

SLIEMA LOCAL COUNCIL
AUDITED FINANCIAL STATEMENTS
For the year ended 31 December 2023

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

The Local Government (Financial) Regulations 1993 require the Executive Secretary to prepare a detailed Annual Administrative Report which includes the Local Council's Statement of Other Comprehensive Income for the year and of the Council's retained funds at the end of this 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 Government (Financial) Regulations, 1993 and the Local Government (Financial) Procedures, 1996 issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Government Act 1993, Local Government (Financial) Regulations, 1993 and the Local Government (Financial) Procedures, 1996. 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 19 June 2024 and signed on its behalf by:



John Pillow
Mayor



Pierre Paul Portelli
Executive Secretary

Statement of Comprehensive Income for the year ended 31 December 2023

	Notes	2023 €	2022 €
Income			
Funds received from Central Government	4	1,448,080	1,610,700
Income from Law Enforcement System	5	5,385	4,758
General income	6	181,138	251,590
		<u>1,634,603</u>	<u>1,867,048</u>
Expenditure			
Personnel emoluments	7	251,803	272,459
Operations and maintenance	8	837,203	1,109,407
Administrative and other expenditure	9	501,810	570,081
		<u>1,590,816</u>	<u>1,951,947</u>
Income/(loss) for the year	7	<u>43,787</u>	<u>(84,899)</u>
Total comprehensive income/(loss) for the year		<u>43,787</u>	<u>(84,899)</u>

The notes on pages 6 to 26 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	10	801,355	803,064
Total non-current assets		801,355	803,064
Current assets			
Trade and other receivables	11	333,177	323,692
Cash and cash equivalents	12	1,966,224	1,836,963
Total current assets		2,299,401	2,160,655
Total assets		3,100,756	2,963,719
RESERVES AND LIABILITIES			
Reserves			
Retained funds		1,627,888	1,584,101
Total Reserves		1,627,888	1,584,101
Non-current liabilities			
Deferred income	13	838,271	581,881
Total non-current liabilities		838,271	581,881
Current liabilities			
Trade and other payables	14	634,597	797,737
Total current liabilities		634,597	797,737
Total liabilities		1,472,868	1,379,618
Total reserves and liabilities		3,100,756	2,963,719

The notes on pages 6 to 26 form an integral part of these financial statements.

These financial statements were approved by the Local Council on 19 June 2024 and are signed by on its behalf by:



John Pillow
Mayor



Pierre Paul Portelli
Executive Secretary

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

	Retained Funds €
At 1 January 2022	1,669,000
Total comprehensive loss for the year	(84,899)
At 31 December 2022	<u>1,584,101</u>
At 1 January 2023	1,584,101
Total comprehensive income for the year	43,787
At 31 December 2023	<u>1,627,888</u>

The notes on pages 6 to 26 form an integral part of these financial statements.



Statement of Cash Flows for the year ended 31 December 2023

	Notes	2023 €	2022 €
Cash flows from operating activities			
Income/(loss) for the year		43,787	(84,899)
<u>Adjustments for:</u>			
Depreciation and amortisation		106,892	93,837
Increase in provision for doubtful debts		74,484	23,508
(Payables) Bad debts written off		(14,456)	191
Loss on disposal of property, plant and equipment		-	4,321
Operating surplus before working capital changes		210,707	36,958
<u>Movements in working capital:</u>			
Movement in receivables		(76,489)	84,015
Movement in payables		66,717	(18,738)
Net cash generated by operating activities		200,935	102,235
Cashflows from investing activities			
Payment to acquire property, plant, and equipment		(135,104)	(68,993)
Net cash used in investing activities		(135,104)	(68,993)
Cash flows from financing activities			
Grants received		63,430	130,099
Net cash generated from financing activities		63,430	130,099
Net movement in cash and cash equivalents in the year		129,261	163,341
Cash and cash equivalents at beginning of year		1,836,963	1,673,622
Cash and equivalents at end of year	12	1,966,224	1,836,963

The notes on pages 6 to 26 form an integral part of these financial statements.

Notes to the Financial Statements for the year ended 31 December 2023**1. General Information**

Sliema Local Council is the local authority of Sliema set up in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at Government School, Depiro Street, Sliema.

The Local Council's presentations as well as functional currency are denominated in Euro (€). Its ultimate controlling party is the Department for Local Government within the Ministry for Justice, Culture and Local Government.

2. Accounting Policies and Reporting Procedures

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

(a) Accounting Convention

These financial statements 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 Government Act, 1993 (Cap. 363), the Financial Regulations issued in terms of this Act and the Local Government (Financial) Procedures, 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards (IFRS), 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, 1993 (Cap 363).

(b) Standards, amendments and interpretations to existing standards

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

New and amended standards adopted by the Council

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

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



Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**(b) Standards, amendments and interpretations to existing standards (cont.) New and amended standards adopted by the Council - Standards effective this year are:**

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)

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

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

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

On 31 October 2022, the IASB issued amendments to IAS 1, that clarifies how conditions with which an entity must comply within twelve months after the reporting period effect the classification of a liability. The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

The Councillors and Executive Secretary anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Local Council financial statements.

(b) Property, Plant and Equipment

Property, plant, and equipment is stated at historical cost less accumulated depreciation and impairment loss to date. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The present values of property, plant and equipment do not differ materially from those that would be determined by using fair values at the end of each reporting period.

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

Depreciation is calculated on a monthly basis using the straight-line method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:



Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**(c) Property, Plant and Equipment (cont.)**

Category	%
Land / Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works / Special Projects / Urban Improvements (Street Furniture)	10
Office Equipment / Motor Vehicles / Plant and Machinery / Air conditioners	20
Computer Equipment / Computer software	25
Plants / Litter Bins / Playground furniture	100
Traffic / Road Signs / Street Mirrors / Lights	replacement basis

Up to the year ending 31 December 2017, depreciation was calculated using the reducing balance method. The change in the depreciation method has been affected according to the instructions in the DLG Directive 1/2017.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are considered in determining operating surplus. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each year end. 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 Profit or Loss and Other Comprehensive Income during the financial year in which they are incurred.

(d) Impairment of property, plant, and equipment

At the end of each reporting period, the Council reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Council estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.



Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**(d) Impairment of property, plant and equipment (cont....)**

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(e) Impairment of financial assets other than inventories

At the end of each reporting period, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

In the case of financial assets that are carried at amortised cost, objective evidence of impairment includes observable data about the following loss events - significant difficulty of the issuer (or counterparty) and/or breach of contract. An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

For loans, and receivables or, if there is objective evidence that an impairment loss has been incurred, the loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

In the case of other assets tested for impairment, the recoverable amount is the higher of fair value less costs to sell (which is the amount obtainable from sale at arm's length transaction between knowledgeable, willing parties, less the costs of disposal) and value in use (which is the present value of the future cash flows expected to be derived, discounted using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Impairment losses are recognized immediately in the statement of comprehensive income, unless the asset is carried at a revalued amount, in which case, the impairment loss is recognized directly against the asset's revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for the asset.

For loans and receivables, if, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized; the previously recognized impairment loss is reversed directly.

In the case of assets tested for impairment, an impairment loss recognized in a prior period is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but in a manner that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. Impairment reversals are recognized immediately in the comprehensive income statement, unless the asset is carried at a revalued amount, in which case, the impairment reversal is recognized directly in reserves, unless an impairment loss on the same asset was previously recognized in the comprehensive income statements.



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

The Local Council assesses whether a contract is or contains a lease, at inception of the contract. The Local Council recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

Lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Local Council uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.
- The amount expected to be payable by the lessee under residual value guarantees.
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Local Council remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The right-of-use assets are presented as a separate line in the statement of financial position. The Local Council applies IAS 36 to determine whether a right-of-use asset is impaired.



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

The Council has elected not to recognise right-of-use assets and lease liabilities for short term lease that have a lease term of 12 months or less and lease of low-value items. The Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(g) 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.

Up to the year ended 31 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 1 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.

(h) Receivables

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 in the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit or loss.

(i) Payables

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of the council's activities from suppliers. Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

(j) 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 currency. Transactions denominated in foreign currencies are translated into € using the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

(k) Related Parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard No. 24.



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

Only surpluses and deficits that were realised at the reporting date are recognised in these financial statements. All foreseeable liabilities and potential losses arising up to the said date are accounted for even if they become apparent between the said date and the date on which the financial statements are approved.

(m) Cash and Cash Equivalents

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

(n) Financial Instruments*Recognition and derecognition*

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

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

Classification and initial measurement of financial assets

Except for those 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:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

The Local Council does not have any financial assets categorised as FVTPL and FVOCI in the periods presented.

The classification is determined by both:

- the Local Council's model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within 'finance costs', '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):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- 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 Local Council's cash and cash equivalents, receivables and most other receivables fall into this category of financial instruments.



Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**(n) Financial Instruments (cont.)*****Impairment of financial assets***

IFRS 9's impairment requirements use more 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 Local Council first identifying a credit loss event. Instead, the Local 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:

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

Financial liabilities

The council's financial liabilities include other payables. These are stated at their nominal amount which is a reasonable approximation of fair value.

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

(o) Income recognition

Income in general is stated when there is reasonable certainty that the income would be receivable and thus can be accrued for. Other income such as that derived from the organization of courses, cultural, sporting, and social activities is only recognized on a cash basis. Income from investment activities is recognized when the rights of receipt have been established. Interest income from financial assets is recognized when it is probable that the economic benefits will flow to the Council and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(p) Local Enforcement System

Local Enforcement Income represents the income as it accrues from contraventions as controlled by the Local Enforcement System (L.E.S). The amount receivable from the Local Enforcement System is disclosed in the Statement of Financial Position. A full provision for bad debts is accounted for receivables aged over two years. As from 1 September 2011, the Council forms part of the Southern Regional Committee, which is responsible for the L.E.S income of the locality. The contract provides for a 10% administration fee payable to the Council for contraventions collected by the Council and remitted to the respective Regional Committees. The L.E.S. undergone changes with the introduction of the LESA which has taken over the functions previously undertaken by the Regional Committees.

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**3. Critical accounting estimates and judgments**

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

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

4. Funds received from Central Government

	2023	2022
	€	€
Central Government income	1,428,080	1,414,072
Supplementary Government income	20,000	20,000
Other Government Income	-	176,628
	<u>1,448,080</u>	<u>1,610,700</u>

5. Local Enforcement Income

	2023	2022
	€	€
LES administration fees	5,385	4,758
	<u>5,385</u>	<u>4,758</u>

6. General Income

	2023	2022
	€	€
Community services	10,645	3,500
Cultural events	-	150
Other income	14,456	4,757
Donations	2,025	1,000
Refund of expenses	17,998	41,223
Income from permits	128,248	178,559
Advertising on street furniture	7,766	22,401
	<u>181,138</u>	<u>251,590</u>

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

7. Income/(loss) for the year

	2023	2022
	€	€
Mayor's honoraria	20,927	20,290
Councilors' allowance	29,400	31,522
Executive Secretary's salary and allowances	43,985	44,551
Employees' salaries	142,229	160,138
Social Security Contributions	15,262	15,958
	<u>251,803</u>	<u>272,459</u>

The average number of persons employed during the year was made up as follows:

	2023	2022
Mayor	1	1
Councilors	11	12
Employees	12	9
	<u>24</u>	<u>22</u>

8. Operations and Maintenance

	2023	2022
	€	€
Road pavements	20,414	31,204
Signs	5,142	9,380
Road markings	3,992	1,760
Office furniture and equipment	-	184
Plant and equipment	149	2
Other repairs and upkeep	49,982	80,690
	<u>79,679</u>	<u>123,220</u>




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

	2023	2022
	€	€
Contractual Services:		
Waste disposal	35,509	197,600
Refuse collection	267,359	421,744
Bulky refuse collection	31,713	34,455
Cleaning services	75,843	39,735
Road and Street Cleaning	158,141	158,259
Cleaning - Public Conveniences	21,332	23,515
Cleaning - Council Premises	5,783	3,473
Cleaning and maintenance - Parks and gardens	93,249	82,512
Street lighting expenses	65,985	22,783
Studies and consultations	-	1,466
Local Enforcement System (L.E.S) Expenses	2,610	645
	<u>757,524</u>	<u>986,187</u>
Total contractual, operations and maintenance	<u>837,203</u>	<u>1,109,407</u>



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

9. Administration and other expenditure

	2023	2022
	€	€
Utilities	29,992	134,251
Other repairs and upkeep	24,772	42,813
Rent	7,427	4,120
National & International memberships	100	362
Office Services	11,713	9,963
Transport	23,983	16,490
Travel	3,116	6,113
Information Services	23,933	26,534
Lease of equipment	395	1,373
Insurance	6,621	5,642
Bank charges	3,276	7,235
Professional services	57,394	76,521
Training	15,170	9,940
Other hospitality costs	1,780	594
Social events	108,520	110,050
Cultural events	998	165
Sundry minor expenses	1,493	379
Provision for bad debts	74,484	23,508
Bad debts written off	-	191
Depreciation	106,643	93,837
	501,810	570,081



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

10. Property, plant, and equipment

Cost	Property €	Assets under construction €	New Street Signs Improvements €	Urban Improvements €	Plant, machinery and equipment €	Office furniture and fittings €	Computer software €	Motor vehicles €	Special Programmes €	Total €
At 1 January 2023	181,448	300,975	98,345	1,646,738	91,645	58,618	11,893	17,026	2,264,103	4,670,791
Additions	-	28,034	-	9,396	3,011	10,911	3,458	64,787	15,507	135,104
Assets capitalised	-	-	-	-	-	-	-	-	-	-
Assets disposed/written off	-	-	-	-	-	(249)	-	-	-	(249)
At 31 December 2023	181,448	329,009	98,345	1,656,134	94,656	69,280	15,351	81,813	2,279,610	4,805,646
Grants										
At 1 January 2023	9,645	-	-	277,361	12,798	2,301	-	-	769,998	1,072,103
Additions	-	-	-	-	-	-	-	29,920	-	29,920
At 31 December 2023	9,645	-	-	277,361	12,798	2,301	-	29,920	769,998	1,102,023
Depreciation										
At 1 January 2023	40,780	-	98,345	1,182,095	70,538	46,760	8,940	17,026	1,331,141	2,795,625
On disposal	-	-	-	-	-	(249)	-	-	-	(249)
Charge for the year	1,761	-	-	43,791	4,449	2,083	1,824	12,399	40,585	106,892
At 31 December 2023	42,541	-	98,345	1,225,886	74,987	48,594	10,764	29,425	1,371,726	2,902,268
NBV 31 December 2023	129,262	329,009	-	152,887	6,871	18,385	4,587	22,468	137,886	801,355



**REPORT AND FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2023**

SLIEMA LOCAL COUNCIL

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

10. Property, plant, and equipment (cont.)

	Property	Assets under construction	New Street Signs	Urban Improvements	Plant, machinery and equipment	Office furniture and fittings	Computer software	Motor vehicles	Special Programmes	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
At 1 January 2022	181,448	391,376	98,345	1,536,245	88,434	58,281	11,893	17,026	2,226,753	4,609,801
Additions	-	44,479	-	17,282	6,813	419	-	-	-	68,993
Assets capitalised	-	(130,561)	-	93,211	-	-	-	-	37,350	-
Assets disposed/written off	-	(4,319)	-	-	(3,602)	(82)	-	-	-	(8,003)
At 31 December 2022	181,448	300,975	98,345	1,646,738	91,645	58,618	11,893	17,026	2,264,103	4,670,791
Grants										
At 1 January 2022	9,645	-	-	223,246	12,798	2,301	-	-	745,679	993,669
Additions	-	-	-	54,115	-	-	-	-	24,319	78,434
At 31 December 2022	9,645	-	-	277,361	12,798	2,301	-	-	769,998	1,072,103
Depreciation										
At 1 January 2022	39,019	-	98,345	1,142,946	70,465	44,963	7,509	17,026	1,285,198	2,705,471
On disposal	-	-	-	-	(3,602)	(82)	-	-	-	(3,684)
Charge for the year	1,761	-	-	39,149	3,675	1,879	1,431	-	45,943	93,838
At 31 December 2022	40,780	-	98,345	1,182,095	70,538	46,760	8,940	17,026	1,331,141	2,795,625
NBV 31 December 2022	131,023	300,975	-	187,282	8,309	9,557	2,954	-	162,964	803,064

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**11. Trade and other receivables**

	2023	2022
	€	€
Receivables and related party undertakings (note 11.1)	284,314	150,271
Other receivables	2,929	6,678
Accrued income	38,280	160,619
Financial assets	325,523	317,568
Prepayments	7,654	6,124
	<u>333,177</u>	<u>323,692</u>

Note 11.1

	2023	2022
	€	€
Within credit period	16,889	19,804
Exceeded credit period but not impaired	267,425	130,467
Impaired and provided for	187,689	188,826
Provision for doubtful debts	<u>(187,689)</u>	<u>(188,826)</u>
	<u>284,314</u>	<u>150,271</u>

The credit period on receivables (Note 11.1) is of 90 days. No interest is charged on receivables for the first 90 days from the date of request of payment. Thereafter, the Council may consider imposing an interest charge of 2% per annum on the outstanding balance. Allowances for doubtful debts are recognised against receivables after 730 days (two years). Receivables disclosed in (Note 11.1) include amounts (see below for aged analysis) that are past due at the end of the reporting date for which the Council has not recognised an allowance for doubtful debts.

Note 11.2

	2023	2022
	€	€
L.E.S receivables	612,855	618,020
Provision for L.E.S doubtful debts (reconciled in the next page)	<u>(612,855)</u>	<u>(618,020)</u>
	<u>-</u>	<u>-</u>

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

11. Trade and other receivables - cont. Note 11.2 - cont.

	2023	2022
	€	€
<i>Movement in the allowance for doubtful debts:</i>		
Balance at beginning of the year	618,020	648,411
Movement in provision	(5,165)	(30,391)
Balance at the end of the year	<u>612,855</u>	<u>618,020</u>

The credit period on L.E.S receivables (Note 11.2) is of 60 days. As the system is controlled by the Central Government, the Council has no control on the charging of interest or the imposition of penalties. Allowances for doubtful debts are recognised against receivables after 730 days (two years).

12. Cash and cash equivalents

	2023	2022
	€	€
Cash at bank	1,964,208	1,834,947
Cash in hand	2,016	2,016
	<u>1,966,224</u>	<u>1,836,963</u>

13. Deferred income

	2023	2022
	€	€
Balance at the beginning of the year	811,962	760,295
Increase during the year	58,589	130,099
Allocated during the year	(29,920)	(78,432)
Balance at the end of the year	<u>840,631</u>	<u>811,962</u>

	2023	2022
	€	€
Deferred for one year	2,360	230,081
Deferred between two and five years	838,271	581,881
	<u>840,631</u>	<u>811,962</u>




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

14. Trade and other payables

	2023	2022
	€	€
Trade payables	523,711	372,614
Other taxes	500	262
Other payables	30,915	6,720
Accruals	77,111	188,060
Total Financial Liabilities	<u>632,237</u>	567,656
Deferred income	2,360	230,081
	<u>634,597</u>	797,737

15. Contingent liabilities

During 2019, the Council committed a Bank Guarantee in favour of the Planning Authority and amounting to €6,100 in connection with a Project to construct a Car park Facility in the locality, The Council would be required to pay damages and penalties to the Planning Authority in the event that it does not execute the project in line with what is expected of it under the terms of the development permit.

During 2021, the Council has also committed 14 Bank Guarantees in favour of the Planning Authority and amounting to €2,300 each (total of €32,200) in connection with a Project to restore a number of niches in the locality. The Council would be required to pay damages and penalties to the Planning Authority in the event that it does not execute the project in line with what is expected of it under the terms of the development permit.

16. Capital commitments

	2023	2022
	€	€
Approved but not contracted for	-	<u>2,217,750</u>

17. Related party transactions

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

Name of entity	Nature of relationship
Ministry for Tourism	Significant control
Department of Local Councils	Significant control
Regional Committee - Local Law Enforcement	No Control
Bank of Valletta	No Control
Department of Education	No Control
Enemalta Corporation	No Control
Local Councils Association	No Control
Water Services Corporation	No Control
Wasteserv Malta Limited	No Control
Works Division - Director General Works	No Control



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

17. Related party transactions (cont.)

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

	2023	2022
	€	€
Significant control Revenue:		
Annual financial allocation	<u>1,428,080</u>	<u>1,414,072</u>

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

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Local Council, directly or indirectly. The main key management personnel are the Major, Councillors and the Executive Secretary.

The significant transactions carried out with key management personnel are:

	2023	2022
	€	€
Personal emoluments include, inter alia:		
Mayor's Allowance	20,927	20,290
Councillors' Allowance	29,400	31,522
Executive Secretary salary and allowances	<u>43,985</u>	<u>44,551</u>

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

18. Risk management objectives

The Council is exposed to credit risk, liquidity risk and contractual maturity risk through its use of financial instruments which result from its operating and investing activities. The most significant financial risks to which the Council is exposed to are described below.

18.1 Credit risk

The Council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the date of the Statement of Financial Position (as disclosed in Notes 11 and 12, and as referred to hereunder), which arises from cash and cash equivalents and credit exposures from receivables as follows:

	2023	2022
	€	€
Trade and other receivables (Note 11.1)	325,523	317,568
Cash in bank (Note 12)	1,966,224	1,836,963
	<u>2,291,747</u>	<u>2,154,531</u>

L.E.S receivables relate to sentenced cases arising from contraventions which are legally due to the Council. The credit risk exposure is high on L.E.S receivables as the Council has no control on such collectables. The amounts have been fully provided for with a provision for bad debts.

Receivables arise from legal obligations due to the Council by third parties. The credit risk exposure is considered low as the Council is in direct contact with such debtors. Accrued income represents income receivable from Government and related agencies. Their relative credit exposure is considered low. The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective note to the financial statements and there is no collateral to secure such assets.

Cash at bank relates to balances held as savings accounts placed with a local reliable financial institution. The credit risk exposure in this respect is considered low.

18.2 Liquidity risk

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

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



Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**18. Risk management objectives (cont.)****18.2 Liquidity risk (cont.)**

At 31 December 2023, the Council's financial liabilities have contractual maturities which are summarised as follows:

	Within 1 year €	1 to 5 years €	More than 5 years €
Payables	555,126	-	-
Accruals	77,111	-	-

This compares to the maturity of the Council's financial liabilities in the previous reporting period as follows:

	Within 1 year €	1 to 5 years €	More than 5 years €
Payables	379,596	-	-
Accruals	188,060	-	-

18.3 Interest rate risk

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 12), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

18.4 Summary of the financial assets and liabilities by category

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

Current Assets	2023	2022
	€	€
Financial assets measured at amortised costs:		
Trade and other receivables	325,523	317,568
Cash and Cash Equivalents	1,966,224	1,836,963
	<u>2,291,797</u>	<u>2,154,531</u>
Current Liabilities	2023	2022
	€	€
Financial liabilities measured at amortised costs:		
Trade and other payables	555,126	379,596
Accruals	77,111	188,060
	<u>632,237</u>	<u>567,656</u>

Notes to the Financial Statements for the year ended 31 December 2023 (cont.)**19. Capital risk management**

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

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

20. Fair value of financial assets and financial liabilities

At 31 December 2023, the fair value of non-current financial assets and non-current financial liabilities are not materially different from the carrying amounts.

21. Events after the reporting date

No other adjusting or significant non-adjusting events have occurred between the reporting date and the date of approval of the financial statements by the council members.



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 Sliema Local Council set out on pages 2 to 26 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 significant accounting policies.

In our opinion, the 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).

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 Local Council are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and 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 Local 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 Local 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

Fort Business Centre

Triq l-Intornjatur, Zone 1

Central Business District,

Birkirkara CBD 1050

Malta

19 June 2024

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The Mayor
Sliema Local Council
Depiro Street
Sliema, SLM 2037
Malta

Our ref MB/bb/128024
19 June 2024



Dear Sir,

Financial statements for the year ended 31 December 2023

During the course of our audit for the year ended 31 December 2023 we have reviewed the accounting system and procedures operated by Sliema Local Council (the “council”). We set out in this report the more important points that arose as a result of our review.

1 Previous management letter**1.1 Property, plant and equipment**

We again identified shortcomings in property, plant and equipment related to the upkeep of fixed asset register (refer to note 2).

1.2 Debtors

We again identified shortcomings in debtors account related to long outstanding debtors (refer to note 3.1).

We are pleased to inform that the council has rectified the issue with the debtors account with Wasteserv Malta Ltd.

1.3 Trade and other payables

We again noted that the local council did not obtain statements as at or near year-end from all suppliers (refer to note 4.1).

The books of account still include long-outstanding creditors and debit balances in creditors list (refer to notes 4.3 and 4.5).

During our circularisation of creditors, we again noted a discrepancy in the balance of Med Developers (refer to note 4.7)

2 Property, plant and equipment

Upkeep of fixed asset register

- 2.1 During the audit fieldwork we noted that the fixed asset register includes descriptions such as shelving, cabinet, litter bins, benches, air conditioner and others. Therefore individual assets could not be traced from the register to the councils' premises and locality.
- 2.2 As pointed out in our prior years' management letters, the fixed asset register must at least include the following details:
- i. Description of asset
 - ii. Date of purchase
 - iii. Supplier details
 - iv. Invoice number
 - v. Invoice date
 - vi. Asset tag code (where applicable)
 - vii. Cost
 - viii. Depreciation rate
 - ix. Location of asset
 - x. Grants received
- 2.3 We suggest that the council updates its fixed asset register with full details and categorises assets appropriately. This will ensure that assets can be easily identified and further ensure that the depreciation calculated is correct.

3 Debtors

Long outstanding debtors

- 3.1 During our review of recoverability of debtors, we noted an amount receivable from the Ex-Mayor of € 2,836 which is no longer recoverable and accrued income of € 77,950 which is doubtful of collection. We proposed adjustments to write-off and provide an allowance for these balances which have been accepted by the council and reflected in the financial statements.
- 3.2 At 31 December 2023, the council's adjusted debtors' list includes the following balances which have been outstanding for more than one year:

<u>Debtor</u>	Outstanding for > 1 year €	Balance as at 31/12/2023 €	Provision for uncollectible balance €
202 Jewellry	900	900	900
Active Enterprises Co. Limited	61,900	61,900	61,900
Blues Limited	6,000	6,000	5,000
Ray Coppini	165	165	165
Exiles Beach Club	425	425	425
Local Enforcement System Agency	2,557	3,351	1,401
North Region	9	9	-
Polidano Brothers Limited (net)	17,326	17,326	-
Sean Fitz	16,118	23,199	23,199
Studio 26th Frame	352	352	352
Stay Gold	150	150	-
Wasteserv Malta	8,715	8,715	8,715
Water Services Corporation	88,753	88,753	85,631
Other receivables	2,929	2,929	-
	206,299	214,174	187,688
<u>Accrued income</u>			
UIF Grant	77,950	77,950	77,950
	284,249	292,124	265,638

- 3.3 We would like to recommend once again that the council pursues these debtors by sending reminders for the long overdue amounts and establish whether the amounts recorded in the council's books of accounts are correct. Otherwise, if the council believes that these amounts are unrecoverable, it should evaluate the possibility of writing them off in the books of account after obtaining approval in a council meeting.

Alternative procedures on debtors

- 3.4 During our testing of debtors, we noted that the council recognised payment received from Sean Fitz of € 1,137 and LES of € 5,165 against the debtor account. These debtors were fully provided with an allowance in the previous years; however, the related allowance was not reversed after receipt of payment. Audit adjustments were proposed to correct these as appropriate. These were accepted by the council and reflected in the financial statements.
- 3.5 We would like to remind the council that when payments received relate to debtors which have already been provided with an allowance, the corresponding allowance should be reversed upon collection, to ensure that debtors are stated properly.

Circular 1/2024 Accounting Treatment

- 3.6 The council failed to comply with Circular 1/2024 in relation to treatment of year 2023 annual allocation – local councils and treatment of loan and additional liquidity funds payable back on demand – regional councils. The council did not accrue the amount receivable from Department for Local Government ('DLG') of € 183,370 related to the annual allocation not received, and instead set-off this amount against the amount received from the regional council.
- 3.7 In accordance with the circular, the council should recognise the full annual allocation as income and recognise an accrued income from the DLG for the allocation receivable. We proposed an audit adjustment to reflect the accounting treatment as stated in the circular. This was accepted by the council and reflected in the financial statements.
- 3.8 We recommend that the council ensures adherence to the circular issued by DLG from time to time.

4 Trade and other payables

Supplier statements

- 4.1 We again noted that the council did not obtain statements as at or near year-end from all suppliers to confirm the year-end balances and to ensure the completeness of the books of account. Circulars issued from time to time by the Department for Local Government specifically emphasis that the council should acquire monthly statements from all its suppliers.
- 4.2 We understand that the council does make every effort to obtain statements from its suppliers and that sometimes it is difficult to obtain monthly statements due to suppliers' inefficiency. However, we recommend the council keeps on chasing its suppliers for regular statements. This will ensure that the council's creditors are properly recorded in the accounts and that any differences or disputes are highlighted promptly.

Long-outstanding creditors

- 4.3 The council's creditors' list includes the following balances which have been outstanding for more than one year:

Creditor	€
Alfred Green	2,000
Caruana Light	4,779
LBV Ltd	2,529
Polidano	77,300
Water Services	1,189
Other creditors	1,602
	89,399

- 4.4 We recommend that the council reviews these amounts and, either settles them if still due, or else reverses them after having obtained approval from the council. Furthermore, decisions and discussions regarding these balances should be minuted during the council meetings.

Debit balances in creditors' list

- 4.5 We identified debit balances in the creditors' list of € 3,944 and other creditors of € 418. These consist of the following:

Creditor	€
W&E Works Dept Projects Section	1,487
Mapfre Middlesea Insurance	887
Valletta Legal	620
Howard's	241
C-Plant (IT Solutions) Limited	231
Anthony Pace	202
Go plc	151
Planning Authority	125
	3,944
Other creditors	418
Total	4,362

We proposed audit reclassifications to record these debit balances as other debtors. This was accepted by the council and reflected in the financial statements.

- 4.6 The council should issue and allocate payments against specific invoices. We also recommend that the council investigates the debit balances in creditors as these can indicate a possible overpayment or omitted purchases or expenses.

Confirmation of creditors

- 4.7 As part of our audit procedures we circularised confirmation letters to selected creditors. We noted the following discrepancy between the council's books of account and confirmation letter which was received:

Creditor	Amount per council's books of account €	Amount per confirmation reply €	Difference €
Med Developers	107,137	32,682	74,455

- 4.8 As per reconciliation, the difference is due to:

	€
(i) Transaction recorded in 2021 and recorded again in 2023	60,000
(ii) Amount already paid	6,460
(iii) Long outstanding balance written-off	7,995
Total	74,455

We proposed adjustments to correct the balance with Med Developers based on the confirmation reply received and demand letter from Med Developer's legal representative. These were accepted by the council and reflected in the financial statements.

- 4.9 We recommend that the council contacts Med Developers and ensures that all unpaid transactions are properly reflected in the books of account.

Alternative procedures on creditors

- 4.10 As part of our audit procedures, we circularised confirmation letters to selected creditors, and performed alternative procedures on creditors whom we did not receive a reply. We noted the following discrepancy between the council's books of account and alternative procedures performed:

Creditor	Amount per council's books of account €	Amount per alternative procedures €	Difference €
Eastern Regional Council	33,233	44,387	(11,154)

- 4.11 As confirmed with the council, there is a difference in the September invoice for waste management services of € 11,911 from the amount per Eastern Regional Council's statement of account. The updated invoice was received by the council in April 2024. We proposed an adjustment to agree the balance with the updated invoice. This was accepted by the council and reflected in the financial statements. The remaining difference of € 757 is trivial and not further investigated.

5 Deferred income

Accounting for Grants

5.1 During our testing of deferred income, we noted the following discrepancies in the recognition of grants:

	€
i. Fixed assets acquired related to grant -Library scheme were recognised as a debit to deferred income instead of fixed asset additions.	521
ii. Fixed assets acquired related to grant -Fondi LESA were recognised as a debit to deferred income instead of fixed asset additions.	2,955
iii. Funds received related to Ferro Bay grant recorded as a deduction against fixed assets. The project has not commenced, hence should be recorded as deferred income.	63,432
iv. Deferred income of € 14,646 related to an independence gardening community project (Norway Grant), was still showing in the accounts although the project was cancelled in 2023. All amounts related to this project should be reversed following cancellation of the project.	(14,646)
v. Deferred income of € 22,440 related to the Accessibility and Mobility Capital Projects (SPI/SCI/3/2020), with grant amount of € 29,920, was still showing in the accounts although the project was completed in 2023.	(22,440)
Total	<u>29,822</u>

5.2 We proposed audit adjustments to correct the balance of deferred income and other related accounts as appropriate. These were accepted by the council and reflected in the financial statements.

5.3 We suggest that the council allocates its grants appropriately and reminded the council that 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 property, plant and equipment, and should not be depreciated. We further recommend the council to review the deferred income schedule yearly to identify projects which are already completed or cancelled in order to account for them properly.

Presentation of deferred income between current and non-current

5.4 We noted that the council's deferred income was presented in the unaudited financial statements as part of current liabilities, including the comparative figures. We have enquired the council with respect to the timing of the fulfillment of obligation on the various projects related to the deferred income and noted that € 838,271 should be presented as non-current as the fulfillment of the obligation extends beyond one year.

5.5 We recommend the council to review its deferred income account regularly. Deferred income is classified as a current liability if the obligation will be fulfilled within one year or a non-current liability if the fulfillment extends beyond one year. Proper classification ensures accurate financial reporting.

6 Revenue

Income from Regional Council

- 6.1 We noted that a refund from the Regional Council of € 13,998 for the cultural and sports projects for the year was not recorded as income for the year. These refunds form part of the yearly memo issued by the Regional Council with which the Local Councils can claim reimbursements for certain activities carried out during the year.
- 6.2 We also noted refunds from the Regional Council of € 1,000 and € 3,000, related to reimbursement from musical events and Christmas event, respectively, which were recorded as 'other government income' instead of 'refund of expenses'.
- 6.2 The council should monitor and ensure that all refunds received from the Regional Council are recorded timely and in its appropriate income account. This will ensure that revenue recognised is complete and presentation is consistent in the financial statements.

7 Personal emoluments

Salaries and allowances classification

- 7.1 During the year, we noted that the unaudited financial statements do not reflect the correct classification of salaries and allowances. Refer to the summary presented as follows:

	Unaudited Financial Statements (Note 7)	Audited Financial Statements (Note 7)	Difference
<i>Key Management Personnel</i>			
Councilor's allowance	22,514	29,400	(6,886)
Executive Secretary's salary and allowances	35,058	43,985	(8,927)
Employees' salaries	158,042	142,229	15,813
	215,614	215,614	-

- 7.2 We recommend that the council monitors and keeps record on the actual classification and posting of the salary expenses to ensure correct disclosure in the financial statements.

8 Financial statements

Presentation of financial statements

- 8.1 The Local Council is required to prepare financial statements in conformity with International Financial Reporting Standards (IFRS). During our audit, we identified that the council's unaudited financial statements needed updates and further corrections in accordance with IFRS.
- 8.2 We recommend that the council gives more attention to the preparation of the financial statements. The required updates and corrections have been amended in the audited financial statements.

Conclusion

We would like to point out that the matters dealt with in this report came to our notice during the conduct of our normal audit procedures which are primarily designed for the purpose of expressing an opinion on the financial statements of the council. In consequence our work did not encompass a detailed review of all aspects of the system and cannot be relied upon necessarily to disclose defalcation or other irregularities or to include all possible improvements in internal control that a more extensive special examination might develop.

We would like to take this opportunity to thank Mr Pierre Paul Portelli and his staff for their co-operation and assistance during the course of the audit.

Yours faithfully,

