

ZEJTUN LOCAL COUNCIL

Report and Financial Statements

for the year ended 31 December 2023

REGISTRY

21 MAY 2024

NATIONAL AUDIT OFFICE

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ZEJTUN LOCAL COUNCIL

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ZEJTUN LOCAL COUNCIL

Financial Statements for the year ended 31 December 2023

Statement of Council Members' and Executive Secretary's Responsibilities

The Local Councils (Financial) Regulations 1993 require the 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 the year. By virtue of the same regulations it is the duty of the Council and the Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with 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 Councils (Financial) Regulations, 1993, and the Local Council (Financial) Procedures, 1996 issued in terms of the said Act.

This entails, inter alia, responsibility for ensuring that an appropriate system of internal control is in operation to provide them with reasonable assurance that the assets of the Council are properly safeguarded, that fraud and other irregularities will be detected and that the operations of the Council are properly conducted in accordance with the Local Councils Act, 1993, the Local Council (Financial) Regulations, 1993, and the policies, systems and time scales referred to in the Local Council (Financial) Procedures, 1996.

This statement was approved by the Council on 22 April 2024 and signed on its behalf by:



Abela Maria Dolores
Mayor



Anton Falzon
Executive Secretary

ZEJTUN LOCAL COUNCIL

Statement of Comprehensive Income

Year ended 31 December

	Notes	2023 €	2022 €
Income			
Funds received from Central Government	5	1,041,838	1,108,754
Income raised under Council Bye-Laws	6	59,838	40,615
Income from Law Enforcement System	7	11,854	8,115
General income	8	106,696	89,086
Total Income		<u>1,220,226</u>	<u>1,246,570</u>
Expenditure			
Personal emoluments	9	(326,744)	(263,282)
Operations and maintenance	10	(404,910)	(482,798)
Administrative and other expenditure	11	(468,419)	(457,028)
Total Expenditure		<u>(1,200,073)</u>	<u>(1,203,108)</u>
Operating surplus for the year		20,153	43,462
Finance income	12	123	151
Finance costs	13	(2,956)	-
Finance (loss) income, net		<u>(2,833)</u>	<u>151</u>
Surplus for the year		<u>17,320</u>	<u>43,613</u>

The notes on pages 7 to 41 form an integral part of these financial statements.

ZEJTUN LOCAL COUNCIL

Statement of Financial Position

		As at 31 December	
	Notes	2023	2022
		€	€
Assets			
Non-current assets			
Property, plant and equipment	14	1,546,008	1,628,480
Right-of-use assets	15	39,727	-
Total non-current assets		<u>1,585,735</u>	<u>1,628,480</u>
Current assets			
Receivables	16	170,373	95,393
Cash and cash equivalents	17	1,823,479	1,954,028
Total current assets		<u>1,993,852</u>	<u>2,049,421</u>
Total assets		<u><u>3,579,587</u></u>	<u><u>3,677,901</u></u>

The notes on pages 7 to 41 form an integral part of these financial statements.

ZEJTUN LOCAL COUNCIL

Statement of Financial Position


As at 31 December

	Notes	2023 €	2022 €
Reserves and liabilities			
Reserves			
Retained Earnings		3,060,082	3,042,762
Total equity		<u>3,060,082</u>	<u>3,042,762</u>
Liabilities			
Non-current liabilities			
Amounts payable under PPP agreement	18	38,409	48,012
Lease liabilities	20	30,928	-
Total non-current liabilities		<u>69,337</u>	<u>48,012</u>
Current liabilities			
Payables	19	430,535	577,524
Amounts payable under PPP agreement	18	9,603	9,603
Lease liabilities	20	10,030	-
Total current liabilities		<u>450,168</u>	<u>587,127</u>
Total liabilities		<u>519,505</u>	<u>635,139</u>
Total reserves and liabilities		<u><u>3,579,587</u></u>	<u><u>3,677,901</u></u>

The financial statements were approved by the Council on 22 April 2024 and signed on its behalf by:



Maria Dolores Abela
Mayor



Anton Falzon
Executive Secretary

The notes on pages 7 to 41 form an integral part of these financial statements.

ZEJTUN LOCAL COUNCIL

Statement of Changes in Equity for the year ended 31 December 2023

	Retained Earnings
	€
Balance at 1 January 2022	2,999,149
Surplus for the year	<u>43,613</u>
Balance at 31 December 2022	<u>3,042,762</u>
Balance at 1 January 2023	3,042,762
Surplus for the year	<u>17,320</u>
Balance at 31 December 2023	<u>3,060,082</u>
	 <u>3,060,082</u>

ZEJTUN LOCAL COUNCIL

Statement of Cash Flows for the year ended 31 December 2023

	Notes	2023 €	2022 €
Cash flows from operating activities			
Cash generated from operating activities	26	16,106	573,667
Cash generated from operating activities		<u>16,106</u>	<u>573,667</u>
Cash flows from investing activities			
Additions to property, plant and equipment		(166,969)	(273,003)
Interest received		123	151
Cash used in investing activities		<u>(166,846)</u>	<u>(272,852)</u>
Cash flows from financing activities			
Grants received		22,649	8,499
Lease payments		(2,458)	-
Net cash generated from financing activities		<u>20,191</u>	<u>8,499</u>
Net change in cash and cash equivalents		(130,549)	309,314
Cash and cash equivalents at beginning of year		1,954,028	1,644,714
Cash and equivalents at end of year	17	<u>1,823,479</u>	<u>1,954,028</u>

The notes on pages 7 to 41 form an integral part of these financial statements

ZEJTUN LOCAL COUNCIL

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

1. General Information

The Zejtun Local Council is a local authority of Malta set up in accordance with the Local Councils Act. The office of the Local Council is situated at 28, Triq Sant' Anglu, Zejtun. These financial statements were approved for issue by the Council Member on the 22 April 2024. The Local Council's presentation as well as functional currency are denominated in Euro (€). Its ultimate controlling party is the Department for Local Government within the Office of the Prime Minister.

ZEJTUN LOCAL COUNCIL

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

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1.1 New or revised standards or interpretations

New standards adopted as at 1 January 2023

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

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

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

These amendments do not have a significant impact on these financial statements and therefore no disclosures have been made.

1.2 Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the council

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing standards, and interpretations have been published by the IASB or IFRIC. None of these standards or amendments to existing standards have been adopted early by the council and no interpretations have been issued that are applicable and need to be taken into consideration by the council.

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

- o Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- o Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- o Lack of Exchangeability (Amendments to IAS 21)

These amendments are not expected to have a significant impact on the financial statements in the period of initial application and therefore no disclosures have been made.

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

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

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2. Material accounting policies

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

2.1 Basis of preparation

These financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap 363), the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

The financial statements of the Zejtun Local Council have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) applicable to entities/companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Local Council's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

2.1.1 Functional and presentation currency

Items included in the financial statements of the Zejtun Local Council are measured using the currency of the primary economic environment in which the Council operates ('the functional currency'). The financial statements are presented in euro (€), which is also the functional currency of the Council. Amounts are rounded to the nearest euro, unless otherwise stated.

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

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2.2 Financial Instruments

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The main areas of expected impact are as follows:

- o the classification and measurement of financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed;
- o an expected credit loss-based impairment will need to be recognised on trade receivables; and
- o The new requirements in relation to financial liabilities address the problem of volatility in profit or loss arising from an issuer to measure its own debt at fair value. With the new requirements, any entity choosing to measure the liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within the profit or loss.

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

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This standard is applicable for annual periods beginning on or after 1 January 2018. Amendments made to IAS 1 Presentation of Financial Statements following the release of IFRS 9 Financial Instruments now require the separate presentation of the following line items in the statement of profit or loss:

- (a) interest revenue calculated using the effective interest rate method, separately from other revenue;
- (b) gains and losses from the derecognition of financial assets measured at amortised cost;
- (c) impairment losses determined in accordance with section 5.5 of IFRS 9, including reversals of impairment losses or impairment gains; and
- (d) gains and losses recognised as a result of a reclassification of financial assets from measurement at amortised cost to fair value through profit or loss.

Comparatives in first year after adoption of IFRS 9 Financial Instruments. As a general rule, entities must provide comparative information in respect of the preceding period for all amounts reported in the current period's financial statements.

Impairment of financial assets: While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

In line with the Directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting policy, and according to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, it has been accounted for retrospectively.

Recognition and derecognition

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

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

Classification and initial measurement of financial assets

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

Financial assets are classified into the following categories:

- o amortised cost;
- o fair value through profit or loss (FVTPL); and

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

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o fair value through other comprehensive income (FVOCI).

The council does not have any financial assets categorised as FVTPL and FVOCI in the period presented.

The classification is determined by both:

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

All income and expenses relating to financial assets that are recognised in statement of comprehensive income are presented within 'finance cost', 'finance income' or 'other financial items'.

Subsequent measurement of financial assets

Financial assets at amortised cost

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

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

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The council's receivables fall into this category of financial instruments.

Impairment of financial assets

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

Recognition of credit losses is no longer dependent on the council first identifying a credit loss event. Instead, the council considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

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

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

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- o financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and

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

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

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

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

Classification and measurement of financial liability

The council's financial liability includes lease liability and payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the council designates a financial liability at fair value through profit or loss (FVTPL).

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

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

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

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2.3 Property, plant and equipment

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and grants received for specific projects. Depreciation is calculated on a monthly basis using the straight line balance method at rates estimated to write down the cost of all tangible fixed assets, other than land and trees over their expected useful lives as follows:

	Rates in %
Buildings	1.0 - 1.28
Office Furniture & Fittings	7.5 - 100.0
Construction Works	10.0 - 46.15
Urban Improvements (Street Furniture)	10.0 - 100.0
Special Programmes (Projects)	10.0 - 100.0
Office Equipment	20.0 - 100.0
Motor Vehicles	20.0
Plant and Machinery	20.0 - 100.0
Computer Equipment	25.0 - 100.0
Playground Equipment	100.0
Street Lighting	100.0

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

In the case of right-of-use assets, expected useful lives are determined by reference to comparable owned assets or the lease term, if shorter. Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the statement of Comprehensive income.

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

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

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Impairment of property, plant and equipment

Property, plant and equipment 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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of property, plant and equipment are reviewed for possible reversal at each reporting date.

The Regulator makes use of leasing arrangements principally for the provision of administration and use of government properties and garage and other premises. The rental contract for office space is typically negotiated for a period of 1 to 5 years and some has extension terms.

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

2.4 Leases

Measurement and recognition of leases as a lessee

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

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

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

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed)

ZEJTUN LOCAL COUNCIL

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

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Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019. The leases were reported according to IFRS 16.

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

..... continued

2.5 Receivables

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

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Receivables are expected to be settled within the short-term and as such cash flows relating to such receivables are not discounted since the effect of discounting is immaterial.

Known bad debts are written off at the end of the accounting period.

2.6 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks.

2.7 Payables

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Payables are expected to be settled within the short-term and as such cash flows relating to such payables are not discounted since the effect of discounting is immaterial.

2.8 Provisions

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

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

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2.9 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for Central Government allocation in terms of section 55 of the Local Councils Act, 1993, goods supplied services provided and other Central Government Grants. The Local Council Zejtun recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Council's activities, as described below. The Local Council Zejtun bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Central Government allocation in terms of section 55 of the Local Councils Act, 1993

The Council does not have control on the amount of this income stream or the timing of its actual transfer to the Council's bank accounts. The amount receivable under this heading is communicated to the Council through the Department for Local Government after the annual Central Government budget is approved by Parliament and is transferred directly to the Council's designated bank account at the beginning of each quarter. The receipt of such funds is usually net of any deductions deemed by the Department for Local Government and these deductions may include; penalties inflicted, use of the Central Government electronic infrastructure or any other cost that the Department for Local Government passes on to the Council.

The income under this heading accounts for major income stream to the Council and is primarily tied up to specific expenditure headings on which the Council is bound to allocate.

(b) Services provided

The Council derives income from permit fees issued to the general public.

The Council also derives income in the form of 10% commission on the payments of contraventions under the Local Law Enforcement system accruing to the five Regional Committees (up to the 30 September 2015) and (as from 1 October 2015) to the LESA Agency.

(c) Central Government Grants

Note 2. 15, refers to the treatment of grants that are aimed to finance the Council for the urban improvement of the locality.

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

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2.10 Government grants

Government grants relating to operating expenditure are recognized in the Statement of Comprehensive Income in the same period that the related expenditure is incurred.

Government grants relating to the purchase of property, plant and equipment are accounted for using the capital approach, and are thus deducted from the carrying amount of the relative non-current asset.

Up to the year ended 31st December 2017, government grants were accounted for using the income approach according to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. On 1st January 2018, the capital approach, according to IAS 20, has been adopted, in line with the Directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting policy, and according to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, it has been accounted for retrospectively.

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

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3. Financial risk management

The Council's activities are exposed to a variety of financial risks, that includes credit risk, interest risk and liquidity risk. The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance.

Where applicable, any significant changes in the Council's exposure to financial risks or manner in which the Council manages and measures these risks are disclosed below.

Where possible, the Council aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of risk exposure associated with the financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

With respect to credit risk, the receivables are monitored continuously for recoverability. Receivables are presented net of allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidences of a reduction in the recoverability of the cash flows. Known bad debts are therefore maintained to the lowest possible, thereby lowering as much as possible the concentration of credit risk.

Interest Rate risk

The Council's interest rate risk arises from the long term bank loan. Borrowing issued at variable rates expose the Council to cash flow interest rate risk. In general, the Council's exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows are not deemed to be substantial in view of the nature of the assets and liabilities.

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

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Liquidity risk

The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and plans projects accordingly. The Council Members and Executive Secretary do not consider that it is significantly exposed to liquidity risk.

	Less than 3 month	Between 3 month and 1 year	Within 1 year	Between 1 and 2 years
	€	€	€	€
At 31 December 2023				
Payables (excluding grants deferred income)	55,618	50,684	-	-
	<u>55,618</u>	<u>50,684</u>	<u>-</u>	<u>-</u>
At 31 December 2022				
Payables (excluding grants deferred income)	141,772	60,478	202,250	-
	<u>141,772</u>	<u>60,478</u>	<u>202,250</u>	<u>-</u>

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

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Credit risk

Financial assets which potentially subject the Council to concentration of credit risk consist primarily of cash in banks and receivables. The Council's cash in banks is placed with quality financial institutions as well as it limits the amount of credit exposure with any financial credit history. In this respect, credit with respect to receivables 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.

Included in the Council's receivables balance are the following debtors which are past due at the end of the reporting period net of an allowance for doubtful debts and excluding related party receivables. For balances with related parties refer note 23, the remaining amounts are still considered recoverable as these customers have not defaulted in the past. The credit period allowed by the Council to its debtors is 60 days.

	2023	2022
	€	€
30 to 60 days	28,621	26,822
61 to 90 days	800	10,921
+91 days	22,706	1,392
	<u>52,127</u>	<u>39,135</u>

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

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4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Council's accounting policies, which are described in note 2, the Council Members are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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 the revision and future periods if the revision affects both current and future periods.

4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the Council Members have made in the process of applying the Council's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

4.2 Useful lives of property, plant and equipment

As described at 2.3, the Council reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. The depreciation rates are dictated by the Local Councils Department and as such the Council is not in a position to change the useful lives of the property, plant and equipment. The review of the estimated useful lives of the property, plant and equipment is used to decide whether to write off the asset, the said asset or group of assets are no longer useful or to impair the asset as required.

5. Funds received from Central Government	2023	2022
	€	€
In terms of section 55 of the Local Councils Act, 1993	989,048	979,352
Grants released to income	49,778	66,323
Other government income	3,012	63,079
	1,041,838	1,108,754

ZEJTUN LOCAL COUNCIL

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

..... continued

6. Income raised under Council Bye-Laws	2023	2022
	€	€
Permits related to construction	51,943	31,676
Trenching permits	-	71
Permits for use of skips	3,949	1,283
Permits from kiosks	3,946	7,585
	<u>59,838</u>	<u>40,615</u>

ZEJTUN LOCAL COUNCIL

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

..... continued

7. Income from Law Enforcement System

	2023	2022
	€	€
a) LES Income from Regions	11,854	8,115
	<u>11,854</u>	<u>8,115</u>

In accordance with the Law Enforcement System (LES) issued by the Ministry by virtue of Section 72 of the Local Councils Act, 1993, the income relating to contraventions was delegated to the local councils through Legal Notice 32 of 2000.

The recording of income from Surplus of the LESA Committee was recognised on a cash basis.

As from September 2011 the contraventions previously accruing to the Joint Committee started accruing in favour of the 'Regjun Xlokk'.

On 1 October 2015 the contraventions previously accruing to the 'Regjun Xlokk' started accruing in favour of the LESA Regjun Xlokk.

The Council's income from the Law Enforcement System therefore reflects four revenue streams that are as follows:

- a) 10% on the contraventions income accruing to all Regional Committees up to 30 September 2015;
- b) 10% on the contraventions income accruing to all LESA Committees as from the 1st October 2015 that are settled at the Council's cash point;
- c) Receipts from the LESA Committee representing the Council's share of surplus on the Law Enforcement System accruing up to the 31 August 2011; and
- d) LESA income distribution.

ZEJTUN LOCAL COUNCIL

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

..... continued

8. General income	2023	2022
	€	€
Contributions youth and sports	3,450	430
Rental income	11,616	16,441
Tribunal rent	19,250	19,250
Souvenirs	275	694
Other income	14,607	4,269
Zejt z-Zejtun	5,470	-
Manucca CDCC	36,000	36,000
Contributions community activities	13,929	9,217
Educational Services	2,099	2,785
	<u>106,696</u>	<u>89,086</u>

9. Personal emoluments	2023	2022
	€	€

Personal emoluments include, inter alia:

Mayor's Honoraria	16,003	15,518
Council Members' Allowance	22,600	22,600
Executive Secretary Salary and Allowance	35,175	43,694
Employees' Salaries	231,417	165,349
Social Security Contributions - Employer's Share	21,549	16,121
	<u>326,744</u>	<u>263,282</u>

ZEJTUN LOCAL COUNCIL

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

..... continued

10. Operations and Maintenance

Operations and maintenance includes, inter alia:

	2023	2022
	€	€
Repairs and Upkeep:		
Public Property	-	7,021
Road and Street Pavements	3,092	46,680
Street Signs	17,211	10,439
Office Furniture & Equipment	485	1,792
Maintenance of Plant & Equipment	-	1,005
Other Repairs & Upkeep	-	2,134
Street Markings	2,941	9,294
Maintenance Council Property	131	2,867
	<u>23,860</u>	<u>81,232</u>
Contractual Services:		
Waste Disposal	122,389	59,468
Refuse Collection	59,443	120,838
Bulky Refuse Collection	43,881	43,938
Road & Street Cleaning	79,504	72,371
Cleaning and Maintenance of Non-Urban Roads	23,426	36,978
Clean. & Maint. - Public Conveniences	1,629	1,156
Cleaning Council Premises	4,850	5,821
Clean. & Maint. of Parks & Gardens	1,628	27,934
Street Lighting	33,439	34,131
Provision for bad debts	10,861	(1,069)
	<u>381,050</u>	<u>401,566</u>
Total Operations and Maintenance expenses	<u>404,910</u>	<u>482,798</u>

ZEJTUN LOCAL COUNCIL

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

..... continued

11.1 Administrative and Other Expenditure	2023	2022
	€	€
Utilities	11,020	14,431
Operating Materials & Supplies	8,880	6,552
Cleaning Materials & Supplies	1,399	1,090
Uniforms	993	1,222
Upkeep of Photocopier	1,603	774
Rents	5,056	4,534
Membership - Local Organisations	643	-
Printing	2,471	2,012
Depreciation of right-of-use asset	9,548	-
Stationery	1,885	3,889
Postage	591	538
Public library services	3,535	3,198
Other Office Services	1,703	1,812
Fuel	6,236	4,085
Advertising	235	210
Insurance Coverage	6,615	5,091
Bank Charges	1,089	1,394
Other contractual service	6,660	8,040
IT Development Services	7,979	4,822
Balance carried forward to next page	78,141	63,694

ZEJTUN LOCAL COUNCIL

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

..... continued

11.2 Administrative and Other Expenditure (cont.)	2023	2022
	€	€
Balance brought forward from previous page	78,141	63,695
Engineering Services	23,015	17,364
Accountancy Services	6,018	4,885
Other cost	1,452	4,660
Education	2,905	2,434
Other Hospitality Costs	7,146	621
Social Events: Community	16,209	9,799
Social Events: Youths and Sports	14,733	6,325
Social Activity: Zejt iz-Zejtun	52,886	43,747
Social Activity: Christmas Project	(99)	30,780
Cultural Events	14,973	6,490
Community Services	2,201	1,058
Incidental Expenses	20,572	15,315
Local Enforcement	321	272
10% Administration fee	1,154	521
Depreciation Expense	226,792	249,063
	<u>468,419</u>	<u>457,028</u>
12. Finance income	2023	2022
	€	€
Bank interest	123	151
	<u>123</u>	<u>151</u>
13. Finance costs	2023	2022
	€	€
Lease finance charges	2,956	-
	<u>2,956</u>	<u>-</u>

ZENTUN LOCAL COUNCIL

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

15 Property, plant and equipment

Co-t	Property €	Special Programmes €	Furniture & Bittings €	Street Signs €	Urban Improvements €	Office Equipment €	Plant & Machinery €	Motor Vehicles €	Trees €	Assets not yet capitalized €	Total €
At 1 January 2023	486,957	5,947,953	134,138	53,452	903,858	39,192	22,067	-	39,198	-	7,626,815
Additions	-	36,943	7,338	-	-	275	4,860	-	-	-	166,969
At 31 December 2023	486,957	5,984,896	141,476	53,452	903,858	39,467	26,927	97,553	39,198	20,000	7,793,784
Government Grants											
Government Grants as 1 Jan 2023	50,000	1,489,219	-	-	428,306	2,078	-	-	4,026	-	1,973,629
ReFund	-	(10,351)	-	-	-	-	-	-	-	-	(10,351)
Additions	-	-	-	-	-	-	-	33,000	-	-	33,000
	50,000	1,478,868	-	-	428,306	2,078	-	33,000	4,026	-	1,996,278
Depreciation											
At 1 January 2023	47,219	3,337,961	102,063	53,452	442,624	33,663	7,724	-	-	-	4,024,706
Charge for the year	3,041	204,060	7,280	-	4,425	2,137	4,230	1,619	-	-	226,792
	50,260	3,542,021	109,343	53,452	447,049	35,800	11,954	1,619	-	-	4,251,498
N.B.V. at 31.12.23	386,697	964,007	32,133	-	28,503	1,589	14,973	62,934	35,172	20,000	1,546,008

ZETIUN LOCAL COUNCIL

Notes to the Financial Statements
for the year ended 31 December 2022

15 Property, plant and equipment

Cost	Property €	Special Programmes €	Furniture & Fittings €	Street Signs €	Urban Improvements €	Office Equipment €	Plant & Machinery €	Trees €	Assets not yet capitalised €	Total €
At 1 January 2022	486,957	5,678,442	134,138	53,452	903,858	38,378	11,829	39,198	7,557	7,353,809
Reclassification	-	7,557	-	-	-	-	-	-	(7,557)	-
Additions	-	261,954	-	-	-	814	10,238	-	-	-
At 31 December 2022	486,957	5,947,953	134,138	53,452	903,858	39,192	22,067	39,198	-	7,628,815
Government Grants	50,000	1,489,219	-	-	428,306	2,078	-	4,026	-	1,973,629
Government Grants as 1 Jan 2022	50,000	1,489,219	-	-	428,306	2,078	-	4,026	-	1,973,629
Depreciation	43,925	3,108,590	94,276	53,452	437,858	31,673	5,869	-	-	3,775,643
At 1 January 2022	3,294	229,371	7,787	-	4,766	1,990	1,855	-	-	249,063
Charge for the year	47,219	3,337,961	107,063	53,452	442,624	33,663	7,724	-	-	4,024,706
N.B.V. at 31.12.22	389,738	1,120,773	32,075	-	32,928	3,451	14,343	35,172	-	1,628,480

ZEJTUN LOCAL COUNCIL

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

..... continued

15. Right-of-use assets

The following assets has been recognised as right-of-use assets of the Council:

	Government properties	Garage and other Premises	Total
	€	€	€
Cost	-	-	-
At 1 January 2023	-	-	-
Additions	13,425	35,850	49,275
At 31 December 2023	<u>13,425</u>	<u>35,850</u>	<u>49,275</u>
Depreciation			
At 1 January 2023	-	-	-
Charge for the year	3,573	5,975	9,548
At 31 December 2023	<u>3,573</u>	<u>5,975</u>	<u>9,548</u>
Carrying amount as at 31 December 2023	<u>9,852</u>	<u>29,875</u>	<u>39,727</u>

The table below describes the nature of the Council's leasing activities by type of right-of-use assets recognised in the statement of financial position:

Right-of-use assets	No. of right-of-use assets leased	Range of remaining term	Average remaining lease term
Government properties	4	1-5 years	2.5 years
Garage and other premises	1	5 years	5 years

ZEJTUN LOCAL COUNCIL

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

..... continued

16. Receivables		2023	2022
		€	€
Falling due within One Year			
Receivables	16.1	910	7,190
Other related undertakings	16.1	33,532	31,944
Grants receivable from Central Government	16.2	36,334	53,685
Accrued income		93,082	-
Financial assets		163,858	92,819
Prepayments		6,515	2,574
		170,373	95,393

		2023	2022
		€	€
16.1 Credit period analysis:			
Within credit period		21,358	32,557
Exceeded credit period but not impaired		13,084	6,577
Impaired and provided for		21,685	10,824
Provision for doubtful debts		(21,685)	(10,824)
		34,442	39,134

As at the date of the statement of financial position, the ageing analysis of the receivables is as follows:

	Total	current neither past due nor impaired	less than 30 days	Past due but not impaired		91 days and over
	€	€	€	31 to 60 days	61 to 90 days	€
At 2023	34,442	21,358	2,312	8,951	800	1,021
At 2022	39,134	21,401	5,418	5,738	5,183	1,394

ZEJTUN LOCAL COUNCIL

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

..... continued

	2023	2022
	€	€
16.2 Grants receivable from central Government:		
Balance at the beginning of the year	53,685	33,615
Increase	18,152	24,026
Received	(35,503)	(8,541)
Forgone	-	4,585
	<u>36,334</u>	<u>53,685</u>
Amount receivable within one year	<u>18,155</u>	<u>24,023</u>
Amount receivable between one and two years	<u>18,179</u>	<u>29,662</u>

17. Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents in the statement of cash flows comprise the following amounts in the Council's statement of financial position.

	2023	2022
	€	€
Cash in hand	2,579	2,535
Bank balances: Current and Savings accounts	1,820,900	1,951,493
	<u>1,823,479</u>	<u>1,954,028</u>

ZEJTUN LOCAL COUNCIL

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

..... continued

18. Amounts payable under the PPP agreement	2023	2022
	€	€
Non-current		
Ministry for Transport, Infrastructure and Capital Projects	38,409	48,012
Current		
Public Private Partnership (PPP) Agreement & Penalty	9,603	9,603
Total Amount payable under the PPP Agreement & Penalty	<u>48,012</u>	<u>57,615</u>
Amount payable within one year	9,603	9,603
Amount payable between two to five years	38,409	48,012
	<u>48,012</u>	<u>57,615</u>
19. Payables	2023	2022
	€	€
Falling due within One Year		
Bank account - unrepresented cheques	-	49,389
General payables	62,288	145,651
Amounts owed to related parties	-	60,542
Advanced payment	205,322	210,323
Accruals and deferred income	79,242	61,690
Other Payables	83,683	49,929
	<u>430,535</u>	<u>577,524</u>

The amount payable under the Public Prive Partnership (PPP) will be 50% paid out of Central Government Funds and 50% out of the Council's general funds, in line with the PPP agreement reached between the Central Government and the Council.

ZEJTUN LOCAL COUNCIL

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

..... continued

20. Lease liabilities

	2023
	€
Lease liabilities	
Lease liabilities are presented in the statement of financial position as follows:	
Non-current	
Government properties	5,740
Garage and other premises	25,188
Total non-current	<u>30,928</u>
Current	
Government properties	3,514
Garage and other premises	6,516
Total current	<u>10,030</u>
Total lease liabilities	<u><u>40,958</u></u>

The Council has leases from government properties and garage and store premises. Each lease is reflected in the statements of financial position as a right-of-use asset and a lease liability. The Council classifies its right-of-use assets in a consistent manner to its property, plant and

Each lease generally imposes a restriction that, unless there is a contractual right for the Council to sublet the asset to another party, the right-of-use asset can only be used by the Council. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee.

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at each reporting period were as follows:

	Not Later Than 1 year	Later than 1 year but not later than 5 years	Later than 5 years	Total
	€	€	€	€
31 December 2023				
Lease payments	12,488	34,953	-	47,441
Finance charges	(2,458)	(4,025)	-	(6,483)
Net present values	<u>10,030</u>	<u>30,928</u>	-	<u>40,958</u>

ZEJTUN LOCAL COUNCIL

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

..... continued

21. Financial Instruments

The Council manages its liquidity to ensure that it will be able to continue as going concerns while maximising the return through the optimisation of the debt and equity balance. The Council's overall strategy remains unchanged from 2022.

21.1 Categories of financial instruments	2023	2022
	€	€
<i>Financial Assets</i>		
Financial asset at amortised cost:		
<u>Current Assets</u>		
Grants receivable	36,334	53,685
Receivables	127,524	39,134
Cash and cash equivalents	1,823,479	1,954,028
	<u>1,987,337</u>	<u>2,046,847</u>
<i>Financial Liabilities</i>		
Financial liabilities at amortised cost		
<u>Non-Current Liabilities</u>		
Lease liabilities	30,928	-
Payables under PPP agreement & Penalty	38,409	48,012
	<u>69,337</u>	<u>48,012</u>
<u>Current Liabilities</u>		
Lease liabilities	10,030	-
Payables under PPP agreement & penalty	9,603	9,603
General Payables	62,288	145,651
Accruals	77,452	60,478
Other payables	83,682	104,749
Bank Balance	-	49,389
	<u>243,055</u>	<u>369,870</u>

ZEJTUN LOCAL COUNCIL

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

..... continued

22. Capital commitments

	2023 €	2022 €
Details of capital commitments at the accounting date are as follows:		
(i) Approved but not yet contracted for:	571,000	763,668
(ii) Contracted for but not provided in the financial statements:	149,885	-
	<u>720,885</u>	<u>763,668</u>

These can be analysed further as follows:

(i) Approved but not yet contracted for:		
Special Programmes	571,000	628,000
- LESA Funding	-	86,580
- EMW Funding	-	49,088
	<u>571,000</u>	<u>763,668</u>
(ii) Contracted for but not provided in the financial statements -		
- Special Programmes	149,885	-
	<u>149,885</u>	<u>-</u>

The works on the Road Resurfacing projects will be conducted under Public Private Partnership agreements.

ZEJTUN LOCAL COUNCIL

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

..... continued

23. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The ultimate controlling party of the Local Council Zejtun is the Local Councils Department within the Office of the Prime Minister.

All the Companies, Authorities and Agencies set up by the Central Government are also considered to be related parties to Local Council Zejtun but do not have significant control. The Joint Committee (up to the 31 August 2011), All Regional Committees (from 1 September 2011), the Local Councils Association and the other Local Councils are also considered to be a related parties.

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
Regional Committee - Local Law Enforcement	Joint Control
Bank of Valletta	No Control
Cleansing Services Department	No Control
Enemalta Corporation	No Control
Law Courts of Malta	No Control
Local Councils Association	No Control
Local Councils, other than Local Council Zejtun	No Control
Police Commissioner	No Control
Malta Environment & Planning Authority	No Control
Malta Tourism Authority	No Control
MITTS	No Control
Public Broadcasting Services Ltd	No Control
Water Services Corporation	No Control
Wasteserv Malta Limited	No Control
Works Division - Director General Works	No Control
Commissioner for Data Protection	No Control
Director of Information	No Control
University of Malta	No Control
Commissioner for Lands	No Control
Department of Agriculture	No Control
South Regional Committee	No Control
Gozo Regional Committee	No Control
North Regional Committee	No Control

ZEJTUN LOCAL COUNCIL

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

..... continued

South East Regional Committee	Joint Control
Central Regional Committee	No Control
Arms Limited	No Control
Commissioner of Inland Revenue	No Control

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

	2023	2022
	€	€
Cash Transactions:		
Income - Annual Financial Allocation	989,048	979,352
Commissions receivable from Regional Committees	<u>11,854</u>	<u>8,115</u>

	2023	2022
	€	€
Non-Cash Transactions:		
Government Grants Released	<u>49,778</u>	<u>66,323</u>

Year-end balances arising from related party transactions	2023	2022
	€	€
Central Government Grants	36,334	53,684
Receivables from related parties	<u>29,532</u>	<u>31,944</u>

The receivables from related parties arise mainly from the annual financial allocation by Central Government, Grants receivable and income arising from delegation of responsibilities. The receivables are unsecured in nature and bear no interest. Provisions amounting to € 460 are held against receivables from related parties (2022: € 460).

	2023	2022
	€	€
Payables to related parties	<u>65,960</u>	<u>60,542</u>

ZEJTUN LOCAL COUNCIL

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

..... continued

The payables to related parties arise mainly from purchases of goods and services and are mainly due 1 month after the date of purchase. The payables bear no interest.

24. Post Balance Sheet events

There were no particular important events affecting the Council which occurred since the end of the accounting period.

25. Fair Value Estimation

The nominal values less estimated adjustments of receivables and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair value.

26. Cash generated from operating activities	2023	2022
	€	€
Surplus for the year	17,320	43,613
Adjustments for:		
Depreciation	226,791	249,063
Provision for doubtful debts	10,861	5,410
Investment income	(123)	(151)
Depreciation on Right of use assets	9,548	-
Interest expense	2,956	-
Movements in working capital:		
Receivables	(75,156)	(24,419)
Payables	(176,091)	300,151
Cash generated from operating activities	16,106	573,667

Report of the Local Government Auditor

To the Auditor General

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Zejtun Local Council (“the Council”) set out on pages 2 to 41 which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies.

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

Basis for opinion

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

Responsibilities of those charged with governance for the financial statements

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

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

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

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

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

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

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

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

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



Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

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22 April 2024

