

QALA LOCAL COUNCIL

**Report and financial statements
For the year ended 31 December 2023**

Prepared by:

**John C Buttigieg
Certified Public Accountant
Capital Heights, Triq Gorg Borg Olivier,
Victoria VCT 2519 – Gozo**

QALA LOCAL COUNCIL

**Annual report and financial statements
for the year ended 31 December 2023**

<i>Section</i>	<i>Table of Contents</i>
	<i>Pages</i>
Statement of Local Council Members' and Executive Secretary's Responsibilities	2
Statement of Comprehensive Income	3
Statement of Financial Position	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 22
Independent Auditors' Report	23 - 26

**Annual report and financial statements
for the year ended 31 December 2023**

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

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's statement of comprehensive income for the year and of the Local Council's retained funds at the end of the year. By virtue of the same regulations it is duty of the Council and the Executive Secretary to ensure that the Financial Statements forming part of the report present fairly, in accordance with accounting policies applicable to Local Councils, the income and expenditure of the 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, 1993, and the Local Councils (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 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.

Approved by the Council and signed on its behalf on 6th May 2024 by:



Paul Buttigieg
Mayor



Heidi Victoria Grech
Executive Secretary

QALA LOCAL COUNCIL

**Statement of Comprehensive Income
for the year ended 31 December**

	Notes	2023 €	2022 €
Income			
Funds received from central government	3	411,142	382,236
Law enforcement income	4	1,911	1,000
General income	5	56,038	105,557
		<u>469,091</u>	<u>488,793</u>
Expenditure			
Personal emoluments	6	92,763	81,151
Operations and maintenance	7	87,731	94,488
Administration and other expenditure	8	306,468	303,313
		<u>486,962</u>	<u>478,952</u>
Operating (deficit)/ surplus for the year		€ (17,871)	€ 9,841
Finance income	9	259	259
Finance cost	10	(756)	(228)
(Deficit)/ surplus for the financial year		<u>€ (18,368)</u>	<u>€ 9,872</u>

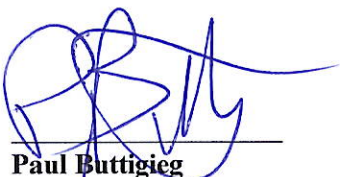
The notes on pages 7 to 22 are an integral part of the financial statements.

**Statement of Financial Position
as at 31 December**

		2023	2022
Assets	Notes	€	€
Non-current assets			
Property, plant and equipment	11	328,182	314,745
Current Assets			
Receivables	12	40,481	190,239
Cash and cash equivalents	13	1,277,996	1,179,998
		1,318,477	1,370,237
Total assets		€ 1,646,659	€ 1,684,982
Reserves and liabilities			
Reserves			
Retained funds		875,303	893,671
Current liabilities			
Payables and accruals	15	771,356	791,311
		771,356	791,311
Total Reserves and Liabilities		€ 1,646,659	€ 1,684,982

The notes on pages 7 to 22 are an integral part of the financial statements.

These Financial Statements were approved and authorised for issue by the Local Council on 6th May 2024 and signed on its behalf by:


Paul Buttigieg
Mayor


Heidi Victoria Grech
Executive Secretary

QALA LOCAL COUNCIL

**Statement of changes in equity
for the year ended 31 December**

	Retained funds
	€
Balance at 01 January 2022	883,799
Surplus for the financial year	9,872
	<hr/>
Balance at 31 December 2022	€ 893,671
	<hr/>
Balance at 01 January 2023	893,671
Deficit for the financial year	(18,368)
	<hr/>
Balance at 31 December 2023	€ 875,303
	<hr/>

The notes on pages 7 to 22 are an integral part of the financial statements.

QALA LOCAL COUNCIL

**Statement of Cash Flows
for the year ended 31 December**

		2023	2022
	Notes	€	€
<i>Cash flows from operating activities</i>			
(Deficit)/surplus for the financial year		(18,368)	9,872
<i>Adjustment for:</i>			
Depreciation	11	40,872	29,355
Interest receivable	9	(259)	(259)
Interest payable	10	756	228
		<u>23,001</u>	<u>39,196</u>
<i>Operating surplus before working capital movements</i>			
Increase in receivables		(35,439)	(158,112)
(Decrease)/Increase in payables		(122,842)	406,235
<i>Net cash (used in) / generated from operating activities</i>		<u>(135,280)</u>	<u>287,319</u>
<i>Cash flows from investing activities</i>			
Purchase of property, plant and equipment		(53,594)	(389,059)
Grants received		287,369	7,731
Interest received		259	259
		<u>234,034</u>	<u>(381,069)</u>
<i>Net cash flows generated from/(used in) from investing activities</i>			
<i>Cash flows from financing activities</i>			
Interest paid		(756)	(228)
		<u>(756)</u>	<u>(228)</u>
<i>Net cash used for financing activities</i>			
<i>Net increase/(decrease) in cash and cash equivalents</i>		97,998	(93,978)
Cash and cash equivalents at the beginning of the year		<u>1,179,998</u>	<u>1,273,976</u>
Cash and cash equivalents at the end of the year	13	€ <u>1,277,996</u>	€ <u>1,179,998</u>

The notes on pages 7 to 22 are an integral part of the financial statements.

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December

1. General Information

Qala Local Council is the local authority of Qala setup in accordance with the Local Councils Act.
The office of the Local Council is situated at :

'Civil Centre' Bishop Buttigieg Street, Qala.

The Qala Local Council forms part of the Gozo Regional Committee.

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.

a. Accounting convention

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

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

b. Standards, amendments and interpretations to existing standards

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.

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December

2. Material Accounting Policy Information (continued)

b. Standards, amendments and interpretations to existing standards (cont.)

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

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

a. Revenue recognition

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs and 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 the expenses.

b. Local Enforcement Systems

The amount disclosed in the financial statements under Local Enforcement System income represents the administrative fee of 10% that is now chargeable to the Regional Committees and the Law Enforcement System Agency for contraventions paid at the Council.

c. Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss to date. Depreciation is calculated on a monthly basis using the straight line method.

The depreciation rates are the following:

	%
Land	0
Trees	0
Buildings	1
Office furniture and fittings	7.5
Construction works	10
Urban Improvements	10
Special programmes	10
Office equipment	20
Motor vehicles	20
Plant and machinery	20
Computer equipment	25
Plants	100
Litter bins	replacement basis
Playground equipment	100

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December

2. Material Accounting Policy Information (continued)

c. Property, Plant and Equipment (continued)

The depreciation rates are the following: (continued)

Road and Traffic 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 financial reporting date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

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 benefit associated with the item will flow to the Local Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

d. Government Grants

Government grants relating to operating expenditure are recognised according to IAS 20 in the Statement of Comprehensive Income in the same period that the related expenditure is incurred. Grants relating to assets are deducted from the carrying amount of the asset using the capital approach.

e. 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 cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Comprehensive Income.

f. 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 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 Statement of Comprehensive Income.

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December

2. Material Accounting Policy Information (continued)

g. Payables

Liabilities for accounts payable and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Council.

Amounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

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

i. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS Accounting Standards 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. Revision 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, 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).

j. 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's 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). 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.

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December

2. Material Accounting Policy Information (continued)

k. Financial Instruments

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

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

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs. They are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets of the Council are classified into loans and receivables upon initial recognition.

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

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

Loans and receivables are non-derivating financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Council's other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that aren't considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

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'.

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December

3. Funds received from Central Government

	2023	2022
	€	€
In terms of Section 55 of the Local Councils Act (CAP 363)	371,620	365,236
Other Government Funds	39,522	17,000
	<hr/>	<hr/>
Total funds received from central government	€ 411,142	€ 382,236

4. Local Enforcement Income

	2023	2022
	€	€
Administrative fees from regional committees and LESA	€ 1,911	€ 1,000
	<hr/>	<hr/>

5. General Income

	2023	2022
	€	€
Income from Permits	16,927	13,428
EU funds	23,457	87,614
Other income	15,654	4,515
	<hr/>	<hr/>
	€ 56,038	€ 105,557

6. Personal emoluments

	2023	2022
	€	€
Mayor's honoraria	11,080	10,742
Executive Secretary Salary and allowance	25,879	5,585
Acting Executive Secretary salary	10,488	32,952
Employees' Salaries	29,038	17,227
Social Security Contributions	3,278	1,645
Allowances for Councillors and Mayor	13,000	13,000
	<hr/>	<hr/>
	€ 92,763	€ 81,151

QALA LOCAL COUNCIL

**Notes to the financial statement
for the year ended 31 December**

7. Operations and maintenance	2023	2022
	€	€
<i>Repairs and upkeep</i>		
Signs	2,202	1,659
Road and street pavements (patching work)	1,345	1,312
	<u>€ 3,547</u>	<u>€ 2,971</u>
 <i>Contractual services</i>		
Refuse collection	32,372	36,049
Bulky refuse collection	18,148	18,464
Road and street cleaning	26,044	27,898
Cleaning and maintenance of Public Conveniences	1,109	760
Waste Disposal fees	6,511	8,346
	<u>€ 84,184</u>	<u>€ 91,517</u>
 8. Administration and other expenses		
	2023	2022
	€	€
Utilities	9,628	4,439
Sundry material & supplies	11,676	23,258
Rent	6,850	12,658
National /International memberships	500	360
Office services	4,735	5,868
Commercial vehicle expenses and fuel	2,955	-
Transport	574	150
Travelling expenses	1,734	1,478
Travelling overseas expenses	5,649	-
Advertising	780	65
Information services	630	-
Penalties	177	-
Provision for bad debts	582	-
Other contractual services	58,524	21,331
Foreign delegation expenses	14,139	6,599
Professional services	19,437	14,061
Community services and events	123,626	95,797
EU activities	1,146	87,614
Accrued income written off	2,181	-
Uniforms	73	280
Depreciation	40,872	29,355
	<u>€ 306,468</u>	<u>€ 303,313</u>

QALA LOCAL COUNCIL

**Notes to the financial statement
for the year ended 31 December**

9. Finance income

	2023		2022
	€		€
Bank interest received	€ 259	€	259

10. Finance cost

	2023		2022
	€		€
Bank charges	€ 756	€	228

QALA LOCAL COUNCIL

**Notes to the financial statements
for the year ended 31 December**

11 a. Property, Plant and Equipment

	Trees	Office Furn. & fittings		Plant & Machinery		Motor Vehicle		Computer Equipment		Office Equipment		New Street Signs		Urban Improvements		Construction programmes		Special programmes		Total
		€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	
<u>Cost</u>																				
At 01 January 2023	2,264	31,088	15,962	30,250	23,565	16,460	11,537	84,928	718,392	1,586,755	2,521,201									
Additions	-	14,089	558	-	469	1,083	-	20,877	-	-	16,518	53,594								
At 31 December 2023	2,264	45,177	16,520	30,250	24,034	17,543	11,537	105,805	718,392	1,603,273	2,574,795									
<u>Grants and other reimbursements</u>																				
At 01 January 2023	-	-	6,700	-	-	1,327	-	11,119	161,252	1,026,227	1,206,625									
Adjustment Additions	-	-	-	-	-	-	-	5,000	-	(5,715)	5,000									
At 31 December 2023	-	-	6,700	-	-	1,327	-	16,119	161,252	1,020,512	1,205,910									
<u>Depreciation</u>																				
At 01 January 2023	-	24,111	7,913	504	20,442	11,032	11,537	45,750	524,899	353,643	999,831									
Charge for the year	-	1,051	606	6,050	1,749	1,511	-	2,432	4,113	23,360	40,872									
At 31 December 2023	-	25,162	8,519	6,554	22,191	12,543	11,537	48,182	529,012	377,003	1,040,703									
<u>Net book value</u>																				
At 31 December 2023	€ 2,264	20,015	1,301	23,696	1,843	3,673	-	41,504	28,128	205,758	328,182									
At 31 December 2022	€ 2,264	6,977	1,349	29,746	3,123	4,101	-	28,059	32,241	206,885	314,745									

QALA LOCAL COUNCIL

**Notes to the financial statements
for the year ended 31 December**

11 b. Property, Plant and Equipment

	Trees	Office Fum. & fittings	Plant & Machinery	Motor Vehicle	Computer Equipment	Office Equipment	New Street Signs	Urban Improvements	Construction programmes	Special	Total
	€	€	€	€	€	€	€	€	€	€	€
<u>Cost</u>											
At 01 January 2022	2,264	26,810	15,962	-	23,565	15,875	11,537	60,269	692,725	1,283,135	2,132,142
Additions	-	4,278	-	30,250	-	585	-	24,659	25,667	303,620	389,059
At 31 December 2022	2,264	31,088	15,962	30,250	23,565	16,460	11,537	84,928	718,392	1,586,755	2,521,201
<u>Grants and other reimbursements</u>											
At 01 January 2022	-	-	6,700	-	-	1,327	-	8,929	161,252	947,380	1,125,588
Additions	-	-	-	-	-	-	-	2,190	-	78,847	81,037
At 31 December 2022	-	-	6,700	-	-	1,327	-	11,119	161,252	1,026,227	1,206,625
<u>Depreciation</u>											
At 01 January 2022	-	22,134	7,400	-	18,642	9,814	11,537	44,231	520,963	335,755	970,476
Charge for the year	-	1,977	513	504	1,800	1,218	-	1,519	3,936	17,888	29,355
At 31 December 2022	-	24,111	7,913	504	20,442	11,032	11,537	45,750	524,899	353,643	999,831
<u>Net book value</u>											
At 31 December 2022	€	6,977	1,349	29,746	3,123	4,101	-	28,059	32,241	206,885	314,745
At 31 December 2021	€	4,676	1,862	-	4,923	4,734	-	7,109	10,510	-	36,078

QALA LOCAL COUNCIL

**Notes to the financial statement
for the year ended 31 December**

12. Receivables	2023	2022
	€	€
Accounts receivable	8,886	14,053
Prepayments and accrued income	31,595	176,186
	<u>€ 40,481</u>	<u>€ 190,239</u>

Receivables are stated after a specific provision for doubtful debts:

Provision for bad debts

	€	€
Balance brought forward	2,227	2,227
Movement	581	-
Balance carried forward	<u>€ 2,808</u>	<u>€ 2,227</u>

Receivables are analysed as follows:

Within credit limit	24,089	181,186
Exceeded credit period but not impaired	16,392	9,053
	<u>€ 40,481</u>	<u>€ 190,239</u>

13. Cash and Equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the Local Council Statement of Financial Position:

	2023	2022
	€	€
Ordinary funds	1,260,697	1,163,698
Measure 313, 312, 125 and 413.4 funds	17,160	16,297
Cash in hand	139	3
	<u>€ 1,277,996</u>	<u>€ 1,179,998</u>

14. Deferred income

	2023	2022
	€	€
Balance brought forward	291,672	314,168
Increased during the year	97,200	7,731
	<u>388,872</u>	<u>321,899</u>
Released during the year	32,879	30,227
Balance carried forward	<u>€ 355,993</u>	<u>€ 291,672</u>

QALA LOCAL COUNCIL

**Notes to the financial statement
for the year ended 31 December**

14. Deferred income (cont.)

	2023	2022
<i>Current deferred income</i>	€ 355,993	€ 291,672

15. Payables and accruals

	2023	2022
	€	€
Accounts payable	66,285	98,145
Accruals and other payables	349,078	401,494
Deferred income (current portion)	355,993	291,672
	<u>€ 771,356</u>	<u>€ 791,311</u>

16. Capital Commitments

	2023	2022
	€	€
<i>(i) Details of capital commitments are as follows:</i>		
Approved but not yet contracted for (ii)	1,133,708	1,014,103
Contracted for but not provided in Financial Statements (iii)	4,708	-
	<u>1,133,708</u>	<u>1,014,103</u>
<i>(ii) Approved but not yet contracted for:</i>		
Surfacing of part of Pjazza San Guzepp and Triq it-28 ta' April 1688	242,005	242,005
Second phase of water culverts, excavations etc in Triq it 28 ta' April 1688	538,495	538,495
Refurbishing of playing field - Triq Magistrat Attard - Qala - Gozo	53,770	53,770
Decorative luminiers - Pjazza San Guzepp	25,920	-
Decorative luminiers - Patri Guzepp Portelli Street	-	5,098
Zebra Crossing and belishia lighting	15,250	-
External CCTV Camera System for Qala	16,518	-
Gnien il-Familja - Outdoor Gym	-	9,027
Embellishment of fountain and construction of pavement near Council	163,708	163,708
Buttigieg Primary School	-	2,000
Renovation of Public Convenience at Triq 28 ta' April 1688	41,744	-
Monument in Remembrance of War Victims	6,730	-
New Roundabouts around Qala	29,568	-
	<u>€ 1,133,708</u>	<u>€ 1,014,103</u>

(iii) Contracted for but not provided in Financial Statements:

	2023	2022
	€	€
Installation of office furniture for the Gozo College President Anton Buttigieg Primary School	4,708	-
	<u>€ 4,708</u>	<u>€ -</u>

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December

17. Financial instruments

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.

Credit risk

The Council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period, as summarised below:

<i>Class of financial assets - carrying amounts</i>	2023 €	2022 €
Trade and other receivables	40,481	190,239
Cash and Cash Equivalents	1,277,996	1,179,998
	<u>€ 1,318,477</u>	<u>€ 1,370,237</u>

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

The Council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See note 12 for further information on impairments or financial assets that are past due.

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

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

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.

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December

17. Financial instruments (cont.)

The Council manage its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis.

	2023	2022
<i>Due within one year or less:</i>	€	€
Payables	771,356	791,311

Foreign Currency Risk

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

Interest Rate Risk

Interest rate risk mainly arises through interest bearing liabilities and assets. The objective of interest rate risk management is to optimise the balance between minimizing uncertainty caused by fluctuations in interest rates and maximising the net interest income and expense.

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 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.

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December

18 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:

	2023	2022
	€	€
<i>Current Assets</i>		
Trade and Other Receivables	40,481	190,239
Cash and Cash Equivalents	1,277,996	1,179,998
	<u>1,318,477</u>	<u>1,370,237</u>
<i>Current Liabilities</i>		
Financial Liabilities Measured at Amortised Cost:		
Payables	<u>771,356</u>	<u>791,311</u>

19 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 Councils	Significant control
Gozo Regional Committee	Joint Control
Central Regional Committee	No Control
Regional Committees	No Control
Water Services Corporation	No Control
Enemalta Corporation	No Control
Wasteserv Malta Limited	No Control
Malta Environment and Planning Authority	No Control
Department of Lands	No Control
Director General - Works Division	No Control
Police General Headquarters	No Control
Office of the Prime Minister	No Control
Office of the Prime Minister	No Control
Office of the Commissioner for Data Protection	No Control
Association of Local Councils' Secretaries	No Control
Ministry for Resources and Rural Affairs	No Control

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December

19 Related party transactions (cont.)

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

	2023	2022
Income		
Annual financial allocation	€ 371,620	€ 365,236

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 improvement and betterment of the locality.

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

Key management compensation

Transactions with key management personnel are disclosed in note 6.

20 Fair value estimation

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