



FONTANA LOCAL COUNCIL

Annual Report

and

Financial Statements

for the year ended 31 December 2023



Prepared by

Daniel Galea B. Accty. (Hons.) CPA

A handwritten signature in blue ink, appearing to read "D. Galea".

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2023

<i>CONTENTS</i>	<i>PAGES</i>
Statement of Local Council Members' and Executive Secretary's responsibilities	3
Statement of Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 21
Report of the Local Government Auditor to the Auditor General	22 - 24



Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2023

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's statement of comprehensive income for the year and 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 Councils (Financial) Regulations, and the Local Councils (Financial) Procedures issued in terms of the said Act.

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

This statement was approved by the Local Council on the 11th June '24 and signed on its behalf by



Saviour Borg
Mayor



Loretta Cauchi
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

		2023 €	2022 €
	<i>Notes</i>		
Revenue			
Funds received from Central Government	4	214,901	195,774
Income raised under Local Enforcement System	5	802	607
General Income	6	2,686	16,470
		<u>218,389</u>	<u>212,851</u>
Expenditure			
Personal emoluments	8	(68,021)	(65,837)
Operations and maintenance	9	(41,490)	(61,107)
Administrative and other expenditure	10	(63,228)	(52,490)
		<u>(172,739)</u>	<u>(179,434)</u>
Surplus for the financial year	7	<u>45,650</u>	<u>33,417</u>

The notes on pages 8 to 21 form an integral part of these financial statements



STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 €	2022 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	11	130,352	120,528
		<u>130,352</u>	<u>120,528</u>
Current Assets			
Inventories	12	3,853	3,995
Receivables	13	115,763	16,413
Cash and Cash Equivalents	14	399,243	579,330
		<u>518,859</u>	<u>599,738</u>
Total Assets		<u><u>649,211</u></u>	<u><u>720,266</u></u>
EQUITY AND LIABILITIES			
Reserves			
Retained Fund		431,220	385,570
		<u>431,220</u>	<u>385,570</u>
Non-Current Liabilities			
Deferred income		-	191,133
Current Liabilities			
Payables	15	139,652	36,868
Deferred income		78,339	106,695
		<u>217,991</u>	<u>143,563</u>
Total Liabilities		<u><u>271,991</u></u>	<u><u>334,696</u></u>
Total Equity and Liabilities		<u><u>649,211</u></u>	<u><u>720,266</u></u>

These financial statements were approved and authorised for issue by the Local Council on 11th June 24 and signed on its behalf by:


Savioir Borg
Mayor


Loretta Cauchi
Executive Secretary

The notes on pages 8 to 21 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2023

	Retained Funds €
At 1 January 2022	352,153
Surplus for the financial year 2022	33,417
	<hr/>
At 31 December 2022	385,570
	<hr/> <hr/>
At 1 January 2023	385,570
Surplus for the financial year 2023	45,650
	<hr/>
At 31 December 2023	431,220
	<hr/> <hr/>

The notes on pages 8 to 21 form an integral part of these financial statements



STATEMENT OF CASH FLOWS
For the year ended 31 December 2023

	Notes	2023 €	2022 €
Cash flows from Operating Activities			
Surplus for the year		45,650	33,417
Reconciliation to cash generated from operations:			
Depreciation	11	<u>28,425</u>	<u>30,413</u>
Operating Surplus before Working Capital Changes		74,075	63,830
Decrease in inventories		142	130
(Increase)/decrease in receivables		(99,350)	79,022
Increase/(decrease) in payables		<u>102,784</u>	<u>(72,505)</u>
Cash generated from operating activities		<u><u>77,651</u></u>	<u><u>70,477</u></u>
Cash flows from Investing Activities			
Purchase of property, plant & equipment		(175,639)	(17,286)
Repayment of grant		(183,133)	-
Receipt of grant		<u>101,034</u>	<u>65,868</u>
Cash (used in) / generated from investing activities		<u><u>(257,738)</u></u>	<u><u>48,582</u></u>
Net (decrease) / increase in Cash and Cash Equivalents		(180,087)	119,059
Cash and Cash Equivalents at the Beginning of the year		<u>579,330</u>	<u>460,271</u>
Cash and Cash Equivalents at the End of the year	14	<u><u>399,243</u></u>	<u><u>579,330</u></u>



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

1. General Information

The Fontana Local Council is the local Authority of Fontana (Gozo) set up in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at Triq ta' Mulejja, Fontana, Gozo, FNT1113. These financial statements were approved for issue by the Council Members on 17 June 24. The Local Council's presentation as well as functional currency is denominated in €.

2. Material Accounting Policy Information

The accounting policies that are material to the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Accounting convention

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

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

New or amended accounting standards, and interpretations adopted

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

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

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

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

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

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

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:



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

2. Material Accounting Policy Information (cont.)

Property, plant and equipment (cont.)

	%
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
Litter Bins	Replacement basis
Playground Furniture	100
Traffic Signs	Replacement basis
Road Signs	Replacement basis
Street Mirrors	Replacement basis
Street Lights	100

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

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

Impairment of Assets

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

Amounts receivable

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds and the redemption value is recognised in the income and expenditure account over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Local Council has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

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

2. Material Accounting Policy Information (cont.)

Other payables

Other 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.

Financial instruments

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

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

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

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

Financial assets

For the purpose of subsequent measurement, financial assets of the Council are classified into 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'.

Revenue

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs and it can be measured reliably. Interest income is recognised in the Statement of Comprehensive Income as it accrues. Income from central government is not recognised until there is reasonable assurance that the Council will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross and any deductions made therefrom are to be disclosed separately with expenses.



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

2. Material Accounting Policy Information (cont.)

Local Enforcement System

The income recognised in the Statement of Comprehensive Income under the law enforcement system represents the administrative fees derived from the five Regional Committees and Local Enforcement System Agency for contraventions paid at the Local Council.

Government grants

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

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

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.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

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

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

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

4. Funds received from central government

	2023	2022
	€	€
In terms of section 55 of the Local Councils Act	189,240	187,520
Other Government Income	25,661	8,254
	<u>214,901</u>	<u>195,774</u>

5. Local Enforcement system

	2023	2022
	€	€
Administrative fees	802	607
	<u>802</u>	<u>607</u>

A. S. Bay

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

6. General Income

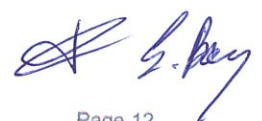
	2023	2022
	€	€
Other income	-	9,480
Income from Permits	2,686	6,990
	<u>2,686</u>	<u>16,470</u>

7. Surplus for the financial year

	2023	2022
	€	€
Surplus for the financial year is stated after charging		
Staff salaries	68,021	65,837
Depreciation of property, plant & equipment	28,425	30,414
	<u>68,021</u>	<u>65,837</u>

8. Personal Emoluments

	2023	2022
	€	€
Mayor's Remuneration	11,079	10,742
Mayor's and Councillors' Allowances	13,000	13,000
Executive Secretary Salary and Allowances	23,801	21,232
Employees' Salaries	18,177	18,813
Social Security Contributions	1,964	2,050
	<u>68,021</u>	<u>65,837</u>



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

9. Operations and Maintenance

	2023	2022
	€	€
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	1,144	439
Signs and Road Markings	323	-
Other repairs and Upkeep	8,693	3,108
Public Property	1,149	25
	<u>11,309</u>	<u>3,572</u>
 <i>Contractual Services:</i>		
Refuse Collection	7,786	30,027
Bulky Refuse Collection	1,967	1,765
Road & Street Cleaning	581	407
Cleaning - Public Conveniences	3,600	4,084
Cleaning & Maintaining Parks & Gardens	3,053	3,967
Tipping fees	8,630	5,885
Street Lighting	4,564	11,400
	<u>30,181</u>	<u>57,535</u>
 Total Operations and Maintenance Costs	<u>41,490</u>	<u>61,107</u>

10. Administrative and other expenditure

	2023	2022
	€	€
Utilities	3,078	2,362
Rent	1,366	2,976
National and International Memberships	-	70
Office Services	878	977
Transport	1,270	216
Information Services	230	478
Insurance Coverage	5,897	2,278
Bank Charges	662	468
Professional Services	16,316	6,919
Social Events	1,205	1,266
Cultural Events	650	1,251
Community and Hospitality	2,647	2,572
Sundry Minor Expenses	260	29
LES related expenses	344	215
Depreciation	28,425	30,413
	<u>63,228</u>	<u>52,490</u>

FONTANA LOCAL COUNCIL

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

11. Property, plant and equipment

Cost	Office Furniture & Fittings		Plant & Machinery		Computer Equipment		Office Equipment		Urban Improvements		New Street Signs		Motor Vehicles		Special Programmes		Playground Furniture		Assets under construction		Total
	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	
At 1 January 2023	22,704	29,268	5,951	18,101	419,996	2,161	-	-	458,561	11,906	15,177	983,825									
Additions	1,900	-	-	-	18,597	-	-	-	-	-	49,645	-	-	-	-	105,497	-	-	-	-	175,639
At 31 December 2023	24,604	29,268	5,951	18,101	438,593	2,161	-	-	458,561	11,906	120,674	1,159,464									
Depreciation																					
At 1 January 2023	18,710	10,658	5,951	15,411	183,620	2,161	-	-	378,327	9,802	-	624,640									
Charge for the year	588	2,266	-	333	9,513	-	-	-	11,361	-	-	28,425									
At 31 December 2023	19,298	12,924	5,951	15,744	193,133	2,161	-	-	389,688	9,802	-	653,065									
Grants																					
At 1 January 2023	-	15,400	-	2,278	186,914	-	-	-	31,961	2,104	-	238,657									
Additions	-	-	-	-	15,500	-	-	-	-	-	25,840	-	-	-	-	96,050	-	-	-	-	137,390
At 31 December 2023	-	15,400	-	2,278	202,414	-	-	-	31,961	2,104	-	376,047									
Net Book values At 31 December 2023	5,306	944	-	79	43,046	-	19,441	36,912	24,624	130,352	-	130,352									

FONTANA LOCAL COUNCIL

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

11. Property, plant and equipment (cont.)

	Office			Plant & Machinery	Computer Equipment	Office Equipment	Urban Improvements	New Street Signs	Special Programmes	Playground Furniture	Assets under construction		Total
	Furniture & Fittings										€	€	
Cost													
At 1 January 2022	20,646	29,268	5,951	29,268	18,101	416,115	2,161	458,561	11,906	3,830	966,539		
Additions	2,058	-	-	3,881	-	-	-	-	-	11,347	17,286		
At 31 December 2022	22,704	29,268	5,951	419,996	18,101	419,996	2,161	458,561	11,906	15,177	983,825		
Depreciation													
At 1 January 2022	18,040	8,391	5,951	8,391	14,814	174,137	2,161	360,930	9,802	-	594,226		
Charge for the year	670	2,266	-	9,483	597	9,483	-	17,397	-	-	30,413		
At 31 December 2022	18,710	10,658	5,951	183,620	15,411	183,620	2,161	378,327	9,802	-	624,640		
Grants													
At 1 January 2022	-	15,400	-	186,859	2,278	186,859	-	31,961	2,104	-	238,602		
Additions	-	-	-	55	-	55	-	-	-	-	55		
At 31 December 2022	-	15,400	-	186,914	2,278	186,914	-	31,961	2,104	-	238,657		
Net Book values													
At 31 December 2022	3,994	3,210	-	49,462	412	49,462	-	48,273	-	15,177	120,528		

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

12. Inventories

	2023	2022
	€	€
Books and other publications	<u>3,853</u>	<u>3,995</u>

13. Receivables

	2023	2022
	€	€
Accounts receivables	3,156	10,501
Other receivables	3,300	-
Prepayments and accrued income	<u>110,277</u>	<u>5,912</u>
	<u>115,763</u>	<u>16,413</u>

Receivables

General receivables are analysed as follows:

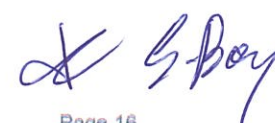
	2023	2022
	€	€
Within credit period	113,292	13,879
Exceeded credit period but not impaired	2,471	2,534
Impaired and provided for	-	-
Provision for doubtful debts	<u>-</u>	<u>-</u>
	<u>115,763</u>	<u>16,413</u>

Included in the accounts receivables are amounts due from related parties amounting to €3,156 (2022 : €10,501). These amounts are unsecured, interest free and repayable on demand.

14. Cash & cash equivalents

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

	2023	2022
	€	€
Cash at Bank	398,747	579,020
Cash in Hand	<u>496</u>	<u>310</u>
	<u>399,243</u>	<u>579,330</u>



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

15. Payables

	2023	2022
	€	€
Accounts payable	19,495	16,951
Accruals	120,157	19,917
	<u>139,652</u>	<u>36,868</u>

Included in the accounts payable are amounts due to related parties amounting to €4,748 (2022 : €2,032). These amounts are unsecured, interest free and repayable on demand.

16. Deferred Income

	2023	2022
	€	€
Government grants		
At 1 January	297,828	232,015
Increase in year	12,527	65,868
Refunded	(183,133)	-
Used in year	(48,883)	(55)
At 31 December	<u>78,339</u>	<u>297,828</u>
Deferred Income	78,339	297,828
Less current deferred income	<u>78,339</u>	<u>106,695</u>
Non-current deferred income	<u>78,339</u>	<u>191,133</u>

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

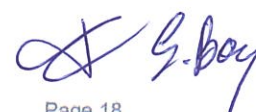
17. Capital Commitments

	2023	2022
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	182,024	592,131
- Contracted for but not provided in the financial statements	<u>248,757</u>	<u>113,414</u>
 (i) Approved but not yet contracted for:		
Construction work - Civic Centre extension	-	100,000
Finishing work - Civic Centre extension	55,000	-
Porfido under the Railing in Triq il-Ghajj	69,604	184,855
Improvements in Community Hall	-	4,000
CCTV cameras	10,000	-
Floodlights Church	6,000	5,000
Statue base pedestal	2,500	-
Benches - John Gaspard/Kardinal A Franchi Street	-	13,877
Playing field Renovation	-	72,899
EPDM Insitu Safety Flooring	20,720	-
Decorative Lampposts - Church Parvis	10,000	12,500
Installation of decorative luminaries	-	3,000
Urban improvements	8,200	5,000
Resurfacing Triq I-Ghajj	-	191,000
	<u>182,024</u>	<u>592,131</u>
 (i) Contracted for but not provided in the Financial Statements:		
Construction work - Civic Centre extension	95,361	62,017
Porfido under the Railing in Triq il-Ghajj	153,396	-
Electrical minibus	-	49,530
Urban improvements	-	1,867
	<u>248,757</u>	<u>113,414</u>

The Council will be receiving additional grants for the financing of the Porfido under the Railing in Triq il-Ghajj, the Safety Flooring in the Playing Field Renovation while utilizing grants already received for the purchase of the CCTV cameras.

18. Ultimate controlling party

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



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

19. Financial Risk Management

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

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

Summary of financial assets and liabilities by category:

	2023	2022
	€	€
Current Assets		
Loans and receivables:		
Accounts and other receivables	115,763	16,413
Cash and Cash Equivalents	<u>399,243</u>	<u>579,330</u>
	<u>515,006</u>	<u>595,743</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	<u>19,495</u>	<u>16,951</u>

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.

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:

	2023	2022
	€	€
<i>Class of financial assets – carrying amounts</i>		
Receivables	115,763	16,413
Cash and Cash Equivalents	<u>399,243</u>	<u>579,330</u>
	<u>515,006</u>	<u>595,743</u>



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

19. Financial Risk Management (cont.)

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 €399,243. 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 €300,868 (2022: €456,175) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

	2023	2022
	€	€
<i>Due within one year:</i>		
Payables	<u>139,652</u>	<u>39,868</u>
	<u>139,652</u>	<u>39,868</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.

Timing of Cash Flows

The presentation of the financial assets and liabilities listed above under the current heading within the Statement of Financial Position is intended to indicate the timing in which cash flows will arise.

Capital Management

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

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

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



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

20. Related party transactions

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Government	Significant control
Central Regional Committee	No control
Gozo Regional Committee	No control
South Eastern Regional Committee	No control
South Regional Committee	No control
Local Enforcement System Agency	No control
Malta Environment and Planning Authority	No control
Malta Information Technology Agency	No control
Water Services Corporation	No control
Enemalta Corporation	No control
ARMS Limited	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Police General Headquarters	No control
Department of Lands	No control
Airmalta plc	No control
Bank of Valletta plc	No control
Malta Tourism Authority	No control
Office of the Prime Minister	No control
Office of the Commissioner for Data Protection	No control

The amounts due from / to related parties at year-end are disclosed in notes 13 and 15. The terms and conditions do not specify the nature of the consideration to be provided in settlement. These amounts are unsecured, interest free and repayable on demand.

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

	Related party activity	2023 Total activity		Related party activity	2022 Total activity	
	€	€	%	€	€	%
<i>Income</i>						
Transactions with central government	214,901			195,774		
Transactions with regions	802			607		
	<u>215,703</u>	<u>218,389</u>	<u>99</u>	<u>196,381</u>	<u>212,851</u>	<u>92</u>
<i>Expenditure</i>						
Transactions with government entities	16,416			5,885		
Key personnel remuneration	48,758			46,073		
	<u>65,174</u>	<u>172,739</u>	<u>38</u>	<u>51,958</u>	<u>179,434</u>	<u>29</u>

21. Fair values estimation

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



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

We have audited the accompanying financial statements of Fontana Local Council, set out on pages 4 to 21, which comprise the statement of financial position as at 31 December 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of material accounting policy information and other explanatory information.

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

Basis for Opinion

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

Other Information

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

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

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

Report on the audit of the financial statements - continued

Council Responsibilities for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on the audit of the financial statements - continued

Auditor's Responsibilities for the Audit of the Financial Statements - continued

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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



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

RSM Malta
Registered Auditors

Date: 11th June 2024