
Cost													
At 1 Jan 2022	24,701	27,047	19,280	29,467	32,254	72,467	8,200	14,884	1,433,980	415,384	362,771	4,473	2,444,888
Additions	-	-	-	-	1,190	-	-	-	-	63,036	-	-	64,226
Disposal	(24,701)	-	-	-	-	-	-	-	-	-	-	-	(24,701)
At 31 Dec 2022	-	27,047	19,280	29,467	33,444	72,467	8,200	14,884	1,433,980	478,420	362,771	4,473	2,484,413
Grants and other reimbursements													
At 1 Jan 2022	-	-	1,883	2,637	-	-	-	-	211,440	404,452	105,000	2,840	728,252
Additions	-	-	-	-	-	-	-	-	-	22,063	-	-	22,063
Reversal of grants	-	-	-	-	-	-	-	-	-	(65,964)	-	-	(65,964)
At 31 Dec 2022	-	-	1,883	2,637	-	-	-	-	211,440	360,551	105,000	2,840	684,351
Depreciation													
At 1 Jan 2022	4,116	23,416	16,245	25,977	29,777	54,143	7,470	14,884	1,088,220	3,922	257,771	-	1,525,941
Charge for the year	247	449	221	405	1,260	2,362	730	-	42,137	10,888	-	-	58,699
Release on disposal	(4,363)	-	-	-	-	-	-	-	-	-	-	-	(4,363)
At 31 Dec 2022	-	23,865	16,466	26,382	31,037	56,505	8,200	14,884	1,130,357	14,810	257,771	-	1,580,277
Net Book Value													
At 31 Dec 2022	-	3,182	931	448	2,407	15,962	-	-	92,163	103,059	-	1,633	219,785

GHAXAQ LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023 – continued

4 Receivables	2023	2022
	€	€
Amounts due after one year		
Accrued income	90,833	90,833
Provision for impairment	(22,708)	-
	<u>68,125</u>	<u>90,833</u>
Amounts due within one year		
Accounts receivable	9,891	17,631
Prepayments and accrued income	35,566	969
Other receivables	679	679
Provisions for bad debts	(2,369)	(2,369)
	<u>43,767</u>	<u>16,910</u>
	2023	2022
	€	€
Receivables		
Within the current period	46,136	19,279
Amounts against which a provision was made	(2,369)	(2,369)
	<u>43,767</u>	<u>16,910</u>

The net carrying value of trade receivables is considered a reasonable approximation of fair value.

5 Cash at bank and in hand

Cash at bank and in hand included in the statement of cash flow comprise the following amounts in the Local Council's Statement of Financial Position:

	2023	2022
	€	€
Bank Balances:		
Current account	47,875	47,917
Savings account	404,033	371,259
Bank account at Central bank	22,068	283
Cash in hand	-	192
	<u>473,976</u>	<u>419,651</u>
Cash at bank and in hand		

GHAXAQ LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023 – continued

6 Payables	2023	2022
	€	€
Accounts payable	82,487	62,593
Other payables	11	37
Accruals	33,593	23,874
Governments grants received in advance	71,812	60,048
	<u>187,903</u>	<u>146,552</u>

All amounts are short-term. The carrying value of trade payables are considered to be a reasonable approximation of fair value.

7 Short-term borrowings	2023	2022
	€	€
Overdrawn bank balance	2,420	6,096
	<u>2,420</u>	<u>6,096</u>

8 Funds received from central government	2023	2022
	€	€
- In terms of section 55 of the Local Councils Act (Cap. 363)	418,060	412,672
Other government income	4,604	27,712
	<u>422,664</u>	<u>440,384</u>

GHAXAQ LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023 – continued

9 Income raised under Local Enforcement System	2023	2022
	€	€
LES Administration fees	2,327	2,721
LES fines	-	104
	<u>2,327</u>	<u>2,825</u>

10 General income	2023	2022
	€	€
Income from permits	21,337	18,642
General income	-	3,843
Gain from sale of property	-	19,662
	<u>21,337</u>	<u>42,147</u>

11 (Deficit)/ surplus for the year	2023	2022
	€	€
(Deficit)/surplus for the year is stated after charging:		
Staff Salaries (note 12)	119,954	123,166
Depreciation on tangible assets (note 3)	41,181	58,699
	<u>161,135</u>	<u>181,865</u>

The average number of persons employed by the Local Council during 2023 was 8 (2021 : 8). These are subdivided as follows:

	2023	2022
	€	€
Major	1	1
Councillor	4	4
Executive Secretary	1	1
Employees	2	2
	<u>8</u>	<u>8</u>

GHAXAQ LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023 – continued

12 Personnel emoluments	2023	2022
	€	€
Personal emoluments include:		
Mayor's honoraria	11,079	10,742
Mayor and councillors' allowance	12,800	13,000
Executive secretary salary and allowances	38,834	44,873
Employees' salaries	50,248	48,035
Social security contributions	6,993	6,516
	<u>119,954</u>	<u>123,166</u>

13 Operations and maintenance

Operations and maintenance includes:	2023	2022
Repairs and Upkeep:	€	€
Road patching and works	-	3,108
Street signs	5,352	5,535
Other repairs and upkeep	11,800	13,506
Total	<u>17,152</u>	<u>22,149</u>

Contractual services:	2023	2022
	€	€
Refuse collection	41,925	55,064
Bulky refuse collection	14,405	12,005
Road and street cleaning (mechanical and manual)	33,047	34,248
Waste disposal	69,587	40,456
Cleaning and maintenance parks and gardens	4,940	2,697
Street lighting	9,083	11,022
Other contractual services	1,025	173
	<u>174,012</u>	<u>155,665</u>

Total operations and maintenance expenses	<u>191,164</u>	<u>177,814</u>
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GHAXAQ LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023 – continued

15 Related parties disclosures - continued

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

	2023	2022
	€	€
Significant control Revenue:		
Annual financial allocation	418,060	412,672

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, Local Councils also receive funds relating to specific projects as well as other funds for the improvement and betterment of the locality.

The Council also receives revenue from other Government entities such as Water Services Corporation for trenching works carried out in the locality, and for the reinstatement of roads as a result of the trenching works.

16 Capital commitments

Details of capital commitments at the reporting date	2023	2022
	€	€
(i) Approved but not contracted for:		
- Embellishment of St Rokku Square	367,500	317,001
- Progett tal Pjazza	-	70,000
- Project Green	80,000	85,000
- Progett Sqaqin – LESA	71,337	71,337
- Progett Sqaqin – IM	-	75,000
- Pavimentar Sqaqin	300,000	-
- Progett Turetta	95,000	116,191
	<u>913,837</u>	<u>734,529</u>

The embellishment of St Rokku Square will be financed by the Development Planning Fund amounting to € 317,000.

Project Sqaqin Lesa will be financed by grants from LESA amounting to € 57,070.

Project Turetta will be financed by DLG grants amounting to € 76,500.

Project Pavimentar Sqaqin will be financed by the Development Planning Fund amounting to € 270,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023 – continued

17 Risk management objectives and policies

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

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

17.1 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, as summarised below:

	Notes	2023 €	2022 €
Class of financial assets – carrying amounts			
<i>Amounts due after one year</i>			
Financial assets at amortised cost -			
Receivables	4	68,125	90,833
<i>Amounts due within one year</i>			
Financial assets at amortised cost:			
Receivables	4	40,895	15,941
Cash at bank	5	473,976	419,459
		<u>514,871</u>	<u>435,400</u>
		<u>582,996</u>	<u>526,233</u>

The Local Council continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Local Council's policy is to deal with only creditworthy counterparties.

The Local Council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the Local Council's financial assets is secured by collateral or other credit enhancements.

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023 – continued

17 Risk management objectives and policies - continued

17.2 Liquidity risk

The Local Council's exposure to liquidity risk arises from its obligations to meet its financial liabilities which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funds to meet the Local Council's obligations when they become due.

The Local Council manage its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. The Local Council's liquidity is deemed to be sufficient in view of an excess of financial assets.

	Notes	2023 €	2022 €
Payables	6	116,091	86,504
Short-term borrowings	7	2,420	6,096
		<u>118,511</u>	<u>92,600</u>

17.3 Summary of the financial assets and liabilities by category

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

Assets	Notes	2023 €	2022 €
Financial assets at amortised cost:			
Receivables	4	109,020	106,774
Cash at bank	5	473,976	419,459
		<u>582,996</u>	<u>526,233</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023 – continued

17 Risk management objectives and policies – continued

17.3 Summary of the financial assets and liabilities by category - continued

Liabilities	Notes	2023	2022
		€	€
Financial liabilities measured at amortised costs:			
Payables	6	116,091	86,504
Short-term borrowings	7	2,420	6,096
		118,511	92,600

17.4 Capital risk management

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

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

18 Fair value estimation

At 31 December 2023 and 2022, the carrying amounts of cash at bank, receivables, payables and short-term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

19 Events after the accounting period

There were no particular important event or transactions affecting the Local Council that have occurred since the end of the accounting period, which, though properly excluded from the financial statements, are of such importance that they should have been adjusted or disclosed in the notes to the financial statements.

Report of the Local Government Auditor

To the Auditor General

Report on the audit of the financial statements

Qualified opinion

We have audited the financial statements of Ghaxaq Local Council set out on pages 4 to 25 which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, except for the effects of the matter described under the Basis for qualified opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Local 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).

Basis for qualified opinion

The Local Council is recording in its books of account the amount of €68,124, net of a provision of €22,708, representing accrued income brought forward from prior years. This amount has been accrued for since 2013 and relates to funds which are due to be received from a Government entity. The Local Council failed to provide us with supporting documentation to support this amount and consequently we are unable to satisfy ourselves as to whether or not this amount is materially misstated.

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 Local 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 3 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 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 Local 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 Local 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 Local 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 Local 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 Local Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Local Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with 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 be "M. Bugeja", written over a horizontal line.

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 CBD1050
Malta

30 April 2024