

Department For  
05 JUN 2024  
Local Government

**SANTA LUCIJA LOCAL COUNCIL**

**Report and Financial Statements**

**For the year ended 31 December 2023**

**REGISTRY**  
31 MAY 2024  
NATIONAL AUDIT OFFICE

## SANTA LUCIJA LOCAL COUNCIL

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**SANTA LUCIJA LOCAL COUNCIL**

**STATEMENT OF COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S RESPONSIBILITIES**  
**For the year ended 31 December 2023**

The Local Councils (Financial) Regulations, 1993 require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Council's statement of comprehensive income for the year and of the Council's retained funds at the end of the year. By virtue of the same regulations it is the duty of the Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with accounting policies applicable to Local Councils, the income and expenditure of the Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, 1993, and the Local Council (Financial) Procedures, 1996 issued in terms of the said Act.

The Executive Secretary is responsible to ensure that an appropriate system of internal control is in operation, to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, 1993, the Local Council (Financial) Regulations, 1993, and the policies, systems and time scales referred to in the Local Council (Financial) Procedures, 1996. The Executive Secretary is also responsible to provide reasonable assurance that the assets of the Council are properly safeguarded, that fraud and other irregularities will be detected and that the operations of the Council are properly conducted in accordance with the Local Councils Act, 1993.

This statement was approved by the Council on 23 May 2024 and signed on its behalf by:



Charmaine St. John  
Mayor



Bernice Darmanin  
Deputy Executive Secretary

## SANTA LUCIJA LOCAL COUNCIL

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the year ended 31 December 2023

		Year Ended	Year Ended
	Notes	2023	2022
		€	€
<b>Income</b>			
Funds received from Central Government	4	544,330	413,884
Income from Local Enforcement System (LES)	5	1,722	2,300
Income raised under Bye-laws	6	3,061	961
General income	7	30,659	34,448
		<u>579,772</u>	<u>451,593</u>
<b>Expenditure</b>			
Personnel emoluments	8	136,476	133,905
Operations and maintenance	9	376,858	234,616
Administrative and other expenditure	10	169,989	134,141
		<u>683,323</u>	<u>502,662</u>
<b>Operating deficit for the year</b>		<u>(103,551)</u>	<u>(51,069)</u>
Investment income	11	-	6
		<u>-</u>	<u>6</u>
<b>Deficit for the year</b>	3	<u>(103,551)</u>	<u>(51,063)</u>

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

SANTA LUCIJA LOCAL COUNCIL

STATEMENT OF FINANCIAL POSITION  
As at 31 December 2023

	Notes	Year Ended 2023 €	Year Ended 2022 €
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant and equipment	12	170,395	98,223
		<u>170,395</u>	<u>98,223</u>
<i>Current Assets</i>			
Inventories	13	4,149	4,198
Trade and other receivables	14	123,139	73,872
Cash and cash equivalents	15	216,387	379,490
		<u>343,675</u>	<u>457,560</u>
<b>Total assets</b>		<u>514,070</u>	<u>555,783</u>
<b>Reserves and liabilities</b>			
<i>Reserves</i>			
Retained funds		<u>148,392</u>	<u>251,943</u>
<i>Current liabilities</i>			
Trade and other payables	16	365,678	303,840
		<u>365,678</u>	<u>303,840</u>
<b>Total liabilities</b>		<u>365,678</u>	<u>303,840</u>
<b>Total reserves and liabilities</b>		<u>514,070</u>	<u>555,783</u>



Charmaine St. John  
Mayor



Bernice Darmanin  
Deputy Executive Secretary

The financial statements were approved by the Council on 23 May 2024 and signed on its behalf by:

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

## SANTA LUCIJA LOCAL COUNCIL

### STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	<b>Retained Funds €</b>	<b>Total Funds €</b>
<b>At 1 January 2022</b>	<b>303,006</b>	<b>303,006</b>
Deficit for the year	(51,063)	(51,063)
<b>At 31 December 2022</b>	<b>251,943</b>	<b>251,943</b>
<b>At 1 January 2023</b>	<b>251,943</b>	<b>251,943</b>
Deficit for the year	(103,551)	(103,551)
<b>At 31 December 2023</b>	<b>148,392</b>	<b>148,392</b>

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

## SANTA LUCIJA LOCAL COUNCIL

### STATEMENT OF CASH FLOWS For the year ended 31 December 2023

	Notes	2023	2022
		€	€
<b>Cash flows from operating activities</b>			
Deficit for the year		(103,551)	(51,063)
<i>Adjustments for:</i>			
Depreciation	10,12	16,327	35,105
Interest income	11	-	(6)
Write off	14	60,304	-
Decrease in provision for LES		(562)	-
Deficit before changes in working capital		(27,482)	(15,964)
<i>Movements in working capital:</i>			
Movement in inventories		49	10
Movement in trade and other receivables		(109,009)	(28,170)
Movement in trade and other payables		(63,984)	2,993
<b>Net cash flows used in operating activities</b>		<b>(200,426)</b>	<b>(41,131)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	12	(120,499)	(39,286)
Interest received		-	6
<b>Net cash flows used in investing activities</b>		<b>(120,499)</b>	<b>(39,280)</b>
<b>Cash flows from financing activity</b>			
Grants received		157,822	241,543
<b>Net cash flows generated from financing activity</b>		<b>157,822</b>	<b>241,543</b>
<b>Net movement in cash and cash equivalents</b>		<b>(163,103)</b>	<b>161,132</b>
Cash and cash equivalents at beginning of year		379,490	218,358
<b>Cash and cash equivalents at end of year</b>	<b>15</b>	<b>216,387</b>	<b>379,490</b>

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

# SANTA LUCIJA LOCAL COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 1. General Information

Santa Lucija Local Council is a local authority of Malta set up in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at 5/6, Binja tal-Faqqani, Trejjet il-Girasol, Santa Lucija SLC 1050, Malta. These financial statements were approved for issue by the Local Council Members on 23 Feb 2024. The Local Council's presentations as well as functional currency are denominated in Euro (€). Its ultimate controlling party is the Department for Local Government within the Ministry of Justice, Culture and Local Government (MJCL).

### 2. Material Accounting Policies

An entity should disclose its material accounting policies. Accounting policies are material and must be disclosed if they can be reasonably expected to influence the decisions of users of the financial statements.

Management has concluded that the disclosure of the entity's material accounting policies below are appropriate. The material 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, 1993 (Chap. 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 (IFRSs), as adopted by the European Union (EU).

These financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of Section 67 of the Local Councils Act, 1993 (Cap 363).

#### *Fair value measurements*

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

## SANTA LUCIJA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

#### 2. Material Accounting Policies – continued

##### *New or revised Standards or Interpretations New standards adopted as at 1 January 2023*

Some accounting pronouncements which have become effective from 1 January 2023 and have therefore been adopted do not have a significant impact on the Local Council's financial results or position.

Other Standards and amendments that are effective for the first time in 2023 and could be applicable to the Local Council are:

- o Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- o Definition of Accounting Estimates (Amendments to IAS 8)

These amendments do not have a significant impact on these financial statements and therefore no disclosures have been made.

##### *Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Local Council*

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB or IFRIC. None of these Standards or amendments to existing Standards have been adopted early by the Local Council and no Interpretations have been issued that are applicable and need to be taken into consideration by the Local Council.

Other Standards and amendments that are not yet effective and have not been adopted early by the Local Council include:

- o Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- o Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- o Lack of Exchangeability (Amendments to IAS 21)
- o Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- o Non-current Liabilities with Covenants (Amendments to IAS 1)

These amendments are not expected to have a significant impact on the financial statements in the period of initial application and therefore no disclosures have been made.

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

##### *Leases*

###### *The Local Council as lessee*

The Local Council assesses whether a contract is or contains a lease, at inception of the contract. The Local Council recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Local Council recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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

## SANTA LUCIJA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

#### 2. Material Accounting Policies - continued

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

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

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

#### *Leases*

The Local Council remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

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

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

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

## SANTA LUCIJA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

#### 2. Material Accounting Policies - continued

##### *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation, impairment and grants received for specific projects (which grants were treated through the balance sheet approach). Depreciation is calculated on a monthly basis using the straight-line method of depreciation at rates estimated to write down the cost of all assets over their expected useful life, other than land and trees, as follows:

	Rates in %
Land	0
Trees	0
Buildings	1
Office Furniture & Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Programmes (Projects)	10
Office Equipment	20
Computer Equipment	25
Motor Vehicles	20
Plant and Machinery	20
Road/Street Signs	100
Litter Bins	100
Playground Equipment	100
Street Lighting	100
Street Mirrors	100
Plants	100

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

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

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

## SANTA LUCIJA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

#### 2. Material Accounting Policies - continued

##### *Property, plant and equipment - continued*

##### *Impairment of property, plant and equipment*

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

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

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

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

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

## SANTA LUCIJA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

#### 2. Material Accounting Policies - continued

##### *Cash and cash equivalents*

Cash and cash equivalents are carried in the statement of financial position at face value. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand and balances held at banks.

##### *Receivables*

Receivables are recognised initially at the transaction price, less provision for impairment. A provision for impairment is established when there is objective evidence that the Local Council will not be able to collect all amounts receivable. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount to be received is impaired. Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

##### *Related Parties*

Related parties are those persons or bodies of persons having relationships with the Local Council as defined in IAS 24 – 'Related Party Disclosure.'

##### *Income recognition*

Income in general is stated when there is reasonable certainty that the income would be receivable and thus can be accrued for. Other income such as that derived from the organisation of courses, cultural, sporting and social activities is only recognised on a cash basis.

Income from investment activities is recognised when the rights of receipt have been established.

Interest income from financial assets is recognised when it is probable that the economic benefits will flow to the Local Council and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

##### *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.

## SANTA LUCIJA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

#### 2. Material Accounting Policies - continued

##### *Government grants – continued*

Up to the year ended 31 December 2017, government grants were accounted for using the income approach according to IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance." On 1 January 2018, the capital approach, according to IAS 20, has been adopted, in line with the directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting policy, and; according to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors," it has been accounted for retrospectively.

Government grants are not recognised until there is reasonable assurance that the Local Council will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Local Council with no future related costs are recognised in statement of comprehensive income in the year in which they become receivable.

##### *Financial instruments*

###### **Recognition and derecognition**

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

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

###### **Classification and initial measurement of financial assets**

Except for those receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

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

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

The classification is determined by both:

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

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

## SANTA LUCIJA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2023

#### 2. Material Accounting Policies – continued

##### *Financial instruments – continued*

##### **Subsequent measurement of financial assets**

##### *Financial assets at amortised cost*

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Local Council's cash and cash equivalents, receivables and most other receivables fall into this category of financial instruments.

##### **Impairment of financial assets**

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Local Council first identifying a credit loss event. Instead, the Local Council considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
  - financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

## SANTA LUCIJA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2023

#### 2. Material Accounting Policies - continued

##### *Financial instruments - continued*

##### *Foreign currencies*

##### *Functional and presentation currency*

These financial statements are presented in Euro (€), which is the Local Council's functional and presentation currency. In preparing the financial statements of the Local Council, transactions in currencies other than the Local Council's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting year, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical costs in a foreign currency are not retranslated.

##### *Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for the intended use or sale.

Investment income on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in statement of profit or loss and comprehensive income for the period in which they are incurred.

##### *Payables*

Payables and accrued expenditure are recognised initially at the transaction price and subsequently measured at amortised cost. The difference between the proceeds and the amount payable is recognised over the period of the payable using the effective interest method.

##### *Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

## SANTA LUCIJA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

#### 2. Material Accounting Policies - continued

##### *Provisions*

Provisions are recognised when the Local Council has a present obligation (legal or constructive) as a result of a past event, it is probable that the Local Council will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

##### *Judgements in applying accounting policies and key sources of estimating uncertainty*

In the process of applying the Local Council's accounting policies, the Local Council Members have made no judgements which can significantly affect the amounts recognised in the financial statements.

At the end of the reporting year, there were no key assumptions concerning the future, or any other key sources of estimating uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## SANTA LUCIJA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2023

#### 3. Deficit for the year

*Deficit for the year is stated after charging:*

	2023	2022
	€	€
Personnel emoluments (Note 8)	136,476	133,905
Depreciation on property, plant and equipment (Note 12)	16,327	35,105

#### 4. Funds received from Central Government

	2023	2022
	€	€
In terms of section 55 of the Local Councils Act, 1993	390,588	385,200
Other government income	153,742	28,684

#### 5. Income from Local Enforcement System (LES)

	2023	2022
	€	€
Contraventions - note (i)	1,722	2,300

- (i) In accordance with the Local Enforcement System (LES) issued by the Ministry by virtue of Section 72 of the Local Councils Act, 1993, the income relating to contraventions was delegated to the local councils through Legal Notice 32 of 2000.

The recording of income from contraventions, up to the 31 August 2011, was based on cash received from the Joint Committee.

As from the 1 September 2011 the contraventions previously accruing to the Local Council started accruing in favour of the 'Regjun Nofsinhar'. The Local Council's income from the LES therefore started reflecting two revenue streams as of that date. The revenue streams are as follows:

- Receipts of funds from the Joint Committee up to the 31 August 2011;
- 10% on the contraventions accruing to all Regional Committees that were settled at the Council's cash point.

## SANTA LUCIJA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2022

<b>6. Income raised under Bye-laws</b>	<b>2023</b>	<b>2022</b>
	€	€
Contributions	3,061	961
	<u>3,061</u>	<u>961</u>
<b>7. General income</b>	<b>2023</b>	<b>2022</b>
	€	€
Permits	4,170	2,063
Community services	6,000	6,000
Other general income	20,489	26,385
	<u>30,569</u>	<u>34,448</u>
<b>8. Personnel emoluments</b>	<b>2023</b>	<b>2022</b>
	€	€
<i>Personnel emoluments include:</i>		
Mayor's honoraria	13,479	13,142
Council members' allowance	10,600	10,600
Employees' salaries	70,796	64,009
Executive secretary's salary	33,558	38,962
Social security contributions	8,043	7,192
	<u>136,476</u>	<u>133,905</u>

# SANTA LUCIJA LOCAL COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2023

### 9. Operations and maintenance

	2023	2022
	€	€
<i>Operations and maintenance include:</i>		
<b>Repairs and Upkeep</b>		
Road patching, markings & signs	5,218	1,581
Other repairs & upkeep	43,232	36,359
Public property	119,908	-
	<u>168,358</u>	<u>37,940</u>
<b>Contractual Services</b>		
Refuse collection	35,589	35,965
Bulky refuse collection	19,795	17,647
Hire of Skips	1,350	-
Road and street cleaning	30,000	30,974
Cleaning and maintenance – parks and gardens	57,818	56,837
Cleaning and maintenance – public convenience	25,838	26,060
Cleaning council premises	3,509	3,177
Studies & consultations	4,130	-
Street lighting	17,222	13,984
Other contractual service	13,249	12,032
	<u>208,500</u>	<u>196,676</u>
<b>Total operations and maintenance</b>	<u>376,858</u>	<u>234,616</u>

## SANTA LUCIJA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2023

#### 10. Administrative and other expenditure

	2023	2022
	€	€
Utilities	9,266	6,209
Operating materials & supplies	5,934	6,540
Uniforms	124	47
Memberships and participation expenses	1,310	1,276
Office services	1,493	6,417
Transport expenses	1,718	315
Travelling expenses	3,435	1,745
Insurance coverage	6,066	1,789
Bank charges	805	721
Information services	90	511
Library expenses	3,449	306
Professional services ( <i>incl. other support services</i> )	23,353	22,968
ICT expenses	4,191	2,715
Community services and social events	24,319	39,313
Sundry minor expenses	61	336
Rent	8,306	7,828
(Decrease) in provision for doubtful debts	(562)	-
Depreciation	16,327	35,105
Write off of unrecoverable receivable	60,304	-
	<u>169,989</u>	<u>134,141</u>

#### 11. Investment income

	2023	2022
	€	€
Bank interest receivable	-	6
	<u>-</u>	<u>6</u>

## SANTA LUCIJA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2023

#### 12. Property, plant and equipment

Cost	Council Premises		Construction Works & Special Programmes		Office Furniture & Fittings		New Street Signs		Urban Improvements		Office & Computer Equipment		MV & Plant & machinery		Street Paving		Assets Under Construction		Total	
	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€		
At 1 January 2023	31,447	926,443	42,960	19,722	160,334	64,853	28,698	121,395	55,793	1,451,645										
Additions	-	-	-	-	30,864	1,025	52,200	-	36,410	120,499										
At 31 December 2023	31,447	926,443	42,960	19,722	191,198	65,878	80,898	121,395	92,203	1,572,144										
<b>Grants</b>																				
At 1 January 2023	-	381,374	-	-	46,574	8,306	4,700	-	12,185	453,139										
Additions	-	-	-	-	-	-	32,000	-	-	32,000										
At 31 December 2023	-	381,374	-	-	46,574	8,306	36,700	-	12,185	485,139										
<b>Accumulated Depreciation</b>																				
At 1 January 2023	18,936	533,059	37,351	19,722	100,291	47,116	22,413	121,395	-	900,283										
Charge for the year	3,145	1,758	2,074	-	3,519	3,496	2,335	-	-	16,327										
At 31 December 2023	22,081	534,817	39,425	19,722	103,810	50,612	24,748	121,395	-	916,610										
<b>Net Book Value at 31 December 2023</b>	<b>9,366</b>	<b>10,252</b>	<b>3,535</b>	<b>-</b>	<b>40,814</b>	<b>6,960</b>	<b>19,450</b>	<b>-</b>	<b>80,018</b>	<b>170,395</b>										

SANTA LUCIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2022

12. Property, plant and equipment – continued

	Council Premises	Construction Works & Special Programmes	Office Furniture & Fittings	New Street Signs	Urban Improvements	Office & Computer Equipment	Plant & machinery	Street Paving	Assets Under Construction	Total
	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>										
At 1 January 2022	31,447	926,443	42,960	19,722	128,120	63,025	28,410	121,395	50,837	1,412,359
Additions	-	-	-	-	32,214	1,828	288	-	4,956	39,286
At 31 December 2022	31,447	926,443	42,960	19,722	160,334	64,853	28,698	121,395	55,793	1,451,645
<b>Grants</b>										
At 1 January 2022	-	381,374	-	-	22,774	8,306	4,700	-	12,185	429,339
Additions	-	-	-	-	23,800	-	-	-	-	23,800
At 31 December 2022	-	381,374	-	-	46,574	8,306	4,700	-	12,185	453,139
<b>Accumulated Depreciation</b>										
At 1 January 2022	15,791	509,414	34,129	19,722	99,435	43,547	21,745	121,395	-	865,178
Charge for the year	3,145	23,645	3,222	-	856	3,569	668	-	-	35,105
At 31 December 2022	18,936	533,059	37,351	19,722	100,291	47,116	22,413	121,395	-	900,283
<b>Net Book Value at 31 December 2022</b>	<b>12,511</b>	<b>12,010</b>	<b>5,609</b>	<b>-</b>	<b>13,469</b>	<b>9,431</b>	<b>1,585</b>	<b>-</b>	<b>43,608</b>	<b>98,223</b>

## SANTA LUCIJA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2023

#### 16. Trade and other payables

	2023	2022
	€	€
<i>Amounts falling due within one year:</i>		
Trade payables	38,767	52,500
Other creditors	3,901	-
Accruals for capital creditors (i)	-	7,010
Accruals	33,399	16,822
Deferred Income: Pre-financing for projects and CIES scheme	289,611	227,508
	<u>365,678</u>	<u>303,840</u>

#### 17. Capital commitments

	2023	2022
	€	€
<i>Details of capital commitments at the accounting date are as follows:</i>		
(i) Approved but not yet contracted for	<u>321,300</u>	<u>373,500</u>
(ii) Contracted for and provided in the financial statements (see note below)	<u>-</u>	<u>7,010</u>

(i) The amounts approved but not yet contracted for includes various projects namely:

- o Gnien Simbjozi (100% financed under the MECP Greening of Urban areas), 50% funding already received amounting to €59,174.
- o Gazebo (partly financed under SPI/SCI/8/2021): 50% funding already received amounting to €27,668.
- o Playing field (partly financed under SPI/SC/1/2022): funding already received amount to €33,750.
- o "Sebbah il- Lokality" project (partly financed under the SPI/SCI/09/2022): funding already received amount to €47,151.
- o Embellishment works in Housing Estate (100% financed by Housing Authority)

Total Funding for the above projects will be €281,550 and Local council is committed to co-finance the amount of €27,136.

## SANTA LUCIJA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

#### 18. Contingent liabilities

As at 31 December 2023, the end of the reporting year, the Local council has no pending court cases and/or litigation which might result in a future contingent liability.

#### 19. Related party transactions

Parties are related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The ultimate controlling party of the Local council is the Local Councils Department within the Ministry of Justice, Culture and Local Government (MJCL).

All the Companies, Authorities and Agencies set up by the Central Government are also considered to be related parties to Santa Lucija Local council but do not have significant control. The Joint Committee (up to the 31 August 2011), All Regional Committees (from 1 September 2011), the Local Councils Association and the other Local Councils are also considered to be related parties.

During the year under review the Local Council carried out the following significant transactions with its related parties having significant control.

Name of Entity	2023 €	2022 €
Department of Local Government – Annual Financial Allocation	<u>390,588</u>	<u>385,200</u>

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

Where applicable, any significant changes in the Local Council's exposure to financial risks or manner in which the Council manages and measures these risks are disclosed below.

Where possible, the Local Council aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of risk exposure associated with the financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

With respect to credit risk, the receivables are monitored continuously for recoverability. Receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Known bad debts are therefore maintained to the lowest possible, thereby lowering as much as possible the concentration of credit risk.

## SANTA LUCIJA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

#### 20. Financial risk management

##### *Liquidity risk*

The Local Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and plans projects accordingly. The Local Council Members and Executive Secretary do not consider that it is significantly exposed to liquidity risk.

At 31 December 2023 and 31 December 2022, there were no contractual maturities on the financial liabilities of the Local Council. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the statement of financial position.

##### *Interest Rate risk*

The Local Council's interest rate risk arises from the borrowings issued at variable rates expose the Local Council to cash flow interest rate risk. In general, the Local Council Members and Executive Secretary the Local 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 in view of the nature of the assets and liabilities.

##### *Credit risk*

Credit risk is the risk of financial loss to the Local Council if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Local Council's cash at banks, receivables and due from related parties. The Local Council controls this credit risk through strict monitoring procedures and regular coordination with its related parties, with the result that the Local Council's exposure to impairment loss is not significant. The Local Council's maximum exposure to credit risk is the carrying amount of its financial assets.

	2023	2022
	€	€
Trade and other receivables	578	59,428
Cash and cash equivalents	216,387	379,490
	<u>216,965</u>	<u>438,918</u>

The Local Council's cash at bank are placed with financial institutions of high credit standing. In the director's opinion, receivables are fully recoverable. Accordingly, the Local Council has no significant credit risk.

The council accounts for funds received and receivable from persons guilty of contraventions under the local enforcement system. The Local Council is not responsible for the collection of the funds which is the responsibility of another central government department.

## SANTA LUCIJA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

#### 20. Financial risk management - continued

##### *Capital management*

The primary objectives of the Local Council's capital management are to ensure that it maintains its ability to continue as a going concern, to maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value and to meet the regulatory capital requirements at all times. The Local Council manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

##### **Summary of financial assets and liabilities**

The carrying amount of the Local Council's financial assets and liabilities as recognised at the reporting dates unless revised are categorised as follows:

	2023	2022
	€	€
<b>Current Assets</b>		
Trade and other Receivables	578	59,428
Cash and cash equivalents	216,387	379,490
	<u>216,965</u>	<u>438,918</u>

	2023	2022
	€	€
<b>Current Liabilities</b>		
Trade and other payables	42,668	52,500
Accruals	33,399	16,822
	<u>76,067</u>	<u>69,322</u>

#### 21. Events after the reporting date

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of approval of the financial statements - 23 May 2024 by the Local Council.

# Report of the Local Government Auditor

**Grant Thornton Malta**

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To the Auditor General

**Report on the audit of the financial statements****Opinion**

We have audited the financial statements of Santa Lucija Local Council (“the Local Council”) set out on pages 2 to 26 which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Local Council as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act, the Local Councils (Financial) Procedures 1996 (the “Legislation”).

**Basis for opinion**

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

**Responsibilities of those charged with governance for the financial statements**

As described on page 1 the Executive Secretary and the members of the Local Council are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs 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.

**Grant Thornton Malta**

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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 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 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 Local 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 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 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 Local Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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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23 May 2024