

Nadur Local Council

**Annual Report
and
Financial Statements**

1 January – 31 December 2024

**Prepared by:
M. Camilleri**



**ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2024**

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Financial Statements for the year ended 31 December 2024

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

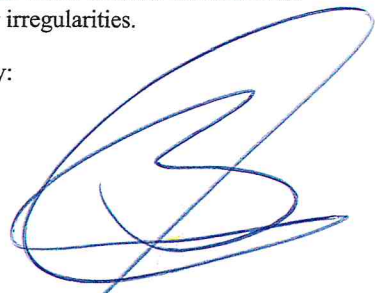
The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's Statement of Comprehensive Income for the year and of the Council's retained funds at the end of year. By virtue of the same regulations it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

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

Approved by the Council and signed on its behalf on the 21st May 2025 by:



Edward Said
Mayor




Sue Ellen Bugeja
Executive Secretary

STATEMENT OF FINANCIAL POSITION
As at 31 December 2024

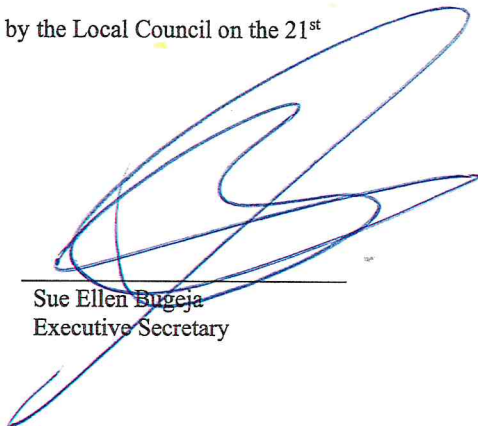
	Notes	31 December 2024 €	31 December 2023 €
ASSETS			
Non-current assets			
Property, plant and equipment	3	<u>363,741</u>	<u>357,163</u>
		<u>363,741</u>	<u>357,163</u>
Current Assets			
Receivables	4	<u>370,028</u>	<u>275,823</u>
Cash and Cash Equivalents	5	<u>469,496</u>	<u>582,308</u>
		<u>839,524</u>	<u>858,131</u>
Total Assets		<u><u>1,203,265</u></u>	<u><u>1,215,294</u></u>
RESERVES AND LIABILITIES			
Reserves			
Retained Fund		284,172	349,088
Current liabilities			
Payables	7	877,061	622,730
Deferred income grants	6	42,032	243,476
Total reserves and liabilities		<u><u>1,203,265</u></u>	<u><u>1,215,294</u></u>

The notes on pages 8 to 21 are an integral part of the financial statements.

These Financial Statements were approved and authorised for issue by the Local Council on the 21st May 2025 and signed on its behalf by:



Edward Said
Mayor



Sue Ellen Bugeja
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2024

	Notes	2024 €	2023 €
REVENUE			
Funds received from central government	8	641,425	600,737
Funds raised under Local Enforcement System	9	2,856	2,678
General Income	10	42,659	32,632
		<u>686,940</u>	<u>636,047</u>
EXPENDITURE			
Personal emoluments	11	(159,852)	(130,867)
Operations and maintenance	12	(253,115)	(206,614)
Administration and other expenditure	13	(338,989)	(334,621)
		<u>(751,956)</u>	<u>(672,102)</u>
Operating Loss for the year		(65,016)	(36,055)
Finance income	14	100	96
Finance cost	15	-	(25)
Loss for the financial year		<u>(64,916)</u>	<u>(35,984)</u>

The notes on pages 8 to 21 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

	Retained Earnings 2024 €	Retained Earnings 2023 €
At 1 January	349,088	385,072
Total Comprehensive Loss for the year: <i>Loss for the financial year</i>	(64,916)	(35,984)
At 31 December	<u>284,172</u>	<u>349,088</u>

The notes on pages 8 to 21 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS
Year ended 31 December 2024

	Note	2024 €	2023 €
Cash Flows from Operating Activities			
Total Comprehensive Loss for the year		(64,916)	(35,984)
Adjustments for:			
Depreciation		42,531	41,011
Finance Income		(100)	(96)
Interest Payable		-	25
Operating (Deficit) / Surplus before Working Capital Changes		<u>(22,485)</u>	<u>4,956</u>
(Increase) / Decrease in Receivables		(29,743)	10,079
Increase / (Decrease) in Payables		<u>229,449</u>	<u>(31,970)</u>
Net Cash generated from / (used in) Operating Activities		<u>177,221</u>	<u>(16,935)</u>
Cash flows from Investing Activities			
Purchase of property, plant and equipment		(528,436)	(61,533)
New grants received		213,421	160,726
Finance Income		<u>100</u>	<u>96</u>
Net Cash (used in) / generated from Investing Activities		<u>(314,915)</u>	<u>99,289</u>
Cash flows from Financing Activities			
Interest Paid		-	(25)
Movement in bank loan		-	(2,068)
Net Cash used in Financing Activities		<u>-</u>	<u>(2,093)</u>
Net (Decrease) / Increase in Cash and Cash Equivalents		(137,694)	80,261
Cash and Cash Equivalents at the Beginning of Year		573,656	493,395
Cash and Cash Equivalents at the End of Year	5	<u>435,962</u>	<u>573,656</u>

The notes on pages 8 to 21 are an integral part of the financial statements.

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

1. General Information

Nadur Local Council is the local Authority of Nadur setup in accordance with the Local Council's Act. The office of the Local Council is situated at North Street, Nadur NDR1222, Gozo.

2. Material Accounting Policy Information

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

a. Accounting convention

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

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

b. Standards, amendments and interpretations to existing standards

New or amended accounting standards, and interpretations adopted

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

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

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

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

2. Material Accounting Policy Information - continued

b. Standards, amendments and interpretations to existing standards

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

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

c. Revenue recognition

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

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

d. Local Enforcement System

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

e. Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss to date. Non-current assets are depreciated using the straight line method of depreciation, on a monthly basis.

The depreciation rates used for the calculation of the depreciation using the straight line method were as follows:

	%
Land	0
Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	replacement basis
Playground furniture	100
Road and traffic Signs	replacement basis
Street Mirrors	replacement basis
Street Lights	100

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

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

2. Material Accounting Policy Information - continued

f. Government Grants

Government grants related to the acquisition of property, plant and equipment are accounted for using the Capital Approach. Under the Capital Approach, government grants are deducted directly against the cost of the non-current asset to which they relate. The grant under this approach is recognised as income over the life of a depreciable asset by way of a reduced depreciation charge.

Government grants relating to operating expenditure are recognised in the statement of comprehensive income in the same period when the related expenses are incurred.

g. Impairment of Assets

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

h. Amounts Receivable

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

i. Foreign Currencies

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

j. Payables

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

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

k. Financial Instruments

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

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

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

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

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

k. Financial Instruments - continued

Financial Assets

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

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

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

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

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

Financial liabilities

The Council's financial liabilities include other payables. These are stated at their nominal amount which is a reasonable approximation of fair value.

All interest-related charges are included within 'finance costs'.

l. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS Accounting Standards as adopted by the EU requires council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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

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

m. Borrowings

Borrowings are initially recognised at cost, being the fair value of the consideration received and including acquisition charges associated with the borrowing.

Subsequent to initial recognition, all interest-bearing borrowings, are measured at amortised cost, using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on settlement.

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

Nadur Local Council

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

3a Property, Plant and Equipment

	Trees	Office Furniture /fittings	Office & Computer Equipment	Plant & Machinery	Urban Improvements	New Street Signs	Construction	Special Programmes	Council Premises	Assets under Construction	Total
Cost	€	€	€	€	€	€	€	€	€	€	€
At 1 January 2024	7,144	40,003	44,781	34,895	846,907	13,942	2,394,949	136,328	138,150	490,928	4,148,027
Reclassification	-	-	-	-	-	-	-	-	-	-	-
Additions this year	-	561	508	320	187,614	-	266,848	-	-	72,585	528,436
At 31 December 2024	7,144	40,564	45,289	35,215	1,034,521	13,942	2,661,797	136,328	138,150	563,513	4,676,463
Grants and other reimbursements											
At 1 January 2024	(332)	(2,446)	(828)	-	(266,035)	-	(593,204)	(68,341)	-	(490,928)	(1,422,114)
Additions this year	-	-	-	-	(155,763)	-	(250,979)	-	-	(72,585)	(479,327)
At 31 December 2024	(332)	(2,446)	(828)	-	(421,798)	-	(844,183)	(68,341)	-	(563,513)	(1,901,441)
Accumulated Depreciation											
At 1 January 2024	-	(33,470)	(38,017)	(33,370)	(545,670)	(13,942)	(1,619,224)	(67,987)	(17,070)	-	(2,368,750)
Charge this year	-	(408)	(2,602)	(475)	(5,995)	-	(31,667)	-	(1,384)	-	(42,531)
At 31 December 2024	-	(33,878)	(40,619)	(33,845)	(551,665)	(13,942)	(1,650,891)	(67,987)	(18,454)	-	(2,411,281)
Net book value											
At 31 December 2024	6,812	4,240	3,842	1,370	61,058	-	166,723	-	119,696	-	363,741

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

	Trees	Office Furniture /fittings	Office & Computer Equipment	Plant & Machinery	Urban Improvements	New Street Signs	Construction	Special Programmes	Council Premises	Assets under Construction	Total
Cost	€	€	€	€	€	€	€	€	€	€	€
At 1 January 2023	7,144	36,518	43,394	34,555	790,584	13,942	2,394,949	136,328	138,150	470,555	4,066,119
Reclassification	-	-	-	-	-	-	-	-	-	-	-
Additions this year	-	3,485	1,387	340	56,323	-	-	-	-	20,373	81,908
At 31 December 2023	7,144	40,003	44,781	34,895	846,907	13,942	2,394,949	136,328	138,150	490,928	4,148,027
Grants and other reimbursements											
At 1 January 2023	(332)	(2,446)	(828)	-	(215,773)	-	(593,204)	(68,341)	-	(451,588)	(1,332,512)
Additions this year	-	-	-	-	(50,262)	-	-	-	-	(39,340)	(89,602)
At 31 December 2023	(332)	(2,446)	(828)	-	(266,035)	-	(593,204)	(68,341)	-	(490,928)	(1,422,114)
Accumulated Depreciation											
At 1 January 2023	-	(33,104)	(35,233)	(32,945)	(541,203)	(13,942)	(1,587,639)	(67,987)	(15,686)	-	(2,327,739)
Charge this year	-	(366)	(2,784)	(425)	(4,467)	-	(31,585)	-	(1,384)	-	(41,011)
At 31 December 2023	-	(33,470)	(38,017)	(33,370)	(545,670)	(13,942)	(1,619,224)	(67,987)	(17,070)	-	(2,368,750)
Net book value											
At 31 December 2023	6,812	4,087	5,936	1,525	35,202	-	182,521	-	121,080	-	357,163

Nadur Local Council

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

4 Receivables	2024	2023
	€	€
Accounts receivable	39,739	8,371
Accrued income	327,685	263,223
Prepayments	2,604	4,229
	<u>370,028</u>	<u>275,823</u>

Receivables		
Within the current period	366,179	272,986
Exceeded credit period but not yet impaired	3,849	2,837
	<u>370,028</u>	<u>275,823</u>

5 Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the Local Council's statement of financial position:

	2024	2023
	€	€
Bank Balances:		
Ordinary funds	469,370	582,209
Cash in hand	126	99
Overdrawn balances	(33,534)	(8,652)
	<u>435,962</u>	<u>573,656</u>
Transfer to payables	33,534	8,652
Cash at bank and in hand	<u>469,496</u>	<u>582,308</u>

6 Deferred Income Grants	2024	2023
	€	€
Deferred Income 1 to 2 years	-	-
Deferred Income 2 to 5 years	-	-
Deferred Income over 5 years	-	-
	<u>-</u>	<u>-</u>
Deferred Income within 1 year	<u>42,032</u>	<u>243,476</u>

	2024	2023
	€	€
Opening balance	243,476	124,338
Increase in grants	94,732	141,532
Setoff of grants against non-current assets	(296,000)	(21,601)
Reclassified to Payables	(176)	(793)
Closing balance	42,032	243,476
Less current portion	(42,032)	(243,476)
Non-current portion	<u>-</u>	<u>-</u>

Nadur Local Council

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

7 Payables	2024	2023
	€	€
Accounts payable	145,441	75,328
Accruals	698,086	538,750
Overdrawn balances	33,534	8,652
	<u>877,061</u>	<u>622,730</u>
8 Funds received from Central Government	2024	2023
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	594,876	543,287
Other Government Income	46,549	57,450
	<u>641,425</u>	<u>600,737</u>
9 Income raised from Local Enforcement System	2024	2023
	€	€
Administrative income from contraventions	2,856	2,678
	<u>2,856</u>	<u>2,678</u>
10 General Income	2024	2023
	€	€
Contributions and other income	15,376	3,155
Income from documents	-	15
Income from permits	27,283	29,462
	<u>42,659</u>	<u>32,632</u>
11 Personal Emoluments	2024	2023
Personal emoluments include, inter alia:	€	€
Mayor's honoraria and allowances	13,730	13,479
Councillors' allowance	10,600	10,600
Executive secretary salary, bonuses, income supplements and allowances	56,084	35,008
Employees' salaries	69,799	64,165
Social security contributions	9,639	7,615
	<u>159,852</u>	<u>130,867</u>

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

12 Operations and Maintenance

	2024	2023
	€	€
Operations and maintenance includes, inter alia:		
Repairs and Upkeep:		
Road and street pavements	13,011	15,504
Street signs and road markings	5,336	4,073
Public property	4,461	1,760
Other	3,277	2,463
Total	<u>26,085</u>	<u>23,800</u>
Contractual Services:		
Refuse Collection (including bins on wheels)	95,012	81,000
Bulky Refuse Collection (incl. open skips)	14,279	12,576
Road and Street Cleaning (mechanical and manual)	23,542	21,116
Cleaning and Maintenance of Public Conveniences	3,828	3,247
Cleaning and maintenance - parks and gardens	4,207	5,723
Local Enforcement System - expenses	-	22
Street lighting	1,874	1,503
Other	84,288	57,627
	<u>227,030</u>	<u>182,814</u>
Total Operations and Maintenance Expenses	<u>253,115</u>	<u>206,614</u>

13 Administration and other expenditure

	2024	2023
	€	€
Bank Charges	1,581	1,966
Utilities	20,816	21,365
Other repairs and upkeep	10,049	11,804
National and International Memberships	1,780	1,692
Rent	14,760	11,823
Office Services	11,017	10,208
Travel	12,419	29,714
Transport	10,898	11,562
Information services	23,230	19,877
Other contractual services	2,252	2,872
Professional Services	83,287	69,868
Community and Hospitality	104,369	100,859
Depreciation	42,531	41,011
	<u>338,989</u>	<u>334,621</u>

14 Investment income

	2024	2023
	€	€
Bank Interest Receivable	100	96
	<u>100</u>	<u>96</u>

Nadur Local Council

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

15 Finance cost	2024	2023
	€	€
Interest on bank loan	-	25
	<u>-</u>	<u>25</u>
16 Capital Commitments	2024	2023
	€	€
Capital expenditure approved and contracted for	81,741	245,825
Capital expenditure approved but not yet contracted for	194,133	207,147
	<u>275,874</u>	<u>452,972</u>
Further analysis as follows:		
Capital expenditure approved and Contracted for:		
Resurfacing Works – Old Ramla Road	62,613	54,548
Rural Roads – Measure 4.3	-	121,862
Embellishment - Belvedere	-	69,415
Security Measures - CCTV	19,128	-
	<u>81,741</u>	<u>245,825</u>
Capital expenditure approved but not yet contracted for:		
Construction of Public Convenience @ San Blas	146,957	100,000
Security Measures - CCTV	-	13,791
Embellishment – Various Areas in Nadur	-	93,356
Supply and Installation of Play Centre @ Tal-Hali Playground	47,176	-
	<u>194,133</u>	<u>207,147</u>

It should be noted that the capital commitments listed above are to be in their majority financed by third parties and not through the Local Council annual allocation. In fact:

- (i) the resurfacing works for Old Ramla Road is in its majority financed by the Ministry for Gozo. The Nadur Local Council will contribute to pay the ancillary expenses which amongst others include professional fees and water service works;
- (ii) the installation of CCTV as security measures in the community will in their majority be financed by the Department of Local Government and the Gozo Region;
- (iii) the construction of the public convenience @ San Blas will be mainly financed by funds obtained from LESA.

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

17 Related Parties Disclosures

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

Name of entity	Nature of relationship
Department of Local Councils	Significant control
Regional Committees	Limited / Non-significant control
Ministry for Gozo	No control

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

	2024	2023
	€	€
Significant control:		
Revenue		
Annual financial allocation	594,876	543,287
Other Government Income	46,549	57,450
	<u>641,425</u>	<u>600,737</u>

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

18 Risk management objectives and policies

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

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

18.1 Credit risk

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

	2024	2023
	€	€
Class of financial assets – carrying amounts		
Trade and other receivables	370,028	275,823
Cash and Cash Equivalents	469,496	582,308
	<u>839,524</u>	<u>858,131</u>

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

The Council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See Note 4 for further information on impairment or financial assets that are past due.

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

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

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

18 Risk management objectives and policies – continued

18.2 Liquidity risk

The Council's exposure to liquidity risk arises from its obligations to meet its financial liabilities which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funds to meet the council's obligations when they become due.

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

	2024	2023
	€	€
Due within 1 year or less:		
Payables	<u>877,061</u>	<u>622,730</u>
	<u><u>877,061</u></u>	<u><u>622,730</u></u>

18.3 Interest rate risk

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 5), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

18.4 Summary of the financial assets and liabilities by category

The carrying amounts of the council's financial assets and liabilities as recognised at the reporting dates under review are categorised as follows:

	2024	2023
	€	€
Current Assets		
Loans and receivables:		
Trade and other receivables	370,028	275,823
Cash and Cash Equivalents	<u>469,496</u>	<u>582,308</u>
	<u><u>839,524</u></u>	<u><u>858,131</u></u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	<u>877,061</u>	<u>622,730</u>

18.5 Timing of cash flows

The presentation of the financial assets and liabilities under current and non-current headings within the statement of financial position is intended to indicate the timing in which cash flows will arise.

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

18 Risk management objectives and policies – continued

18.6 Capital risk management

The Council's objectives when managing capital are to safeguard the Council's ability to continue as a going concern so that it can continue to provide a service to the residents of the Local Council by maintaining an optimal capital structure to reduce cost of capital.

The Council's equity, as disclosed in the statement of financial position, constitutes its capital. The Council's capital structure is monitored by the Executive Secretary and the Council with appropriate reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Council's activities, the capital level as at the end of the reporting period is deemed adequate by the Council.

19 Fair value estimation

At 31 December 2024 and 31 December 2023, the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

20 Reconciliation of liabilities arising from financing activities

The table below details the changes in the Council's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Council's statement of cash flows as cash flows from financing activities.

	Opening balance	Non-cash	Payments	Closing balance
2023	€	€	€	€
Bank Loan	2,068	25	(2,093)	-

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www.rsm.com.mt**NADUR LOCAL COUNCIL****REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL****Report on the audit of the financial statements****Qualified Opinion**

We have audited the accompanying financial statements of Nadur Local Council, set out on pages 4 to 21, which comprise the statement of financial position as at 31 December 2024, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of material accounting policy information and other explanatory information.

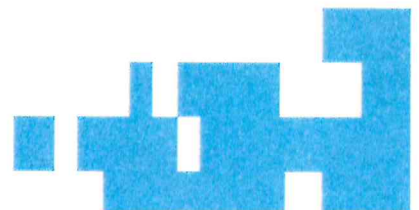
In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the financial statements give a true and fair view of the financial position of the Local Council as of 31 December 2024 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Qualified Opinion

In the previous years, we noticed that Note 3, relating to property, plant and equipment, was not properly prepared following the changes in the accounting policies in accordance with Directive 01/2017. Upon initial application, the cost of the property, plant and equipment should have remained the same, the gross grants should have been shown in the section about grants underneath and the amortization of the deferred income up till 31 December 2016 should have been netted off against the accumulated depreciation as at 1 January 2017. This error in the presentation of figures was not corrected in these financial statements as the same figures of the previous year were brought forward in Note 3 for the costs, the grants and the accumulated depreciation.

No proper fixed assets register was provided to us during our audit and consequently, we could not carry out satisfactory audit procedures to obtain reasonable assurance on the existence and completeness of the property, plant and equipment shown in the statement of financial position with a carrying value of €363,741.

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 ethical requirements of both the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Code of Ethics for Warrant Holders in Malta. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.



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

Report on the audit of the financial statements - continued

Material Uncertainty Related to Going Concern

We draw attention to the Local Council's Statement of Financial Position on page 4 which shows that as at 31 December 2024, the current liabilities of the Local Council exceeded its current assets by €79,569. This condition indicates that a material uncertainty exists that may cast significant doubt as to whether the Local Council will be able to meet its liabilities as and when they fall due. Our opinion is not modified in respect of this matter.

Other Information

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

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

Council Responsibilities for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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

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

Report on the audit of the financial statements - continued

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

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Local Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Secretary and the Local Council Members.
- Conclude on the appropriateness of the Executive Secretary's and the Local Council Members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Local Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 the Executive Secretary and the Local Council Members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

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

A handwritten signature in blue ink, appearing to be 'Conrad Borg', is written over a horizontal line.

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

RSM Malta

Registered Auditors

21st May 2025

