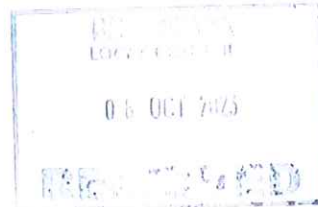


Our Ref: NAO 107/2021/39

Your Ref:

4 October 2023



The Mayor and the Executive Secretary
Mosta Local Council
Mosta

Dear Sir/Madam,

**AUDIT REPORT and FINANCIAL STATEMENTS
YEAR ENDING 31 DECEMBER 2022**

In terms of Section P2.06 (c.02) of the Local Councils (Audit) Procedures 2006, I am forwarding a copy of the Audit Report and Financial Statements, together with the Management Letter for the financial year ending 31 December 2022.

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

Yours faithfully,

T. Mercieca
Asst. Auditor General

Encls.

The Mayor
Mosta Local Council
Centru Civiku
Triq Il-Kostituzzjoni
Mosta MST 9059



Grant Thornton
Fort Business Centre
Triq L-Intornjatur, Zone 1
Central Business District
Birkirkara CBD1050
Malla

T +356 20931000
www.grantthornton.com.mt

Our ref MB/mf/136523

18 September 2023

Dear Sir,

Financial statements for the year ended 31 December 2022

During the course of our audit for the year ended 31 December 2022, we have reviewed the accounting system and procedures operated by Mosta 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 Income from Joint Committee

We again noted that the issue of the joint committee was not resolved during the year (refer to note 2.1).

1.2 Other Government income

We again noted instances of income not being recorded in the appropriate account (refer to note 2.4).

1.3 Expired contracts

During the year under review the council utilised expired contracts (refer to note 3.1).

1.4 IFRS 16 'Leases' assessment

The council failed to assess and account for leases in accordance with IFRS 16 (refer to note 3.3).

1.5 Upkeep of fixed asset register

The council failed to update the fixed asset register (refer to note 4.1).

1.6 Additions to fixed assets

We have again noted a number of shortcomings in fixed assets additions (refer to note 4.5).

REGISTRY

29 SEP 2023

1.7 Slow moving stock

During the year, we noted that the council's inventory is slow moving (refer to note 5.1).

1.8 Overdue receivables

We have again noted long outstanding receivables in the books of account (refer to note 6.1).

1.9 Credit balances in debtor's list

We noted a debtors with credit balances in aging report provided (refer to note 6.3).

1.10 Debit balances in creditor's list

We noted a debit balance of which the council failed to deduct the previously paid amount (refer to note 7.5).

1.11 Supplier statements

The council did not obtain supplier statements from all suppliers during the year (refer to note 7.1).

1.12 Long outstanding creditors

The council's books of account still include long outstanding creditors (refer to note 7.3).

1.13 Other creditors

Various discrepancies were noted from other creditors (refer to notes 7.7 and 7.15).

1.14 Refundable deposits

The council failed to resolve the issue of the refundable deposits (refer to notes 7.11).

1.15 Deferred income

We again identified income recorded in the books which had to be accounted as deferred income (refer to note 8.1).

1.16 Accrued income

We identified shortcomings in accrued income (refer to note 9.1)

1.17 Personal emoluments

We identified discrepancies on the FS filings of personal emoluments (refer to note 10.1)

1.18 Books of account

The council is still recording grouped transactions and not including the details identifying the items which are being reclassified (refer to note 11.1).

1.19 **Presentation of financial statements**

We again noted shortcomings in the presentation of financial statements (refer to notes 9.1).

2 Income

Joint committee

2.1 We noted that the North Joint Committee, of which Mosta Local Council formed part up to 31 August 2011, has provided audited financial statements for the year ended 31 December 2009.

2.2 The reserves of the committee at that date amount to €1.6 million. In the absence of audited financial statements for 2011 we were unable to determine whether the council is entitled to receive any further income from the Joint Committee. As a result, our audit report has been qualified.

2.3 Nevertheless, we recommend that the council raises this issue with the Department for Local Government and ensures that the joint committee is liquidated and that the council receives any further income that may be due to it.

Other Government income

2.4 The Council normally receives advanced payments from Department of Local Government to subsidize the salary of a personnel. The advanced payment is recorded as part of deferred income.

During 2022, the Council failed to release the advanced payment amounting to €10,717. The Council credited the debtors control account instead of recognizing other income. An adjustment was passed to recognize the income to which the Council agreed.

2.5 The council should ensure that transactions are properly allocated to the correct account. Furthermore, the council should ensure that the trial balance is agreeing to the financial statements.

3 Expenditure

Expired contracts

- 3.1 The council continued using expired contracts during the year under review and kept on using the service from the same supplier under the old terms and conditions. The following are the expired contracts:

Tender number	Details	Date of expiry	Notes
KLM 02-2011	Provision for services of a legal consultant for Mosta Local Council	30.04.2015	(a)
KLM03-2011	Provision for a service of a maintenance hand/ messenger for the Mosta Local Council	31.05.2015	(b)
	Construction of footpaths and culverts and various other works	06.11.2015	(c)

- (a) The total expenditure for the provision for legal services incurred in 2022 amounts to €37,262. To date of audit fieldwork, the council did not issue a call for quotations.
- (b) The council incurred total expenditure of €41,772. To date of audit fieldwork, the council did not issue a call for tenders.
- (c) The council did not issue a call for quotation or tender during the year.

- 3.2 We would like to remind that the council should start preparing for a new call for tenders ahead of the expiry.

IFRS 16 'Leases' assessment

- 3.3 Whilst performing our audit procedures we noted that the council recorded rent expense amounting to €41,228 in the books of account in relation to five properties leased by the council. The council did not assess IFRS 16 for the rentals since the rental agreements for the contracts have already expired and the council did not enter into a renewal agreement to determine the number of years the properties will be rented.
- 3.4 We recommend that the council enters into renewal agreements with the lessors and assess IFRS 16. In accordance with the new standard, at lease commencement date, the council should recognise a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the council, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). The council should depreciate the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of, the end of the useful life of the right-of-use asset, or the end of the lease term. The council should also assess the right-of-use asset for impairment when such indicators exist. At the commencement date, the council should measure the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the council's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to

be exercised. After initial measurement, the liability should be reduced for payments made and increased for interest.

4 Fixed assets

Fixed asset register

- 4.1 During our audit fieldwork we were not presented with a fixed asset register. In our previous management letter we had noted that during the transition of directive 1/2017 the council had a number of shortcomings in the fixed asset register which were not addressed.
- 4.2 During the audit, we were presented with asset workings in excel which included the net book value of assets as at prior reporting period and additions for the year. The schedule did not include details of assets purchased during the year.
- 4.3 We performed reasonableness testing of the depreciation expense by obtaining the date of capitalisation through the suppliers' invoices and other transactions through nominal activities. We noted that the depreciation expense is overstated by € 2,421. An adjustment was passed to correct the depreciation expense.
- 4.4 We suggest that the council updates its fixed asset register and categorises assets appropriately. This will ensure the appropriate treatment of depreciation and hence the correct net book value.

Additions to fixed assets and grants

- 4.5 Whilst reviewing the fixed asset schedule we noted that grants recorded amounting to €15,336 was incorrectly included in special programmes grant instead of recording the grant as part of urban improvement grants. We have proposed an audit adjustment to rectify the issue. The adjustment was correctly included in the audited financial statements.
- 4.6 A further adjustment was proposed to reclassify excavation works amounting to €34,577 in the correct asset category. The financial statements were amended to reflect our adjustments.

5 Stock

Net realisable value of inventory

- 5.1 During the year we noted that the council's inventory is slow moving.
- 5.2 The council should assess whether the books are being carried at the lower of cost and net realisable value in the financial statements in accordance with generally accepted accounting principles. Write-offs or provisioning of inventories might be necessary if the books remain slow-moving or have no realisable value.

6 Trade and other receivables

Overdue receivables

- 6.1 We noted that a total provision of €16,740 was recorded as at 31 December 2022 in the books of account for the trade receivables out of which the following have been long overdue:

Debtors	€
Other Debtors - Alphonse	6,291
Ministeru tas-Sahha, l-Anzjani u l-Kura	4,528
LESA	2,779
Transport Malta	3,108
Shaun Theuma Marshall	2,666
PRINCESS CAR HIRE	1,298
Go	660
PARROCCA MOSTA	540
Owen Galea	470
Aisha	299
Magical Moments	291
WM Environmental	250
Analise Mifsud	244
Others debtors	1,042
Total	24,466
Provision per books	16,740
Under provision	€ 7,726

- 6.2 We recommend that, although a provision has been made, the council should continue trying to obtain settlement from these debtors reminding them that the amounts have been long overdue.

Credit balances in debtor's list

- 6.3 The debtor's aging report includes a credit balance of €21,411 from Department of Local Government (DLG). DLG subsidizes a salary of a personnel working in the Council and usually pays in advance.
- 6.4 We were able to validate that €10,717 was received in advanced. A reclassification is made to record the balance as part of deferred income.
- 6.5 The remaining credit balance was adjusted to other income. (refer to note 2.4)

7 Trade and other payables

Supplier statements

- 7.1 The council did not obtain monthly statements from all of its suppliers. Directives and circulars issued from time to time by the Department for Local Government specifically state that the council should obtain monthly statements from all suppliers.
- 7.2 We again recommend that the council obtains monthly statements from all suppliers in order to ensure proper recording of creditors in the council's ledgers. This will highlight any discrepancies between amounts recorded in the ledger and amounts in suppliers' statements.

Long-outstanding creditors

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

Creditor	€
Go plc	2,313
Mica Med Ltd.	401
V&C Contractors Limited	46,234
	<u>48,948</u>

- 7.4 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

- 7.5 The council's creditors' list included debit balances from the following creditors:

Creditor	€
Play Safety	5,895
Paul Cuchieri	1,250
	<u>7,145</u>

- 7.6 We recommend that the council investigates debit balances in the creditors' list since they may arise from overpayments or omitted invoices. In addition, these balances should also be disclosed separately with other receivables rather than set off against trade creditors.

Other creditors

- 7.7 Included with other creditors is a balance of €13,370 with respect to 'rent due to Lands Department'. This balance is being carried forward from previous years. The council failed to provide us with supporting documentation. Our audit report was qualified in this respect.
- 7.8 We advise the council to review this amount, and either settle the balance or, if not due, reverse this after careful consideration and approval by the council. All discussions and decisions taken should be minuted accordingly.
- 7.9 We noted that other creditors also include a balance of €2,285 with respect to 'other creditors – library'. The council informed us that it collects income on behalf of the library for photocopying services. The income is recorded in the council's books of account and included with other creditors. The income is then used to cover expenses in connection with library such as printer toner etc.
- 7.10 We recommend that all payables included in the books of account are adequately supported by invoices. The council should appropriately record any income or expenditure in the profit and loss statement.

Refundable deposits

- 7.11 During our audit fieldwork we noted that the council collects deposits for permits of construction works carried out in the locality of Mosta. The deposits are

refunded back only if the council obtains assurance that the sites were left in a good condition after all works have been carried out.

- 7.12 The books of account include an amount of €62,504 in relation to refundable deposits. The deposits vary from 2007 to 2019. The council also informed us that the permit deposits are deposited in two separate bank account (one savings and one current). As at 31 December 2022 the council had €62,837 in its bank accounts. When compared to the books of account this highlights a difference of €333.
- 7.13 The council should review this balance and reconcile all differences noted above. Furthermore, the council should seek legal advice to check if these deposits are time-barred and in that case recognise them in income accordingly.
- 7.14 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.

Other creditors – Lands Department and LESA

- 7.15 During the year under review we noted that included with ‘other creditors’ is an amount of €13,131 pertaining to a suspense account for the balances due to LESA and Lands Department for the receipts not yet paid to these entities. The council informed us that the account is being used to input all bank deposits made pertaining to LESA and Lands and then effect payments to them from the same account. The council failed to keep a list of payments received and made during the year. To this end the council could not identify which payments are still due to LESA and Lands and no supporting documentation was provided to us for the above amount.
- 7.16 We recommend the council to prepare a list with all receipts made by residents to the council, deposits made in council bank account and transfers made to LESA and Lands. Furthermore, this will help the council in identifying balances due easily and avoid any double payments.

8 Deferred income

Realisation of deferred income

- 8.1 During the year under review we noted that included with ‘deferred income’ is an amount of €3,200 and €4,982 pertaining to the LC Care Scheme and construction and restoration of rubble walls in Mosta. These projects have already been issued with a completion report hence the amounts should be reclassified to fixed asset grants. An adjusting entry was recorded to eliminate the transactions in the deferred income account.
- 8.2 We recommend the council review balances as at year end and ensure that amounts are classified correctly.

Accounting for Grants

- 8.3 Included in the deferred income is an amount equivalent to €30,090 related to *“Progetti Infrastrutturale Magguri - maintenance Gnien I-Gharisa tal-Mosta”*. We obtained the contract related to the project and noted that no cash was received related to the project through validating the Council’s bank statement. According to the management, an error in posting was made and that the amount should not be part of deferred income. The error in posting resulted to an understatement of revenue.

- 8.4 An adjustment was passed to reverse the deferred income recognized to which the management agreed.

9 Accrued income

- 9.1 Upon examination of the accrued income schedule, we noted two balances amounting to €26,388 as a receivable from Regjun Tramuntana for 'Tarmac Funds'. The regional council confirmed that only €26,388 is payable to the Council. We proposed an eliminating entry for the double booking of transaction to which the Council agreed to.
- 9.2 We inspected the supporting documents pertaining to the accrued income recorded for the project on 'creation of outdoor gym at Zokkrija'. The contract stipulated that the Council is eligible to receive €122,313 as grant however, the amount recorded as accrued income is €148,360 since the Council foresees that the entire disbursements made for the works can be claimed.
- 9.3 The overaccrual amounting to €26,047 should be reversed as the amount is unsupported with any agreement and there is no high probability that the amount is collectible. We passed an adjustment to reversed the entry.
- 9.4 We inspected the supporting documents pertaining to the accrued income recorded for the "co-financing of construction of new rubble walls and repair, maintenance, reconstruction of existing rubble walls". The amount recorded as accrued income amounted to €9,965 however, 50% percent of the amount was already received in 2019 and was recorded as deferred income. This resulted to an overaccrual of €4,982 and understatement of fixed assets. An adjustment was passed to correct the accrued income.
- 9.5 We recommend that the Council maintain a masterfile for all grants whereby amounts already received reconciles with the deferred income and amounts which are still for collection reconciles with accrued income. In this way, errors in postings are minimized.

10 Personal Emoluments

- 10.1 We obtained the monthly FS 5 and FS 7 of the Council and noted a difference of €2,859. As per the Council's representation, the monthly FS 5's was used to reconcile the personal emoluments recorded per books while they don't normally reconcile the amounts presented in FS 7 with the FS 5 filings.
- 10.2 We also noted that a difference on the Councilors' allowances per FS 3 filing against the balance per books amounting to €3,291. The Council did not provide any explanation on the difference.

11 Books of account

- 11.1 During audit fieldwork we identified a number of transactions passed in the books of account which consisted of grouped transactions. The nominal ledger did not include details identifying the items which are reclassified and thus it was difficult to trace all movements. This was noted in YE2022 adjustments posted in the books of account as at 31 December 2022.
- 11.2 Transactions in the books of account should be posted individually. In particular all journal entries should be substantiated by a detailed narrative explaining the purpose of the journal entry.

12 Cash in bank accounts

- 12.1 During audit fieldwork we identified that there was a transaction that was erroneously deleted. The entry includes a €11,327 debit to cash in bank account. This is determined while performing review of the client's bank reconciliation procedures.
- 12.2 We recommend that the Council reviews its monthly closing balances to confirm that the balances were true as of end of periods.

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. Christopher Grech and his staff for their co-operation and assistance during the course of the audit.

Yours faithfully,





MOSTA LOCAL COUNCIL

**Annual Report
and
Financial Statements**

for the year ended 31 December 2022



Prepared by

Daniel Galea B. Accty. (Hons.) CPA

MOSTA LOCAL COUNCIL

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2022

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MOSTA LOCAL COUNCIL

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


for the year ended 31 December 2022

The Local Councils (Financial) Regulations' require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's comprehensive income for the year and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the 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 Council (Financial) Regulations, and the Local Council (Financial) Procedures issued in terms of the said Act.

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

This statement was approved by the Local Council on the 18th September 2023 and signed on its behalf by



Christopher Grech
Mayor

Lorraine Templeman
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

		2022 €	2021 €
Income	<i>Notes</i>		
Funds received from Central Government	4	1,501,300	1,597,584
Income raised under Local Council Bye-Laws	5	15,952	7,697
Income raised under Local Enforcement System	6	11,625	11,465
General Income	7	231,760	92,702
		<u>1,760,637</u>	<u>1,709,448</u>
Expenditure			
Personal emoluments	9	(310,384)	(302,683)
Operations and maintenance	10	(1,062,529)	(1,123,905)
Administrative and other expenditure	11	(388,602)	(306,072)
		<u>(1,761,515)</u>	<u>(1,732,660)</u>
Operating Deficit for the year		(878)	(23,212)
Finance income	12	90	26
		<u>90</u>	<u>26</u>
Deficit for the year		<u>(788)</u>	<u>(23,186)</u>

The notes on pages 8 to 24 form an integral part of these financial statements


MOSTA LOCAL COUNCIL

STATEMENT OF FINANCIAL POSITION


As at 31 December 2022

	Notes	2022 €	2021 €
ASSETS			
Non-Current Assets			
Intangible assets	14	1,952	2,602
Property, plant and equipment	15	<u>973,056</u>	<u>501,371</u>
		<u>975,008</u>	<u>503,973</u>
Current Assets			
Inventories	13	2,786	2,936
Receivables	16	457,245	479,052
Cash and Cash Equivalents	17	<u>1,085,122</u>	<u>1,043,306</u>
		<u>1,545,153</u>	<u>1,525,294</u>
Total Assets		<u><u>2,520,161</u></u>	<u><u>2,029,267</u></u>
EQUITY AND LIABILITIES			
Reserves			
Retained Fund		<u>1,369,697</u>	<u>1,370,485</u>
		<u>1,369,697</u>	<u>1,370,485</u>
Non-Current Liabilities			
Borrowings	19	<u>200,000</u>	-
		<u>200,000</u>	-
Current Liabilities			
Payables	18	868,889	579,320
Deferred income	20	<u>81,575</u>	<u>79,462</u>
		<u>950,464</u>	<u>658,782</u>
Total Equity and Liabilities		<u><u>2,520,161</u></u>	<u><u>2,029,267</u></u>

These financial statements were approved by the Local Council on the 18th September 2023 and signed on its behalf by:



 Christopher Grech
 Mayor



 Lorraine Templeman
 Executive Secretary

The notes on pages 8 to 24 form an integral part of these financial statements

MOSTA LOCAL COUNCIL

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Retained Funds €
At 1 January 2021	1,393,671
Loss for the year 2021	(23,186)
At 31 December 2021	<u>1,370,485</u>
At 1 January 2022	1,370,485
Loss for the year 2022	(788)
At 31 December 2022	<u>1,369,697</u>

The notes on pages 8 to 24 form an integral part of these financial statements



STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 €	2021 €
Cash flows from Operating Activities		
Loss for the year	(788)	(23,186)
Reconciliation to cash generated from operations:		
Depreciation and amortisation	14,15 51,870	53,195
Increase in provision for Doubtful Debtors	11 3,834	-
Interest receivable	12 (90)	(26)
Operating Profit before Working Capital Changes	54,826	29,983
Inventories	150	415
Receivables	17,973	(328,992)
Payables	289,569	(61,559)
Cash generated from / (used in) operating activities	362,518	(360,153)
Cash flows from Investing Activities		
Interest received	90	26
Purchase of property, plant & equipment	15 (547,876)	(291,488)
Receipt of grants	27,084	545,108
Cash (used in) / generated from investing activities	(520,702)	253,646
Cash flows from Financing activities		
Increase in long term liabilities	200,000	-
Cash used in financing activities	200,000	-
Net change in Cash and Cash Equivalents	41,816	(106,507)
Cash and Cash Equivalents at the Beginning of the year	1,043,306	1,149,813
Cash and Cash Equivalents at the End of the year	1,085,122	1,043,306

The notes on pages 8 to 24 form an integral part of these financial statements

MOSTA LOCAL COUNCIL

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

1. General Information

The Mosta Local Council is the local Authority of Malta set up in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at Civic Centre, Constitution Street, Mosta, MST9059.

These financial statements were approved for issue by the Council Members on the 18th September 2023. The Local Council's presentation as well as functional currency is denominated in €.

2. Accounting Policies and Reporting Procedures

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.

Accounting convention

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

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

New standards adopted as at 1 January 2022

Some accounting pronouncements which have become effective from 1 January 2022 and have therefore been adopted do not have a significant impact on the Association's financial results or position. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Association

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Council.

The Councillors and Executive Secretary anticipate that the adoption of the International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

Property, plant and equipment

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

	%
Land	0
Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Playground Furniture	100
Street Lights	100

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

2. Accounting Policies and Reporting Procedures

Property, plant and equipment (cont.)

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each statement of financial position date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount. Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Impairment of Assets

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

Leases

At inception of a contract, the Council assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Council assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The Council has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Council has the right to direct the use of the asset. The Council has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Council has the right to direct the use of the asset if either:
 - The Council has the right to operate the asset; or
 - The Council designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Council allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Council has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Council recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. C The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

2. Accounting Policies and Reporting Procedures

Leases (cont.)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Council's incremental borrowing rate. Generally, the Council uses its incremental borrowing rate as the discount rate.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Council is reasonably certain to exercise, lease payments in an optional renewal period if the Council is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Council is reasonably certain not to terminate early

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Council's estimate of the amount expected to be payable under a residual value guarantee or if the Council changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Council presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position

Short-term leases and leases of low-value assets

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

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes freight, handling and other direct costs. Costs of inventories include the transfer from retained funds of any gains/losses on qualifying cash flow hedges relating to purchases of stock items. However, borrowing costs and foreign exchange differences are excluded. Net realisable value is the price at which stocks can be sold in the course of Council activities less anticipated costs of selling.

Receivables

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

Payables

Payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material in which case other payables are measured at amortised cost using the effective interest method.

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

2. Accounting Policies and Reporting Procedures

Financial instruments

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of a financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires. Financial assets and financial liabilities are measured initially at fair value plus transactions costs. They are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets of the Council are classified into 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 within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administration and other expenditure'.

Loans and receivables are non-derivative 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 are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a 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'.

Related parties

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

Revenue

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

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



Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

2. Accounting Policies and Reporting Procedures

Local Enforcement System

As from 2015, the income recognised in the Income Statement was derived from the Local Enforcement System Agency, which income consists of administration fee of 10% of cash collected on behalf of LESA or the Regional Committee

Government grants

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

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

Foreign currencies

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

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

Profits and losses

Only profits that were realised at the date of the Statement of Financial Position 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.

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.

Capital Management

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

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

To achieve the above, the Council carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was positive at the reporting date. 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.

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

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Council, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

MOSTA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

4. Funds received from Central Government

	2022	2021
	€	€
In terms of section 55 of the Local Councils Act	1,435,788	1,408,532
Supplementary Government Income	-	1,901
Other Government Income	65,512	187,151
	<u>1,501,300</u>	<u>1,597,584</u>

5. Income raised from Bye-Laws

	2022	2021
	€	€
Advertising on Street Furniture	212	279
Income from skip permits	2,223	1,456
Income from courses	374	-
Use of facilities	13,143	5,962
	<u>15,952</u>	<u>7,697</u>

6. Local Enforcement system

	2022	2021
	€	€
Administrative charge to LESA	11,146	9,819
Contraventions and other fines	479	1,646
	<u>11,625</u>	<u>11,465</u>

7. General Income

	2022	2021
	€	€
General Income	114,363	4,417
Income from Permits	117,397	88,285
	<u>231,760</u>	<u>92,702</u>

MOSTA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

8. Deficit for the year

	2022	2021
	€	€
Deficit for the year is stated after charging		
Mayor's Remuneration	19,670	19,968
Staff salaries	290,714	282,715
Depreciation and amortisation	54,292	53,193
Movement in provision for doubtful debts	3,834	-

9. Personal Emoluments

	2022	2021
	€	€
Mayor's Remuneration	19,670	19,968
Councillors' Allowances	32,200	32,200
Executive Secretary Salary and Allowances	51,705	39,208
Employees' Salaries	177,103	181,978
Social Security Contributions	19,152	19,324
Overtime	10,554	10,005
	<u>310,384</u>	<u>302,683</u>

The average number of persons employed by the Council during the year was as 10 (2021: 10).

10. Operations and Maintenance

	2022	2021
	€	€
<i>Repairs and Upkeep:</i>		
Patching and Pavements	49,412	41,092
Repairs to public property	90,165	106,568
Signs	17,245	16,854
Road Markings	49,432	46,916
Plant and machinery	-	241
Handyman repairs and upkeep	41,772	38,543
	<u>248,026</u>	<u>250,214</u>
<i>Contractual Services:</i>		
Refuse Collection	374,824	355,222
Bulky Refuse Collection	31,481	36,011
Road & Street Cleaning	195,063	232,420
Cleaning & Maintaining Non-Urban	1,875	1,400
Cleaning - Public Conveniences	7,453	8,269
Cleaning - Council Premises	5,019	4,350
Cleaning & Maintaining Parks & Gardens	158,790	96,647
Street Lighting	40,084	137,772
LES related expenditure	(86)	1,600
	<u>814,503</u>	<u>873,691</u>
Total Operations and Maintenance Costs	<u>1,062,529</u>	<u>1,123,905</u>

MOSTA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

11. Administration and other expenditure

	2022	2021
	€	€
Utilities	19,228	17,056
Other repairs and upkeep	19,999	24,778
Rent	41,228	42,031
National and International Memberships	225	446
Office Services	9,668	3,415
Transport	208	172
Insurance Coverage	6,290	5,074
Bank Charges	2,561	1,754
Professional Services	104,694	80,765
Social and cultural events	14,685	29,374
Conference Expenses	420	-
Community Services	108,825	44,636
Sundry Minor Expenses	170	-
Provision for Doubtful Debtors	3,834	-
Public relations expenses	3,867	2,026
Permits and licenses	830	1,350
Depreciation	51,870	53,195
	<u>388,602</u>	<u>306,072</u>

12. Finance Income

	2022	2021
	€	€
Bank Interest Receivable	<u>90</u>	<u>26</u>

13. Inventories

	2022	2021
	€	€
Books and other publications	<u>2,786</u>	<u>2,936</u>

MOSTA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

14. Intangible fixed assets

	Computer software €
Cost	
At 1 January 2022	5,735
At 31 December 2022	5,735
Depreciation	
At 1 January 2022	3,133
Charge for the year	650
At 31 December 2022	3,783
Net Book value	
At 31 December 2022	1,952
	Computer software €
Cost	
At 1 January 2021	5,735
At 31 December 2021	5,735
Depreciation	
At 1 January 2021	2,265
Charge for the year	868
At 31 December 2021	3,133
Net Book value	
At 31 December 2021	2,602



MOSTA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

15. Property, plant and equipment

	Trees	Computer equipment	Office equipment	Street signs mirrors & lights	Urban Improvements	Plant, & machinery	Office Furniture & fittings	Construction works	Special Programmes	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
At 1 January 2022	37,316	13,013	162,468	128,450	390,394	77,544	183,444	2,802,857	3,497,511	7,313,007
Additions	-	-	-	-	51,705	-	2,266	303,837	190,068	547,876
At 31 December 2022	37,316	13,013	162,468	128,450	442,099	77,544	185,710	3,106,704	3,687,579	7,860,883
Depreciation										
At 1 January 2022	-	7,139	152,508	128,450	347,680	52,544	165,130	2,615,039	635,521	4,104,011
Charge for the year	-	1,469	4,130	-	6,617	-	1,417	22,378	15,209	51,220
At 31 December 2022	-	8,608	156,638	128,450	354,297	52,544	166,547	2,637,417	650,730	4,155,231
Grants										
At 1 January 2022	-	-	9,308	-	-	25,000	-	-	2,673,317	2,707,625
Received	-	-	-	-	15,337	-	-	-	9,634	24,971
At 31 December 2022	-	-	9,308	-	15,337	25,000	-	-	2,682,951	2,732,596
Net Book values At 31 December 2022	37,316	4,405	16,830	-	72,465	-	19,163	469,287	353,898	973,056

MOSTA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

15. Property, plant and equipment (cont.)

	Trees	Improve- ments to premises	Computer equipment	Office equipment	Street signs mirrors & lights	Urban Improvements	Plant, & machinery	Office Furniture & fittings	Constructi- on works	Assets under constructio- n	Special Programme s	Total
	€	€	€	€	€	€	€	€	€	€	€	€
Cost												
At 1 January 2021	37,316	1,130	9,939	177,117	128,450	378,594	77,544	176,023	2,802,867	214,660	3,017,879	7,021,519
Additions	-	-	3,074	5,351	-	11,800	-	7,421	-	-	263,842	281,468
Reclassification	-	(1,130)	-	-	-	-	-	-	-	(214,660)	215,790	-
At 31 December 2021	37,316	-	13,013	182,468	128,450	390,394	77,544	183,444	2,802,867	-	3,497,511	7,313,007
Depreciation												
At 1 January 2021	-	299	5,248	148,550	128,450	344,134	52,544	163,745	2,594,144	-	614,570	4,051,684
Charge for the year	-	(299)	1,891	3,358	-	3,545	-	1,385	20,895	-	20,951	52,327
At 31 December 2021	-	-	7,139	152,508	128,450	347,679	52,544	165,130	2,615,039	-	635,521	4,104,011
Grants												
At 1 January 2021	-	-	-	9,308	-	-	25,000	-	-	-	2,197,435	2,231,743
Grants foregone	-	-	-	-	-	-	-	-	-	-	(1,669)	(1,669)
Received	-	-	-	-	-	-	-	-	-	-	477,551	477,551
At 31 December 2021	-	-	-	9,308	-	-	25,000	-	-	-	2,673,317	2,707,625
Net Book values												
At 31 December 2021	37,316	-	5,874	20,652	-	42,715	-	18,314	187,828	-	188,672	501,371

MOSTA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

16. Receivables

	2022	2021
	€	€
Receivables	66,388	61,945
Provision for bad debts	(10,449)	(6,615)
Accrued income	381,158	404,203
Prepayments	20,148	19,519
	<u>457,245</u>	<u>479,052</u>

Receivables

General receivables are analysed as follows:

	2022	2021
	€	€
Within credit period	443,397	459,566
Exceeded credit period but not impaired	4,149	6,582
Impaired and provided for	353,715	352,589
Provision for doubtful debts	(353,715)	(352,589)
	<u>447,546</u>	<u>466,148</u>

	2022	2021
	€	€
Financial Receivables	437,097	459,533
Non-financial Receivables	20,148	19,519
	<u>457,245</u>	<u>479,052</u>

Included in the accounts receivable are amounts due from related parties amounting to €53,048 (2021 : €39,382). These amounts are unsecured, interest free and repayable on demand. Amounts due from LES Debtors amount to €343,266 and are fully provided for.

17. Cash & cash equivalents

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

	2022	2021
	€	€
Cash at Bank	1,084,927	1,042,973
Cash in Hand	195	333
	<u>1,085,122</u>	<u>1,043,306</u>

MOSTA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

18. Payables

	2022	2021
	€	€
Payables	360,291	299,038
Other payables	138,748	139,033
Accruals	369,850	141,249
	<u>868,889</u>	<u>579,320</u>

2022	0-90 days	91-180 days	180-365 days	Total
	€	€	€	€
Payables	151,344	61,426	147,521	360,291
Other payables	138,748	-	-	138,748
Accruals	369,850	-	-	369,850
	<u>659,942</u>	<u>61,426</u>	<u>147,521</u>	<u>868,889</u>

2021	0-90 days	91-180 days	180-365 days	Total
	€	€	€	€
Payables	90,091	61,426	147,521	299,038
Other payables	139,033	-	-	139,033
Accruals	141,249	-	-	141,249
	<u>370,373</u>	<u>61,426</u>	<u>147,521</u>	<u>579,320</u>

Included in the accounts payable are amounts to related parties amounting to €50,268 (2021 : €28,150). These amounts are unsecured, interest free and repayable on demand.

	2022	2021
	€	€
Financial Payables	868,889	579,320
	<u>868,889</u>	<u>579,320</u>

19. Borrowings

	2022	2021
	€	€
Non-current		
Third party borrowings	200,000	-
	<u>200,000</u>	<u>-</u>
Borrowings		
Repayable between one and two years	50,000	-
Repayable between two and five years	150,000	-
Repayable in five years or more	-	-
	<u>200,000</u>	<u>-</u>

MOSTA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

20. Deferred income

	2022	2021
	€	€
Government grants		
At 1 January	79,462	10,236
Received during the year	<u>2,113</u>	<u>69,226</u>
At 31 December	<u>81,575</u>	<u>79,462</u>
Current Deferred Income	<u>81,575</u>	<u>79,462</u>

21. Capital commitments

	2022	2021
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	1,085,000	60,000
- Contracted for but not provided in the financial statements	<u>-</u>	<u>410,000</u>
(i) Approved but not yet contracted for:		
Pjazza Hardstone Paving	250,000	-
Pedestrian Streets (as per Slow Street)	150,000	-
Pjazza Public Conveniences	300,000	-
Measure 4.3 - San Pawl tal-Qlejja	230,000	-
LESA Community Project	95,000	-
Office Furniture & Fittings	5,000	5,000
Office Equipment	20,000	20,000
Computer Equipment & Software	35,000	35,000
	<u>1,085,000</u>	<u>60,000</u>
(i) Contracted for but not provided in the Financial Statements:		
Projects financed under PA Development Fund	<u>-</u>	<u>410,000</u>
	<u>-</u>	<u>410,000</u>

MOSTA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

21. Contingent liabilities

There were no contingent liabilities in respect of bank guarantees at year end. However the council is involved in a number of legal disputes that could give rise to sums to be paid to third parties at year end. These involve the following:

- a. A case instituted by Mosta Local Council vs WM Environmental Ltd. Mosta Local Council are asking for money back for default notices and other extra payments
- b. Mosta Local Council has a garnishee order in favour of WM Environmental Ltd of €45,703. Case is currently being concluded in favour of WM Environmental Ltd
- c. The Council had an arbitration with Tal-General who are claiming €284,085 for past works. An out of court settlement was reached in February 2023 and the Council will be paying the sum of €250,000 in full and final settlement without interest in five annual payments. Amount is provided in this set of financial statements.

The Council may also be subject to legal action from third parties who have suffered damages on Mosta Roads and are stating that the Council was at fault, which claims are being refused by the Council.

22. Related party transactions

During the course of the year, the Council entered into transactions with related parties which are related through common ultimate controlling party. The Council entered into transactions with the following related parties:

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Councils	Significant control
North Regional Committee	Joint Control
Street Lighting Joint Committee	Joint control
Local Enforcement System Agency	No control
Central Regional Committee	No control
Gozo Regional Committee	No control
South Eastern Regional Committee	No control
South Regional Committee	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Arms Limited	No control
Cleansing Services Department	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Police General Headquarters	No control
Department of Lands	No control
Airmalta plc	No control
Bank of Valletta plc	No control
MCAST	No control
National Library of Malta	No control
Office of the Prime Minister	No control
Housing Authority	No control
Kunsill Malti għall-Isport	No control
Local Councils' Association	No control
Department for Elderly & Community	No control
Malta Communications Authority	No control
Ministry for Energy & Health	No control
Heritage Malta	No control
Ministry for Resources and Rural Affairs	No control

The amounts due from / to related parties at year-end are disclosed in notes 16 and 18. The terms and conditions do not specify the nature of the consideration to be provided in settlement. These amounts are unsecured, interest free and repayable on demand.

MOSTA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

22. Related party transactions (cont.)

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

	2022			2021		
	Related party activity €	Total activity €	%	Related party activity €	Total activity €	%
<i>Income</i>						
Transactions with central government	1,435,788			1,408,532		
	<u>1,435,788</u>	<u>1,760,637</u>	<u>82</u>	<u>1,408,532</u>	<u>1,709,448</u>	<u>82</u>
<i>Expenditure</i>						
Transactions with government entities	64,784			57,842		
Key personnel remuneration	310,384			302,683		
	<u>375,168</u>	<u>1,761,515</u>	<u>21</u>	<u>360,525</u>	<u>1,732,660</u>	<u>21</u>

23. Ultimate controlling party

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

24. Financial Risk Management

The Council's activities expose it to a variety of financial risks such as market risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance.

Credit risk

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

Liquidity Risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact at year end, the Council has as cash and cash equivalents the amount of Euro 1,085,122. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive current net asset position of €594,689 (2021: 866,512) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

MOSTA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

24. Financial Risk Management (cont.)

Summary of financial assets and liabilities by category:

	2022	2021
	€	€
Current Assets		
Financial assets measured at amortised costs:		
Accounts and other receivables	437,097	459,533
Cash and Cash Equivalents	<u>1,085,122</u>	<u>1,043,306</u>
	<u>1,522,219</u>	<u>1,502,839</u>
Non current Assets		
Financial assets measured at amortised costs:		
Borrowings	<u>200,000</u>	<u>-</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	<u>868,889</u>	<u>579,320</u>

Foreign Currency Risk

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

Interest Rate Risk

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

Market risks

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

Other risks

The Council's interest rate risk arises from long term borrowings. However, the Council is not currently exposed to such risk since it does not have long term fluctuating interest borrowings. In general, the Council's exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows are not deemed to be substantial by the Councillors and Executive Secretary in view of the nature of the assets and liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.

Report of the Local Government Auditor

To the Auditor General

Report on the audit of the financial statements

Qualified opinion

We have audited the financial statements of Mosta Local Council set out on pages 4 to 24 which comprise the statement of financial position as at 31 December 2022, 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, except for the effects of the matters described in paragraphs 1 to 3 under the Basis for qualified opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Council as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Basis for qualified opinion

1. Up to 31 August 2011, all income and expenditure from the Local Enforcement System (LES) were centralised through the North Joint Committee. The North Joint Committee ceased operations on that date. No audited financial statements of the North Joint Committee have been made available to us and consequently we were unable to determine whether the Council is entitled to receive any further income from the North Joint Committee.
2. Included with creditors at 31 December 2022, are other creditors amounting to €13,370 which originated many years ago. The council failed to provide us with sufficient and appropriate audit evidence to enable us to verify this balance and there was no satisfactory alternative procedures which we could perform to ensure that this amount is not mis-stated.
3. As at 31 December 2022, the council had other creditors- Lands Department and LESA amounting to €13,131 pertaining to a suspense account for payments not made to these entities. The council failed to provide us with sufficient and appropriate audit evidence to enable us to verify this balance and there was no satisfactory alternative procedures which we could perform to ensure that this amount is not mis-stated.



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 qualified opinion.

Responsibilities of those charged with governance for the financial statements

As described on page 3 the Executive Secretary and the members of the Local Council are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and 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

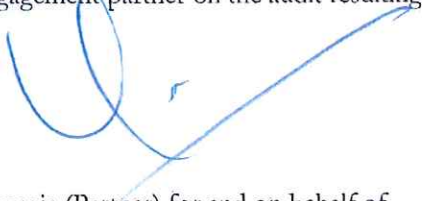
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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

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Malta

18 September 2023