

IL-MUNXAR LOCAL COUNCIL

**Annual Report
and
Financial Statements**

for the year ended 31 December 2023



Prepared by

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ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2023

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

for the year ended 31 December 2023

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

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

This statement was approved by the Local Council on the 30th April 2024 and signed on its behalf by



Damien Spiteri
Mayor



Ryan Debrincat
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

		2023 €	2022 €
	<i>Notes</i>		
Income			
Funds received from Central Government	4	371,160	373,867
Income raised under Local Enforcement System	5	697	721
General Income	6	<u>21,238</u>	<u>42,387</u>
		<u>393,095</u>	<u>416,975</u>
Expenditure			
Personal emoluments	8	(116,816)	(118,370)
Operations and maintenance	9	(122,153)	(138,609)
Administrative and other expenditure	10	<u>(201,581)</u>	<u>(174,868)</u>
		<u>(440,550)</u>	<u>(431,847)</u>
Operating Deficit for the year		(47,455)	(14,872)
Finance income		153	159
Total Comprehensive deficit for the year		<u><u>(47,302)</u></u>	<u><u>(14,713)</u></u>

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 €	2022 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	11	<u>172,877</u>	<u>201,214</u>
		172,877	201,214
Current Assets			
Receivables	12	<u>118,615</u>	<u>741,869</u>
Cash and Cash Equivalents	13	<u>588,886</u>	<u>717,060</u>
		707,501	1,458,929
Total Assets		<u>880,378</u>	<u>1,660,143</u>
EQUITY AND LIABILITIES			
Reserves			
Retained Fund		<u>478,028</u>	<u>525,330</u>
		478,028	525,330
Non-Current Liabilities			
Deferred income	15	<u>-</u>	<u>205,250</u>
		-	205,250
Current Liabilities			
Payables	14	<u>402,350</u>	<u>929,563</u>
		402,350	929,563
Total Equity and Liabilities		<u>880,378</u>	<u>1,660,143</u>

These financial statements were approved and authorised for issue by the Local Council on the 30th April 2024 and signed on its behalf by:


 Damien Spiteri
 Mayor


 Ryan Debrincat
 Executive Secretary

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Retained Funds €
At 1 January 2022	540,043
Total comprehensive deficit for the year:	
<i>Deficit for the year 2022</i>	(14,713)
	<hr/>
At 31 December 2022	525,330
	<hr/> <hr/>
At 1 January 2023	525,330
Total comprehensive deficit for the year:	
<i>Deficit for the year 2023</i>	(47,302)
	<hr/>
At 31 December 2023	478,028
	<hr/> <hr/>

STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023	2022
	€	€
	Note	
Cash flows from Operating Activities		
Deficit for the year	(47,302)	(14,713)
Reconciliation to cash generated from operations:		
Depreciation	35,864	32,623
Interest receivable	(153)	(159)
Operating (Deficit)/Surplus before Working Capital Changes	<u>(11,591)</u>	<u>17,751</u>
Increase in receivables	(1,243)	(13,468)
(Decrease)/Increase in payables	<u>(751,764)</u>	<u>476,107</u>
Cash (used in)/generated from operating activities	<u>(764,598)</u>	<u>480,390</u>
 Cash flows from Investing Activities		
Interest received	153	159
Purchase of property, plant & equipment	(180,199)	(1,227,345)
Receipt of grants	<u>816,470</u>	<u>536,035</u>
Cash generated from/(used in) investing activities	<u>636,424</u>	<u>(691,151)</u>
 Net Decrease in Cash and Cash Equivalents	 (128,174)	 (210,761)
 Cash and Cash Equivalents at the Beginning of the year	 <u>717,060</u>	 <u>927,821</u>
 Cash and Cash Equivalents at the End of the year	 14 <u>588,886</u>	 <u>717,060</u>

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

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

1. General Information

The Il-Munxar Local Council is the local Authority of il-Munxar set up in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at Triq Profs Guze Aquilina, Il-Munxar. These financial statements were approved for issue by the Council Members on the 30th April 2024. The Local Council's presentation as well as functional currency is denominated in €.

2. Material Accounting Policy Information

The accounting policies that are material to the financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

Accounting convention

These financial statements are prepared under the historical cost convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards ("IFRS Accounting Standards") as adopted by the EU.

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

New or amended accounting standards, and interpretations adopted

The following amended standards became applicable for the current reporting period:

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The term 'significant' was replaced with 'material' in the context of disclosing accounting policy information. In assessing the materiality of the accounting policy information the Council considers the size of transactions, other events or conditions and their nature.

The Council adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') and the IFRS Interpretations Committee and endorsed by the EU that are mandatory for the current reporting period. The adoption of these amendments to the requirements of IFRS Accounting Standards as adopted by the EU did not result in substantial changes to the Council's accounting policies impacting the Council's financial performance and position.

New or amended accounting standards, and interpretations issued but not yet effective

At the end of the reporting period, certain new standards, interpretations and amendments thereto, were in issue and endorsed by the EU, but not yet effective for the current financial year. There have been no instances of early adoption of standards, interpretations or amendments ahead of their effective date. The Council anticipates that the adoption of the new standards, interpretations or amendments thereto, will not have a material impact on the financial statements upon initial application.

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**2. Material Accounting Policy Information (cont.)***Property, plant and equipment*

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

	%
Land	0
Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works	10
Urban Improvements	10
Special Projects	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	Replacement basis
Playground Furniture	100
Traffic Signs	Replacement basis
Road Signs	Replacement basis
Street Mirrors	Replacement basis
Street Lights	100

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each statement of financial position date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Impairment of Assets

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

Amounts receivable

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

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

2. Material Accounting Policy Information (cont.)

Financial instruments

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or 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 Council are classified into financial assets at amortised cost upon initial recognition.

Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to loans and receivables are presented within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administration and other expenditure'.

Financial liabilities

The Council's financial liabilities include other payables. These are stated at their nominal amount which is a reasonable approximation of fair value unless the effect of discounting is material in which case other payables are measured at amortised cost using the effective interest method.

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

Revenue

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

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

Local Enforcement System

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

Government grants

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

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

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

2. Material Accounting Policy Information (cont.)

Foreign currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the Local Council operates. These financial statements are presented in €, which is the Council's functional and presentation currency.

Transactions denominated in foreign currencies are translated into € at the rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into € at the rates of exchange prevailing at the date of the Statement of Financial Position.

3. Judgments in applying accounting policies and key sources of estimation

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

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

4. Funds received from central government

	2023	2022
	€	€
In terms of section 55 of the Local Councils Act	309,393	307,395
Other Government Income	61,767	66,472
	<u>371,160</u>	<u>373,867</u>

5. Local Enforcement system

	2023	2022
	€	€
Income from Contraventions	697	721
	<u>697</u>	<u>721</u>

6. General Income

	2023	2022
	€	€
Rent Receivable	4,720	5,869
Tender Documents/Info Charges	60	-
Income from Permits	14,010	7,988
Organic waste collection	-	28,530
Other income	2,448	-
	<u>21,238</u>	<u>42,387</u>

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

7. Deficit for the year

	2023	2022
	€	€
Deficit for the year is stated after charging:		
Staff salaries (Note 8)	116,816	118,370
Depreciation of property, plant & equipment (Note 11)	35,864	32,623
	<u><u>116,816</u></u>	<u><u>118,370</u></u>

8. Personal Emoluments

	2023	2022
	€	€
Mayor's Remuneration	11,079	10,742
Mayor's and Councillors' Allowances	13,000	13,000
Executive Secretary Salary and Allowances	38,548	44,061
Employees' Salaries	47,154	43,971
Social Security Contributions	7,035	6,596
	<u><u>116,816</u></u>	<u><u>118,370</u></u>

9. Operations and Maintenance

	2023	2022
	€	€
<i>Repairs and Upkeep:</i>		
Road/Street Pavements (patching works)	9,175	3,651
Signs and Road Markings	195	1,179
Xlendi maintenance and upkeep	708	400
Other repairs and Upkeep	48,779	40,045
	<u><u>58,857</u></u>	<u><u>45,275</u></u>

Contractual Services:

Refuse Collection	17,144	56,375
Bulky Refuse Collection	4,453	3,594
Road & Street Cleaning	7,315	6,254
Cleaning - Public Conveniences	6,839	5,074
Cleaning & Maintaining Parks & Gardens	262	1,707
Cleaning & Maintenance of Council premises	1,416	1,404
Tipping fees	14,319	8,088
Insurance	3,971	3,523
Local Enforcement System expenses	410	253
Street Lighting	7,167	7,062
	<u><u>63,296</u></u>	<u><u>93,334</u></u>

Total Operations and Maintenance Costs	<u><u>122,153</u></u>	<u><u>138,609</u></u>
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Notes to the Financial Statements for the year ended 31 December 2023 (cont.)

10. Administrative and other expenditure

	2023	2022
	€	€
Utilities	9,396	8,421
Materials and supplies	491	373
Rent	4,129	4,534
Office repair and upkeep	47	-
National and International Membership	500	840
Office Services	8,147	6,794
Transport	6,442	961
Information Services	95	120
Professional Services	27,106	26,550
Community services and events	108,891	93,322
Sundry expenses	473	330
Depreciation	35,864	32,623
	<u>201,581</u>	<u>174,868</u>

IL-MUNXAR LOCAL COUNCIL

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

11. Property, plant and equipment

	Buildings & Improvements	Office Furniture & Fittings	Computer & Office Equipment	Plant & Machinery	New Street Signs	Urban Improvements	Construction	Assets under construction	Special Programmes	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
At 1 January 2023	3,641	18,423	33,413	4,308	3,785	203,197	171,025	659,526	2,814,535	3,911,853
Additions	-	944	561	-	-	14,427	-	54,199	110,069	180,199
Reclassification						-		(402,154)	402,154	-
At 31 December 2023	3,641	19,367	33,974	4,308	3,785	217,624	171,025	311,571	3,326,758	4,092,052
Depreciation										
At 1 January 2023	948	14,521	30,950	3,598	3,785	93,038	111,653	-	426,266	684,759
Charge for the year	34	469	314	639	-	16,342	7,045	-	11,021	35,864
At 31 December 2023	982	14,990	31,264	4,237	3,785	109,380	118,698	-	437,287	720,623
Grants										
At 1 January 2023	-	-	2,242	-	-	43,536	22,682	623,052	2,334,368	3,025,880
Increase	-	944	-	-	-	-	-	64,347	107,371	172,662
Reclassification	-	-	-	-	-	-	-	(394,110)	394,110	-
At 31 December 2023	-	944	2,242	-	-	43,536	22,682	293,289	2,835,849	3,198,542
Net Book values										
At 31 December 2023	2,659	3,433	468	71	-	64,708	29,645	18,282	53,622	172,877

IL-MUNXAR LOCAL COUNCIL

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

11. Property, plant and equipment (cont.)

	Buildings & Improvements	Office Furniture & Fittings	Computer & Office Equipment	Plant & Machinery	New Street Signs	Urban Improvements	Construction	Assets under construction	Special Programmes	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
At 1 January 2022	3,641	17,110	33,413	4,308	3,785	143,968	171,025	427,208	1,880,050	2,684,508
Additions	-	1,313	-	-	-	59,229	-	1,130,957	35,846	1,227,345
Reclassification								(898,639)	898,639	-
At 31 December 2022	3,641	18,423	33,413	4,308	3,785	203,197	171,025	659,526	2,814,535	3,911,853
Depreciation										
At 1 January 2022	914	14,132	29,609	2,839	3,785	80,417	104,586	-	415,854	652,136
Charge for the year	34	389	1,341	759	-	12,621	7,067	-	10,412	32,623
At 31 December 2022	948	14,521	30,950	3,598	3,785	93,038	111,653	-	426,266	684,759
Grants										
At 1 January 2022	-	-	2,242	-	-	-	22,682	420,692	1,408,808	1,854,424
Increase	-	-	-	-	-	43,536	-	1,100,999	26,921	1,171,456
Reclassification	-	-	-	-	-	-	-	(898,639)	898,639	-
At 31 December 2022	-	-	2,242	-	-	43,536	22,682	623,052	2,334,368	3,025,880
Net Book values										
At 31 December 2022	2,693	3,902	221	710	-	66,623	36,690	36,474	53,901	201,214

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

12. Receivables

	2023	2022
	€	€
Accounts receivables	2,887	21,611
Prepayments and accrued income	115,728	720,258
	118,615	741,869

Receivables

General receivables are analysed as follows:

	2023	2022
	€	€
Within credit period	118,615	736,892
Exceeded credit period but not impaired	-	4,977
Impaired and provided for	23,307	23,587
Provision for doubtful debts	(23,307)	(23,587)
	118,615	741,869

Included in the accounts receivable are amounts due from related parties amounting to €2,887 (2022 : €21,611). These amounts are unsecured, interest free and repayable on demand.

13. Cash & cash equivalents

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

	2023	2022
	€	€
Cash at Bank	588,394	716,785
Cash in Hand	492	275
	588,886	717,060

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

14. Payables

	2023	2022
	€	€
Accounts payable	28,700	622,899
Other payables	154	218
Deferred Income	259,742	74,291
Accruals	113,754	232,155
	<u>402,350</u>	<u>929,563</u>

Included in the accounts payable are amounts due to related parties amounting to €8,579 (2022 : €3,168). These amounts are unsecured, interest free and repayable on demand.

15. Deferred Income – Government Grants

	2023	2022
	€	€
Government grants		
At 1 January	279,541	419,904
Increase in year	111,426	130,577
Utilised	(131,225)	(241,990)
Refunded to Government	-	(28,950)
	<u>259,742</u>	<u>279,541</u>
Current Deferred Income	<u>259,742</u>	<u>74,291</u>
Non-Current Deferred Income	<u>-</u>	<u>205,250</u>

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

16. Capital Commitments

	2023	2022
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	308,586	685,122
- Contracted for but not provided in the financial statements	-	35,000
	<u> </u>	<u> </u>
(i) Approved but not yet contracted for:		
Xlendi Waste Depot	-	90,000
Xlendi Promenade	-	368,125
GAG3 Project	-	52,628
Dahla Munxar	271,211	99,032
CCTV systems	12,375	-
Playing field Munxar	-	49,745
Bust - Profs Guze Aquilina	10,000	-
Office Furniture	10,000	-
Computer Equipment	5,000	-
Slow Streets	-	25,592
	<u> </u>	<u> </u>
	<u>308,586</u>	<u>685,122</u>
(i) Contracted for but not provided in the Financial Statements:		
Xlendi Waste Depot	-	35,000
	<u> </u>	<u> </u>
	<u> </u>	<u>35,000</u>

The Council has Grant Agreements signed for the funding of most of the above capital projects

17. Contingent liabilities

There were no contingent liabilities in respect of bank guarantees at year end. However the Council may be subject to claims from third parties who have suffered damages on Munxar Roads and are stating that the Council was at fault, which claims are being refused by the Council.

18. Ultimate controlling party

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

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**19. Financial Risk Management**

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

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

Summary of financial assets and liabilities by category:

	2023	2022
	€	€
Current Assets		
Accounts and other receivables	118,615	741,869
Cash and Cash Equivalents	588,886	717,060
	<u>707,501</u>	<u>1,458,929</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	<u>142,608</u>	<u>855,272</u>

Credit risk

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and receivables. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to 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.

The maximum exposure to credit risk is as follows:

	2023	2022
	€	€
Accounts receivables	2,887	21,611
Accrued income	111,807	716,585
Cash and Cash Equivalents	588,886	717,060
	<u>707,501</u>	<u>1,458,929</u>

Liquidity Risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact at year end, the Council has as cash and cash equivalents the amount of €588,886. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net current asset position of: €294,810 (2022: €529,366) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

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

19. Financial Risk Management (cont.)

Liquidity risk (cont.)

The following table details the undiscounted contractual cash flows arising from the Company's financial liabilities:

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
	%	€	€	€	€	€
31 December 2023						
<i>Non-interest bearing</i>						
Accounts payables	-	28,700	-	-	-	28,700
Other payables	-	154	-	-	-	154
		28,854	-	-	-	28,854

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
	%	€	€	€	€	€
31 December 2022						
<i>Non-interest bearing</i>						
Accounts payables	-	622,899	-	-	-	622,899
Other payables	-	218	-	-	-	218
		623,117	-	-	-	623,117

Foreign Currency Risk

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

Interest Rate Risk

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

Timing of cash flows

The presentation of the financial assets and liabilities under current and non-current headings within the statement of financial position is intended to indicate the timing in which cash flows will arise.

Capital Management

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

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

To achieve the above, the Council carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was positive at the reporting date and has not changed significantly from the previous year. The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

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

20. Related party transactions

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Government	Significant control
North Joint Committee (Local Enforcement)	Joint Control
North Regional Committee	Joint Control
Central Regional Committee	No control
Gozo Regional Committee	No control
South Eastern Regional Committee	No control
South Regional Committee	No control
Local Enforcement System Agency	No control
Malta Environment and Planning Authority	No control
Malta Information Technology Agency	No control
Water Services Corporation	No control
Enemalta Corporation	No control
ARMS Limited	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Police General Headquarters	No control
Department of Lands	No control
Airmalta plc	No control

The amounts due from / to related parties at year-end are disclosed in notes 12 and 14. The terms and conditions do not specify the nature of the consideration to be provided in settlement. These amounts are unsecured, interest free and repayable on demand.

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

	2023		2022			
	Related party activity	Total activity	%	Related party activity	Total activity	%
	€	€		€	€	
<i>Income</i>						
Transactions with central government	371,160			373,867		
Transactions with regions	697			721		
	<u>371,857</u>	<u>393,095</u>	<u>95</u>	<u>374,588</u>	<u>416,975</u>	<u>90</u>
<i>Expenditure</i>						
Transactions with government entities	35,916			8,088		
Key personnel remuneration	62,627			67,803		
	<u>98,543</u>	<u>440,550</u>	<u>22</u>	<u>75,891</u>	<u>431,847</u>	<u>18</u>

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

20. Fair values estimation

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

MUNXAR LOCAL COUNCIL**REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL****Report on the audit of the financial statements****Qualified Opinion**

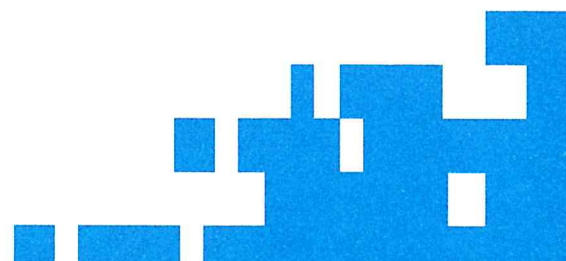
We have audited the accompanying financial statements of Munxar Local Council, set out on pages 4 to 22, which comprise the statement of financial position as at 31 December 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policy information and other explanatory information.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the financial statements give a true and fair view of the financial position of the Local Council as of 31 December 2023 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Qualified Opinion

Following Directive 01/2017 issued by the Department for Local Government, the Local Council changed its accounting policies on depreciation, whereby the straight-line method is to be applied instead of the reducing balance method and the accounting policy on government grants, whereby the capital approach is to be applied instead of the income approach. These changes became effective as from 1 January 2018. We were provided with limited information to ensure that the changes in the accounting policies were properly applied. From the checks that we could carry out, it seems that the items of property, plant and equipment whose useful life expired, were not written off upon the adoption of the straight-line method and that the depreciation is not being worked out on the remaining useful life of the assets. Based on the limited tests that we could carry out, we could conclude that the application of the changes in the accounting policies was not properly carried out and no remedial action was taken during the current year. This would impact the carrying amounts of property, plant and equipment as well as the depreciation charge for the year.

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



REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL - continued

Report on the audit of the financial statements - continued

Basis for Qualified Opinion - continued

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

Other Information

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

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

Council Responsibilities for the Financial Statements

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

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

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

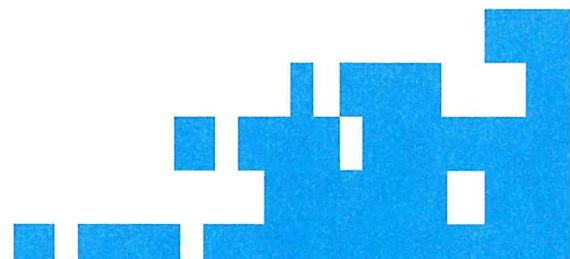
REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL - continued**Report on the audit of the financial statements - continued****Auditor's Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with ISAs, we exercise professional 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 the Executive Secretary and the Local Council Members.
- Conclude on the appropriateness of the Executive Secretary's and the Local Council Members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Local Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Local Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Executive Secretary and the Local Council Members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL - continued

Report on the audit of the financial statements - continued

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been properly prepared in accordance with the Local Councils Act (Cap. 363), the Financial Regulations issued in terms of the said Act and the Local Councils (Financial) Procedures.

A handwritten signature in blue ink, appearing to be 'Conrad Borg', is written over a faint, circular watermark or stamp.

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

RSM Malta
Registered Auditors

30th April 2024

