

Our Ref: NAO 107/2021/36

Your Ref:

23 July 2025

The Mayor and Executive Secretary
Marsaxlokk Local Council
Marsaxlokk

Dear Sir/Madam,

**AUDIT REPORT and FINANCIAL STATEMENTS
YEAR ENDING 31 DECEMBER 2024**

In terms of Section P2.06 (c.02) of the Local Councils (Audit) Procedures 2006, I am forwarding a copy of the Audit Report and Financial Statements, together with the Management Letter for the financial year ending 31 December 2024.

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

Yours faithfully,



Tanya Mercieca
Asst. Auditor General

Encls.

The Mayor
Marsaxlokk Local Council
2, Triq Vittorjo Cassar,
Marsaxlokk MXK

Our ref PC/mf/137325
9 July 2025

Dear Sir,

Financial statements for the year ended 31 December 2024

During the course of our audit for the year ended 31 December 2024, we have reviewed the accounting system and procedures operated by your Marsaxlokk Local Council. We set out in this report the more important points that arose as a result of our review.

1 Previous management letter

1.1 Fixed assets

We again noted deficiencies in the fixed asset register (refer to notes 2.3, 2.4 and 2.5).

1.2 Pre-regional LES debtors

We have once again noted an issue with respect to pre-regional LES debtors (refer to note 3.1).

1.3 Garnishee order

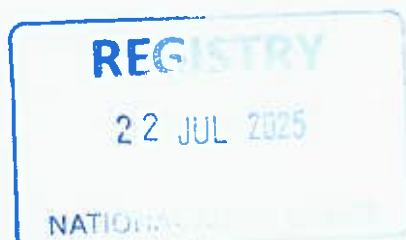
The garnishee order is still recorded in the books of account (refer to note 3.3).

1.4 Accrued income

We have noted once again issues with respect to accrued income (refer to note 3.5).

1.5 Cash and cash equivalents

We have once again noted an issue with respect to the cash reconciliation procedures (refer to note 4.1).





1.6 Trade creditors

We again noted that the council did not obtain supplier statements from all its suppliers (refer to note 5.1). Furthermore, the council failed to reconcile the creditors list with the council's books of account (refer to note 5.3).

1.7 Long-outstanding creditors

The council's books of account still include long-outstanding creditors (refer to note 5.5).

1.8 Accrued expenses

We again noted unrecorded expenses during the year under review (refer to note 5.11).

1.9 Income

We recommend that the council raises the issue of the Joint Committee with the Department for Local Government and ensures that the committee is liquidated (refer to note 6.1).

Further, we have noted an issue of the funds received recorded as government income (refer to note 6.4).

1.10 Expenditures

We again noted expenses recorded in the incorrect account (refer to note 7.1).

2 Fixed assets

Upkeep of fixed asset register

2.1 As pointed out in our prior years' management letters, the fixed asset register must at least include the following details:

- i. Supplier details
- ii. Asset description
- iii. Invoice number
- iv. Amount
- v. Invoice date
- vi. Asset tag code (where applicable)
- vii. Location of asset
- viii. Depreciation and rates
- ix. Grants received

2.2 We suggest that the council updates its fixed asset register, classification and categorises assets appropriately. This will ensure the appropriate treatment of depreciation, grants and hence net book value. It will also enable identification of the assets concerned and thus the council can maintain control over its assets by carrying out physical inspections.



Reconciliation of additions in financial statements and asset register

2.3 Whilst testing fixed asset additions we noted that amounts included in the fixed asset register do not agree to amounts noted in the unaudited financial statements. The following is a summary of the differences:

Asset category	NBV in unaudited financial statements €	NBV in fixed asset register €	Difference €
Assets under construction	100,111	106,250	(6,138)
New urban improvements	48,826	(11,203)	60,029
Construction	1,772	74,246	(72,474)
Computer equipment	2,775	8,562	(5,787)
Office equipment	16,990	11,203	5,787
Total	170,474	189,058	18,584

The council failed to provide an explanation for the above-mentioned differences. The council should ensure that the fixed asset register agrees to the trial balance. Any variance between the assets disclosed in the financial statements and the fixed assets register need to be investigated and addressed accordingly.

2.4 Included with assets under construction, is the below item that was capitalised in 2021. Upon further inquiry with the council, we noted that the council could not trace the asset in the fixed asset register in order to pass the correct adjusting entry. The amount remains to be part of the asset under construction.

Account	Details	Amount
7552	Community centre premises	22,697.41

The above outlines, that the depreciation on the above asset is not being accounted for hence assets are overstated. To this end we have qualified our opinion.

2.5 The fixed asset register includes a balancing item under 'New Urban Improvements' amounting to €32,483.58. Upon further inquiry, we were informed that the asset was recorded as an attempt to reconcile the fixed asset with the trial balance back in 2022.

2.6 We recommend that the council should ensure timely reconciliation of the fixed asset register with the council's book of accounts and ensure that there is proper monitoring on the asset under construction account.



3 Receivables

Pre-regional LES debtors

- 3.1 We obtained report 622 generated from the Loqus system and noted that tribunal pending payments as at 31 December 2024 were €73,444, compared to an amount of €75,994 reported in the financial statements. This results in a difference of €2,550 for which the council did not provide us with any explanation. We did not propose an audit adjustment to account for these LES debtors because it has no effect on the financial statements since LES debtors are carried at nil value following a provision for doubtful debts for the same amount.
- 3.2 We recommend that the council takes the matter up with Loqus to determine what the correct balance is and then considers whether an adjustment should be passed in the council's books.

Garnishee order

- 3.3 As noted in our previous management letter, other debtors include an amount of €2,808 with respect to a garnishee order dated 2008. The latter was served to the council by Dr Gaetano. In our previous management letters, we noted that the executive secretary informed us that it was released by the Joint Committee in 2014. If the garnishee order was released, it should have been adjusted for in the council's books of account.
- 3.4 We strongly advise the council to investigate the matter and verify whether the garnishee order was released. Once established and supported by documentary evidence, the council should adjust its books of account.

Accrued income

- 3.5 During our testing of revenue, we noted that the council failed to record accrued income amounting to €14,793. An amount of €2,333 pertains to the remaining receivables from the Department for Local Government for the gym project whereas the remaining balance of €12,460 pertains to the cultural activities grant. We proposed an adjustment to record the accrued income as of 31 December 2024. The council included this adjustment in the final set of financial statements.
- 3.6 The council should endeavour to compute accrued income as accurately as possible so that income is recorded in the correct financial period based on the accruals concept of accounting. We also recommend that the council distinguishes between accrued income and debtors to correctly disclose assets in the financial statements.

4 Cash and cash equivalents

- 4.1 During our audit procedures on cash and cash equivalents, we noted that included in the bank reconciliation of account 43694110011 are stale cheques amounting to €11,358.68. We have proposed an audit adjustment to reverse the amounts against creditors. Our proposed audit adjustment was approved by the council and reflected in the audited financial statements.



4.2 It is important that the council investigates any 'stale' cheques to determine why they were not encashed. If the cheque is unlikely to be cashed or has been replaced, the amount should be reversed against the respective expense or creditor after approval by the council.

5 Trade and other payables

Supplier statements

5.1 The council did not obtain monthly statements from all of its suppliers. Memos issued from time to time by the Department of Local Government specifically state that the council should obtain monthly statements from all suppliers.

5.2 We recommend that the council obtains monthly statements from all suppliers in order to ensure proper recording of creditors in the council's ledgers. This will highlight any discrepancies between amounts recorded in the ledger and amounts in suppliers' statements.

Trade creditors reconciliation

5.3 According to the Local Council's creditors' list as at 31 December 2024, trade payables amount to €138,160. The balance disclosed in the trial balance provided by the Local Council amounts to €136,060, that is a difference of €2,100. The Local Council failed to provide an updated creditors' list tying up to the books of account. This has been a recurring difference since the prior years.

5.4 We recommend that the Local Council reconciles the creditors' list with the creditors' control account. Records and ledgers should be reconciled as necessary to ensure that differences are identified and resolved in a timely manner.

Long-outstanding creditors

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

Creditor	€
Adrian Caruana	76.70
AIM Enterprises	5,580.22
Branded Juice	349.37
Cutajar Busuttill Accounts	490.68
Everest Malta Limited	3,327.98
Ghaqda Pitoteknika 11 ta Frar	2,100.00
Lesa	187.52
Lia & Aquilina Advocates	493.58
Rovic Ironmongery	5,664.00
TM Ironmongery	541.36
	<u>18,811.41</u>



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

Alternative procedures on creditors

5.7 When performing alternative procedures on the balance due to creditors by verifying payments after year-end and outstanding invoices, we identified the below differences:

Supplier	Amount in council's books of account €	Payments after year end and Outstanding invoices €	Difference €	Note
Regjun Nofsinhar	65,842	62,494	3,348	i., ii.
Nexos Street Lighting	9,609	7,206	2,403	iii.

- i. Whilst comparing amounts recorded by the council and amounts provided by the Region we noted that an amount of €11,504 was overstated due to an invoice being recorded twice. We have proposed an audit adjustment to reverse the additional invoice. Our adjustment was approved by the council and reflected in the audited financial statements.
- ii. Furthermore, we also noted an amount of €8,156 issued by the Region for waste rejects which was not approved by the council and hence invoice was not recorded in the books of account. Upon further enquiry to the council, we were informed that no clear guidance was available on the amount recharged and such recharges were not included in the waste circular issued by the Department for Local Government.
- iii. A difference of €2,403 was identified between the councils books of account and payments made after year end to Nexos Street Lighting. Upon further checking, we noted that the difference pertained to an invoice mistakenly recorded twice. This was confirmed by the accountant and an adjustment was passed to reverse the payable. The adjustment was correctly included in the audited financial statements.

5.8 The above situations highlight the importance of reconciling creditors' balances to suppliers' statements. Thus, once again we recommend obtaining suppliers' statements on a monthly basis and reconciling immediately in order to identify any discrepancies promptly. We suggest that all differences identified are investigated and adjusted accordingly.



Income from grants on capital projects

- 5.9 Included with other creditors is an amount of €62,256 for grants received in prior years for the Dog Park project. We noted that the council failed to obtain an extension agreement for this capital project. The previous agreement stated that all works should be completed by July 2024.
- 5.10 We recommend that the Local Council obtains the extension agreement as this will establish the rights and obligations of each party.

Accrued expenses

- 5.11 During our accruals' testing, we noted that the council did not accrue for the performance bonus of the Executive Secretary amounting to €3,937.97 and Christmas light expense amounting to €4,899.36. Audit adjustments were proposed to increase the expenses and accruals. Our audit adjustments were reflected in the audited financial statements.
- 5.12 The council should make adequate provisions for accrued expenditure so that it is recorded in the correct accounting period. We recommend that the council evaluates all accruals for reasonableness before closing off the books of account.

6 Income

Joint Committee

- 6.1 We noted that the Zejtun Joint Committee, of which Marsaxlokk Local Council formed part up to 31 August 2011, has provided audited financial statement for the year ended 31 December 2015.
- 6.2 We have obtained the last audited financial statements of the Zejtun Joint Committee and noted that the reserves of the committee only amount to €2,672. To this end our audit report was not qualified as the amount to be divided between all committee members would not be material.
- 6.3 Nevertheless, we recommend that the council raises this issue with the Department for Local Government and ensures that the joint committee is liquidated, and that the council receives any further income that may be due to it.

Government income

- 6.4 During 2024 the council received an amount of €19,112 for the purchase of office equipment, from the Directorate for Local Government, Strategy and Policy Implementation and recorded the amount as 'other government income'. The council also received €6,999 for the outdoor gym project, which was likewise recorded as 'other government income'. An audit adjustment was proposed to treat the funds received as grant utilised for property, plant and equipment, considering that the funds were used for this purpose. The council approved our proposed audit adjustment, and this was reflected in the audited financial statements.



- 6.5 We recommend that the council should revisit the classification and treatment of funds received to ensure compliance with proper accounting standards. Specifically, funds should be assessed to determine whether they meet the grants related to assets, or government income. This will help ensure that financial statements accurately reflect the nature and purpose of the funds, thereby enhancing transparency and accountability.

7 Expenses

Allocation of expenses

- 7.1 During our testing on expenditure, we noted that the council erroneously classified an amount of €20,288 for the community services official with operations and maintenance instead of administrative expenses. An audit reclassification was proposed to reclassify the above and this was reflected in the audited financial statements.
- 7.2 We recommend that the council allocates expenditure to the appropriate accounts so that the expenses of the council are properly reported.

Penalty

- 7.3 During our review of the council's financial records, we noted that a penalty amounting to €1,600 was incurred in previous years and only recorded in the books of account during the current financial year. The penalty was imposed by the Environment & Resources Authority (ERA) due to unauthorised interventions on two Ficus trees, in violation of Regulations on the Protection of Cigars and Woods. According to the council, the two trees were causing damage and danger to pedestrians utilising the adjacent pavement since the roots were constantly heaving the adjacent pavement. However, this justification was not accepted by ERA, and the council proceeded to settle the penalty.
- 7.4 We recommend that the council enhances its procedures for managing risks. This includes consulting with the appropriate authorities prior to initiating interventions that may affect protected areas.

8 Financial statements

Presentation of financial statements

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



9 Liquidity position

Going concern

- 9.1 The council has a negative liquidity position of €58,671. In arriving at this amount, we have excluded deferred income from current liabilities and prepayments from current assets. Furthermore, the council has been incurring losses since 2021.
- 9.2 We recommend that the council takes immediate remedial action to improve the liquidity position as required by the Financial Procedures, 1996. The council should try its utmost to curb recurring and capital expenditure falling in its functions, but without negatively impacting the long-term feature of the locality.

Conclusion

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

We would like to take this opportunity to thank Ms Tiffany Abela, Ms Caroline Desira and their staff for their co-operation and assistance during the course of the audit.

Yours faithfully,

A handwritten signature in blue ink that reads "Grant Thornton" with a checkmark at the end. The signature is underlined.

Local Council Marsaxlokk

Annual Audit Report

For the year ended 31 December 2024

REGISTRY

22 JUL 2025

NATIONAL AUDIT OFFICE

CBA

Local Council Marsaxlokk

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Local Council Marsaxlokk

**Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2024**

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a 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 statement forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Council (Financial) Regulations, and the Local Council (Financial) Procedures issued in forms 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, Local Council (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on 9th July 2025 and signed on its behalf by:


Steven Grech
Mayor


Tiffany Abela
Executive Secretary

Local Council Marsaxlokk

**Statement of Comprehensive Income
for the year ended 31 December 2024**

	Notes	2024 €	2023 €
Funds received from Central Government	3	476,408	476,752
Income raised under Local Enforcement System	4	5,391	3,336
General Income	6	33,956	25,009
		<u>515,755</u>	<u>505,097</u>
Expenditure			
Personal emoluments	8	(172,571)	(161,407)
Operations and maintenance	9	(239,928)	(239,214)
Administration and other expenditure	10	(196,287)	(217,233)
		<u>(608,786)</u>	<u>(617,854)</u>
Operating loss for the year		<u>(93,031)</u>	<u>(112,757)</u>
Finance income	5	-	24
Loss for the year	7	<u>(93,031)</u>	<u>(112,733)</u>

Local Council Marsaxlokk

Statement of Financial Position
for the year ended 31 December 2024

	Notes	2024 €	2023 €
ASSETS			
Non-current assets			
Property, plant and equipment	11	162,259	130,496
Current Assets			
Receivables	12	24,462	47,982
Cash and cash equivalents	13	180,710	211,573
Total current assets		205,172	259,555
Total Assets		367,431	390,051
Reserves			
Retained earnings		102,690	195,721
		102,690	195,721
Current Liabilities			
Trade and other payables	14	264,741	194,330
		264,741	194,330
Total equity and liabilities		367,431	390,051

These financial statements were approved by the Local Council on 9th July 2025 and signed on its behalf by


Steven Grech
Mayor


Tiffany Abela
Executive Secretary

Local Council Marsaxlokk

**Statement of Changes in Equity
for the year ended 31 December 2024**

	Retained Funds	Total
	€	€
At 1 January 2023	308,454	308,454
Loss for the year	(112,733)	(112,733)
At 31 December 2023	<u>195,721</u>	<u>195,721</u>
At 1 January 2024	195,721	195,721
Loss for the year	(93,031)	(93,031)
At 31 December 2024	<u><u>102,690</u></u>	<u><u>102,690</u></u>

Local Council Marsaxlokk

**Statement of Cash Flows
for the year ended 31 December 2024**

	2024		2023	
	€	€	€	€
Net loss for the year	(93,031)		(112,733)	
Reconciliation to cash generated from operations:				
Amortisation and Deprecation	30,871		48,014	
Interest received	-		(24)	
	<hr/>		<hr/>	
Operating deficit before working capital changes	(62,160)		(64,743)	
Decrease in receivables	23,520		16,159	
Increase in payables	64,261		8,237	
Increase in other payables	6,150		2,217	
	<hr/>		<hr/>	
Cash generated from/(used in) operating activities		31,771		(38,130)
Cash flow from investing activities				
Interest received	-		24	
Purchase of property, plant and equipment	(209,966)		(37,070)	
Grants received	147,332		5,853	
	<hr/>		<hr/>	
Cash used in investing activities		(62,634)		(31,193)
Net decrease in cash in the year		<hr/> (30,863)		<hr/> (69,323)
Cash and equivalents at beginning of year		211,573		280,896
		<hr/>		<hr/>
Cash and equivalents at end of year		180,710		211,573
		<hr/> <hr/>		<hr/> <hr/>

Local Council Marsaxlokk

Notes to the Financial Statements for the year ended 31 December 2024

1. General information

The Marsaxlokk Local Council is the local authority of Malta set up in accordance with the Local Councils Act (1993). The office of the Local Council is situated at 2, Triq Vittorio Cassar, Marsaxlokk. These financial statements were approved for issue by the Council Members on 9th July 2025. The Local Council's presentation as well as functional currency is €.

2. Material accounting Policies and Reporting Procedures

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

Accounting convention

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

These financial statements have been drawn up in accordance with the policies and reporting procedures prescribed for Local Council 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 Council Act (Cap. 363)

New or revised Standards or Interpretations

New standards adopted as at 1 January 2024

Some accounting pronouncements which have become effective from 1 January 2024 and have therefore been adopted are:

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

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

Local Council Marsaxlokk

Notes to the Financial Statements for the year ended 31 December 2024

Material accounting policies and Reporting Procedures (cont'd)

New or revised Standards or Interpretations (cont'd)

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

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations published by the IASB or IFRIC include:

- Lack of Exchangeability (Amendments to IAS 21)
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and 7)
- IFRS 18 'Presentation and Disclosure in Financial Statements'
- IFRS 19 'Subsidiaries without Public Accountability: Disclosures'

None of these Standards or amendments to existing Standards have been adopted early by the Council. The Council anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement.

With the exception of IFRS 18, 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. The Council will assess the impact on disclosures from the initial adoption of IFRS 18. IFRS 18 will be effective for annual reporting periods beginning on or after 1 January 2027. The Council is not expected to early adopt this new standard.

Accounting policies and Reporting Procedures (cont'd)

Property, plant and equipment

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

	%
Land	0
Trees	0
Buildings	1
Office furniture and fittings	7.5 - 100
Construction works	10 - 100
Urban improvements (street furniture)	10 - 100
Special projects	10 - 100
Office equipment	20 - 100
Motor vehicles	20 - 48
Plant and machinery	20 - 100
Computer equipment	25 - 100
Plants	100
Litter bins	Replacement Basis
Playground furniture	100
Traffic signs	Replacement Basis
Road signs	Replacement Basis
Street mirrors	Replacement Basis
Street lights	100

Local Council Marsaxlokk

Notes to the Financial Statements for the year ended 31 December 2024

Material accounting policies and Reporting Procedures (cont'd)

Property, plant and equipment (cont'd)

Up to the year ended 31 December 2017, depreciation was calculated on a monthly basis using the reducing balance method at rates calculated to write off the cost less residual value of each asset over its expected useful life according to IAS 16 Property, Plant and Equipment. On 1 January 2018, the straight line method in line with IAS 16, has adopted, in line with Directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting estimate, and according to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, it has been accounted for prospectively.

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 asset are reviewed and adjusted as appropriate, at each end of the reporting period. 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 company 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.

Related parties

Related parties are those persons or bodies of persons having relationships with the council as defined in IAS 24.

Revenue

Revenue in general is stated when there is reasonable certainty that the income would be receivable and thus can be accrued for other income such as that derived from the organization of courses, cultural, sporting and social is only recognized on a cash basis. Interest income from financial assets is recognized when it is probable that the economic benefits will flow to the Council and the amount of income can be measured reliably.

Local enforcement system

Up till August 2011, the Council used to manage the local enforcement system in its locality and used to receive all the income generated from the fines. As from 1 September 2011 the Council started to form part of the Southern Region, which took over the management of the local enforcement system and the Council is receiving a 10% administration fee on every fine paid at the council. As from October 2015 LESA took over the administration of the local enforcement system.

Local Council Marsaxlokk

Notes to the Financial Statements for the year ended 31 December 2024

Material accounting policies and Reporting Procedures (cont'd)

Government grants

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

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

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 assistant. 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 the accounting policy, and according to IAS 8 Accounting policies, changes in accounting estimates and errors it has been accounted for retrospectively.

Profits and losses

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

Cash and equivalents

Cash and cash equivalents are carried in the statement of financial position. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and balances held with banks.

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.

Material accounting policies and Reporting Procedures (cont'd)

Financial Instruments (cont'd)

Classification and initial measurement of financial assets

Except for those trade 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), or
- 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'.

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, and most receivables fall into this category of financial instruments.

Local Council Marsaxlokk

**Notes to the Financial Statements
for the year ended 31 December 2024**

Material accounting policies and Reporting Procedures (cont'd)

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the 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.

The Local Council considers a broad 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.

Classification and measurement of financial liabilities

The Local Council's financial liabilities include trade and other payables.

Financial liabilities are initially measured at fair value and, where applicable, adjusted for transaction costs unless the Local Council designates a financial liability at FVTPL.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'finance costs' or 'finance income'.

Local Council Marsaxlokk

Notes to the Financial Statements for the year ended 31 December 2024

Material Accounting policies and Reporting Procedures (cont'd)

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectant 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.

Capital management policies

The Council's objectives when managing capital is to safeguard the Council's ability to continue as a going concern, so that it can continue to provide services and benefits to its local community.

The Council sets the amount of capital in proportion to risk. The Council manages the capital structure and make adjustments to within the lights of changes in economic conditions and the risk characteristics of the underlying assets.

The Council monitors capital on the basis of the debt-to-adjusted capital ratio. The ratio is calculated as net debt + adjusted capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Adjusted capital comprises of retained earnings.

3. Funds received from Central Government

	2024 €	2023 €
In terms of section 55 of the Local Council Act	439,659	401,912
Other Government Income	36,749	74,840
	<u>476,408</u>	<u>476,752</u>

4. Local enforcement income

	2024 €	2023 €
Income for LES administration fees	5,391	3,336
	<u>5,391</u>	<u>3,336</u>

Local Council Marsaxlokk

**Notes to the Financial Statements
for the year ended 31 December 2024**

5. Finance income

	2024	2023
	€	€
Bank interest	-	24
	<u>-</u>	<u>24</u>
	<u>-</u>	<u>24</u>

6. General income

	2024	2023
	€	€
Income from courses	80	1,680
Contributions	8,780	2,260
Income from permits	25,096	21,069
	<u>33,956</u>	<u>25,009</u>
	<u>33,956</u>	<u>25,009</u>

7. Loss for the year

	2024	2023
	€	€
Loss for the year is stated after charging:		
Staff salaries	172,571	161,407
Depreciation of non-current assets	30,871	48,014
	<u>172,571</u>	<u>161,407</u>
	<u>203,442</u>	<u>209,421</u>

Local Council Marsaxlokk

**Notes to the Financial Statements
for the year ended 31 December 2024**

8. Personal emoluments

	2024	2023
	€	€
Mayor's honoraria	13,730	13,479
Mayor's & councillors' allowance	9,400	10,282
Executive secretary salary and allowances	35,541	6,926
Employees' salaries	102,746	120,616
Social security contributions	11,154	10,104
	<u>172,571</u>	<u>161,407</u>

9. Operations and maintenance

	2024	2023
	€	€
<i>Repairs and upkeep:</i>		
Public property	4,520	9,665
Road/street pavements	321	3,930
Signs and road markings	979	2,292
Road & street patching	6,049	2,198
Office furniture and equipment	144	-
Plant & equipment	35	155
Sundry repairs	231	868
Other repairs and upkeep	-	755
Council property	7,775	5,020
	<u>20,054</u>	<u>24,883</u>
<i>Contractual services:</i>		
Refuse collection	34,508	11,115
Bulky refuse collection	9,765	10,417
Tipping fees	99,590	50,419
Hire of open skips	425	3,598
Road & street cleaning	56,940	76,465
Cleaning & maintenance of non-urban roads	-	1,430
Cleaning – public conveniences	1,378	12,576
Cleaning – council premises	-	70
Waste disposal	-	16,117
Cleaning & maintenance parks & garden	-	5,182
Cleaning & maintenance soft areas	659	3,712
Street lighting	15,820	20,764
Office equipment rent	-	201
Local enforcement expenses	-	505
Other contractual services	789	1,760
	<u>219,874</u>	<u>214,331</u>
	<u>239,928</u>	<u>239,214</u>

Local Council Marsaxlokk

**Notes to the Financial Statements
for the year ended 31 December 2024**

10. Administrative and other expenditures

	2024	2023
	€	€
Utilities	10,628	12,430
Uniforms	1,283	29
Sundry materials & supplies	6,992	7,639
Rent	11,187	8,000
Participation fee – Nat. Mtg	1,400	2,522
Printing	-	2,604
Stationery	10,470	7,162
Couriers	1,899	1,251
Postages	12	146
Transport	8,874	7,918
Information services	9,161	8,204
Insurance coverage	5,252	7,967
Bank charges	927	926
Penalties	1,623	-
IT development services	4,386	7,990
Legal services	4,948	19,204
Accounting services	5,888	6,207
Professional services	4,555	9,692
Other support services	25,167	19,366
Entertainment	100	480
Other hospitality costs	245	225
Social events	50,419	39,257
Amortisation and depreciation	30,871	48,014
	<u>196,287</u>	<u>217,233</u>

Local Council Marsaxlokk

Notes to the Financial Statements
for the year ended 31 December 2024

11. Property, plant and equipment

	Motor Vehicle	Property	Construction Works	New Street Signs	Urban Improvements	Plant and Machinery	Office & Computer Equipment	Office Furniture & Fittings	Assets under construction	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
At 1 January 2024	55,556	57,633	1,483,883	22,498	465,105	17,642	136,091	108,409	65,292	2,412,109
Additions	-	-	1,466	6,750	134,045	-	13,655	-	54,050	209,966
At 31 December 2024	55,556	57,633	1,485,349	29,248	599,150	17,642	149,746	108,409	119,342	2,622,075
Grants										
At 1 January 2024	10,170	44,232	760,810	-	366,638	-	55,305	59,474	7,533	1,304,162
Government grants current year	-	-	-	-	118,888	-	79,112	-	9,332	147,332
At 31 December 2024	10,170	44,232	760,810	-	485,526	-	74,417	59,474	16,865	1,451,494
Depreciation										
At 1 January 2024	32,295	960	714,104	22,498	90,373	16,801	65,242	35,178	-	977,451
Charge for the year	4,916	-	8,662	6,750	(1,437)	343	9,435	2,202	-	30,871
At 31 December 2024	37,211	960	722,766	29,248	88,936	17,144	74,677	37,380	-	1,008,322
Net book values										
At 31 December 2024	8,175	12,441	1,773	-	24,688	498	652	11,555	102,477	162,259

Notes to the Financial Statements
for the year ended 31 December 2024

11 Property, plant and equipment

	Motor Vehicle	Property	Construction Works	New Street Signs	Urban Improvements	Plant and Machinery	Office & Computer Equipment	Office Furniture & Fittings	Assets under construction	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
At 1 January 2023	55,556	57,633	1,483,883	14,554	456,826	17,157	131,611	108,409	49,410	2,375,039
Additions	-	-	-	7,944	8,279	485	4,480	-	15,882	37,070
At 31 December 2023	55,556	57,633	1,483,883	22,498	465,105	17,642	136,091	108,409	65,292	2,412,109
Grants										
At 1 January 2023	10,170	44,232	760,810	-	360,785	-	55,305	59,474	7,533	1,298,309
Government grants current year	-	-	-	-	5,853	-	-	-	-	5,853
At 31 December 2023	10,170	44,232	760,810	-	366,638	-	55,305	59,474	7,533	1,304,162
Depreciation										
At 1 January 2023	27,379	960	698,021	14,554	81,766	16,310	57,474	32,973	-	929,437
Charge for the year	4,916	-	16,083	7,944	8,607	491	7,768	2,205	-	48,014
At 31 December 2023	32,295	960	714,104	22,498	90,373	16,801	65,242	35,178	-	977,451
Net book values										
At 31 December 2023	13,091	12,441	8,969	-	8,094	841	15,544	13,757	57,759	130,496

Local Council Marsaxlokk

**Notes to the Financial Statements
for the year ended 31 December 2024**

12. Receivables

	2024 €	2023 €
Receivables	609	6,357
Other receivables	2,808	2,808
Accrued income	14,943	35,997
Financial assets	<u>18,360</u>	<u>45,162</u>
Prepayments	6,102	2,820
	<u>24,462</u>	<u>47,982</u>

Receivables

Receivables are non-interest bearing and are generally 30-days term.

General receivables are analysed as follows:

	2024 €	2023 €
Within credit period	609	6,189
Exceeded credit period but not impaired	-	168
	<u>609</u>	<u>6,357</u>

LES Debtors

LES debtors are stated after a specific provision for doubtful debts amounting to €75,995 (2023: €75,995).

The movement for the provision for doubtful debts is as follows:

	2024 €	2023 €
Balance at 1 January	75,995	94,167
(Decrease) in provision for LES Debtor	-	(18,172)
	<u>75,995</u>	<u>75,995</u>

Local Council Marsaxlokk

**Notes to the Financial Statements
for the year ended 31 December 2024**

13. Cash and equivalents

	2024	2023
	€	€
Bank Balances	180,182	211,045
Cash in Hand	528	528
	<hr/>	<hr/>
Cash and cash equivalents	180,710	211,573
	<hr/>	<hr/>

14. Trade and other payables

	2024	2023
	€	€
Payables	133,512	82,571
Other payables	63,067	1,660
Accruals	61,162	47,843
	<hr/>	<hr/>
Financial Liabilities	257,741	132,074
	<hr/>	<hr/>
Deferred income and grants	7,000	62,256
	<hr/>	<hr/>
	264,741	194,330
	<hr/>	<hr/>

15. Capital commitments

	2024	2023
	€	€
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for		
These could be analysed as follows:	46,964	332,433
	<hr/>	<hr/>
(i) Approved but not yet contracted		
Urban improvements	-	332,433
Motor Vehicle	46,964	-
	<hr/>	<hr/>
	46,964	332,433
	<hr/>	<hr/>

Local Council Marsaxlokk

Notes to the Financial Statements for the year ended 31 December 2024

16. Contingent liabilities and contingent asset

The council is still discussing a penalty received from the Environment & Resources Authority to € 6,400 (2023: € 6,400). The outcome is uncertain and due to this, the amount has not been provided for.

17. 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
Regional Committee (Local Enforcement)	Joint control
Fgura Joint Committee (Local Enforcement)	Joint Control
Local Enforcement System Agency	No Control
Gozo Regional Committee	No Control
North Regional Committee	No Control
South Regional Committee	No Control
South Eastern Regional Committee	No Control
Central Regional Committee	No Control
Public General Head Quarters	No Control
Local Councils' Association	No Control
Malta Information Technology Agency	No Control
Malta Communication Authority	No Control
Malta Tourism Authority	No Control
Malta Transport Authority	No Control
Department of Lands	No Control
Department of Inland Revenue	No Control
Permanent Secretary – Ministry of Education	No Control
Permanent Secretary – Ministry for Family & Social Solidarity	No Control
Bank of Valletta plc	No Control
Airmalta plc	No Control
Jobs plus	No Control
Arms Limited	No Control
Planning Authority	No Control
Environment and Resources Authority	No Control
Water Services Corporation	No Control
Enemalta Corporation	No Control
Cleansing Services Department	No Control
Director General – Works Division	No Control
Wasterserv Malta Limited	No Control
Commissioner for Data Protection	No Control

Local Council Marsaxlokk

Notes to the Financial Statements for the year ended 31 December 2024

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

	2024 €	2023 €
Annual Financial Allocation	439,659	401,912

Key management compensation

Transactions with key management personnel are disclosed in note 8.

18. Financial Risk Management

The exposure to risk and the way risks arises, together with the Local Council's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below.

The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development.

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 the 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 the risk exposure associated with financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

	2024 €	2023 €
Categories of financial instruments		
Financial assets		
Receivables	18,360	45,162
Cash and bank balances	180,710	211,573
	<u>199,070</u>	<u>256,735</u>
Financial liabilities		
Trade payables and other payables	257,741	132,074
	<u>257,741</u>	<u>132,074</u>

Local Council Marsaxlokk

Notes to the Financial Statements for the year ended 31 December 2024

The Council is exposed 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 flows by minimizing the exposure to financial risks.

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

Market risks

Foreign currency risk

The Council transacts mainly in euro (€) and does not have foreign currency denominated financial assets and liabilities at the end of the financial reporting periods presented. Consequently, the Council is not exposed to foreign currency risk.

Interest rate risk

The Council is not exposed to interest rate risk as it has no significant interest-bearing financial assets and liabilities.

Credit risk

Financial assets which potentially subject the Local Council to concentrations of credit risk consist principally of cash at bank and receivables. The Local Council's cash and cash equivalents are placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution.

The receivable balances of the Local Council are mainly composed of balances with government-related entities. Given the low risk associated with such entities, the default risk is insignificant. Given the fact that this will not result in material misstatement, the Local Council did not calculate and account for this 'expected credit loss'.

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

	2024	2023
	€	€
Classes of financial assets - carrying amounts		
Receivables	18,360	45,162
Cash and cash equivalents	180,710	211,573
	<hr/>	<hr/>
	199,070	256,735
	<hr/>	<hr/>
	<hr/>	<hr/>

Local Council Marsaxlokk

**Notes to the Financial Statements
for the year ended 31 December 2024**

Liquidity risk

The Council is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprises trade and other payables. Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the Council's obligations.

Management monitors liquidity risk by reviewing expected cash flow and ensures that no additional financing facilities are expected to be required over the coming year. The Council manages its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis.

At the end of the reporting period, the Local Council's net asset position amounted to € 102,690 (2023 €195,721) view of the matching of cash inflows and outflows arising from the expected maturities of financial instruments. In this respect management does not consider liquidity risk to the Council as significant taking into account the liquidity management process referred to above.

The following table analyses the Council's financial liabilities into relevant maturity grouping based on the remaining period at 31 December 2024 to the contractual maturity date. The amounts disclosed below are the contractual undiscounted cash flows. Balance due within equal their carrying balances, as the impact of discounting is not significant.

	Current Payable Within 1 year	Payable within 1&2 years	Non-Current Payable Within 2&5 years	Payable after more than 5 years	Total
31 December 2024	€	€	€	€	€
Payables	196,579	-	-	-	196,579
Accruals	61,162	-	-	-	61,162
	<u>257,741</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>257,741</u>
31 December 2023					
Payables	84,231	-	-	-	84,231
Accruals	47,843	-	-	-	47,843
	<u>132,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>132,074</u>

Local Council Marsaxlokk

**Notes to the Financial Statements
for the year ended 31 December 2024**

With respect to the maturity of the Council's financial liabilities as at 31 December 2024, the Council discloses that the trade and other payables are entirely repayable within one year from the end of the respective reporting period.

19. Fair value estimation

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

20. Going concern

The statement of financial position on page 3 and the notes thereto, with special reference to capital commitments, suggest that the going concern assumption used in the preparation of these financial statements is dependent on further sources of funds other than the annual financial allocation by Central Government, on the collection of debts due to the Local Council and on the continued support of the Local Council's creditors. Any adverse change in either of these assumptions above, would not let the Local Council able to meet its financial obligations as they fall due without curtailing its future commitment.

Report of the Local Government Auditor

To the Auditor General

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Marsaxlokk Local Council (the “Local Council”) set out on pages 2 to 24 which comprise the statement of financial position as at 31 December 2024, 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 information.

In our opinion, except for the effects of the matters described in paragraph under the Basis for Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Council as at 31 December 2024, and of its financial performance and its cash flows for the year the 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 qualified opinion

The council’s property, plant and equipment include an amount of €22,697 representing assets under construction. The asset was capitalised in previous years and the council confirmed that it will not be completed. Consequently, we were unable to verify the completeness of the property, plant and equipment.

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 for the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of matter

We draw attention to the council's Statement of Financial Position on page 3 which shows that at 31 December 2024 the council's current liabilities exceeded current assets by €59,569. The significance of this deficiency casts doubt as to whether the council will be able to meet its liabilities as they fall due. Our opinion is not modified in respect of this matter.

Responsibilities of those charged with governance for the financial statements

As described on page 1 the Executive Secretary and the members of the Local Council are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Legislation, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Secretary and the members of the Local Council are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is the intention to liquidate the Council or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

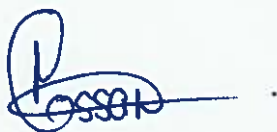
As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Principal on the audit resulting in this independent auditor's report is Patrizia Cassar.



Patrizia Cassar (Principal) for and on behalf of

GRANT THORNTON
Certified Public Accountants

Fort Business Centre
Triq L-Intornjatur, Zone 1
Central Business District
Birkirkara CBD 1050
Malta

09 July 2025