



REGJUN NOFSINHAR
SOUTHERN REGIONAL COUNCIL

SOUTHERN REGIONAL COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2023



395,
Triq il-Vitorja,
Hal Qormi QRM2504, Malta
T: +356 21499389
E: regjun-nofsinhar.dlg@gov.mt
www.regjunnofsinhar.org/

SOUTHERN REGIONAL COUNCIL

Annual report and financial statements for the year ended 31 December 2023

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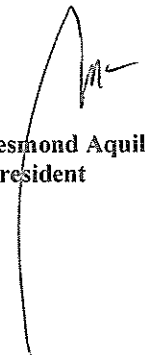
SOUTHERN REGIONAL COUNCIL

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

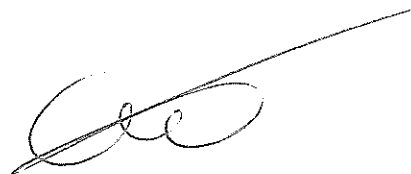
The Local Councils (Financial) Regulations 1993 require the Executive Secretary to prepare a detailed annual administrative report which included the Regional Council's Statement of Comprehensive Income for the year and of the Regional Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the Regional 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 the Local Councils, the income and expenditure of the Council for the year, its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, and the Local Council (Financial) Procedures issued in terms of the said Act.

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

This statement was approved by the Regional Council on 29 April 2024 and signed on its behalf by:



Jesmond Aquilina
President



Mariella Strout
Executive Secretary

REGJUN NOFSINHAR
Uffiċċju Amministrattiv
395, Triq il-Vitorja
Hal-Qormi QRM2504

SOUTHERN REGIONAL COUNCIL

Statement of Comprehensive Income for the year ended 31 December 2023

	Notes	2023 €	2022 €
Revenue			
Funds received from central government	3	583,332	583,332
Income raised from local enforcement system	4	1,027	2,887
Reimbursements	5	310,243	83,248
General income	6	2,942,463	3,934
		<u>3,837,065</u>	<u>673,401</u>
Expenditure			
Personnel emoluments	7	(390,450)	(398,893)
Operations and maintenance	8	(3,663,463)	(1,842)
Administration and other expenditure	9	(130,438)	(157,862)
		<u>(4,184,351)</u>	<u>(558,597)</u>
Operating (deficit)/surplus for the year		(347,286)	114,804
Financial assistance within the Regional Council	10	(183,663)	(56,224)
Total comprehensive (expenditure)/income for year		<u>(530,949)</u>	<u>58,580</u>

The notes on pages 6 to 22 form an integral part of these financial statements.

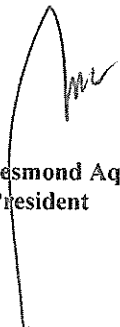
SOUTHERN REGIONAL COUNCIL

Statement of Financial Position as at 31 December 2023

	Notes	2023 €	2022 €
Assets			
<i>Non current assets</i>			
Property, plant and equipment	11	<u>73,689</u>	90,689
<i>Current assets</i>			
Trade and other receivables	12	992,247	22,020
Cash and cash equivalents	13	<u>2,588,523</u>	<u>2,168,403</u>
		<u>3,580,770</u>	2,190,423
Total assets		<u>3,654,459</u>	<u>2,281,112</u>
Equity and liabilities			
<i>Reserves</i>			
Retained earnings		<u>895,448</u>	<u>1,426,397</u>
<i>Current liabilities</i>			
Trade and other payables	14	1,787,268	854,715
Short-term borrowings	15	<u>971,743</u>	-
Total liabilities		<u>2,759,011</u>	854,715
Total equity and liabilities		<u>3,654,459</u>	<u>2,281,112</u>

The notes on pages 6 to 22 form an integral part of these financial statements.

These financial statements were approved and authorised for issue by the Southern Regional Council on 29 April 2024 and signed on its behalf by:


Jesmond Aquilina
President


Mariella Strout
Executive Secretary

SOUTHERN REGIONAL COUNCIL

Statement of Changes in Equity for the year ended 31 December 2023

	2023 €	2022 €
Retained Earnings		
At 1 January	1,426,397	1,367,817
Total comprehensive (loss)/profit for the year	(530,949)	58,580
At 31 December	<u>895,448</u>	<u>1,426,397</u>

The notes on pages 6 to 22 form an integral part of these financial statements.

SOUTHERN REGIONAL COUNCIL

Statement of Cash Flows for the year ended 31 December 2023

	Note	2023 €	2022 €
Cash flow from operating activities			
Total comprehensive (loss)/profit for the year		(530,949)	58,580
Adjustments for:		18,682	17,900
Depreciation		(15,738)	(20,535)
Reversal of provision for bad debts			
Operating (loss)/profit before working capital changes		(528,005)	55,945
Working capital changes:		(954,489)	102,965
(Increase)/decrease in receivables		932,553	43,540
Increase in payables			
Net cash flows (used in)/generated from operating activities		(549,941)	202,450
Cash flow from investing activities			
Purchase of property, plant and equipment		(1,682)	(4,340)
Receipt of government grant		-	3,600
Net cash flow used in investing activities		(1,682)	(740)
Cash flow from financing activities			
Proceeds from short-term borrowings		971,743	-
Net cash flow generated from financing activities		971,743	-
Net increase in cash and cash equivalents		420,120	201,710
Cash and cash equivalents at the beginning of the year		2,168,403	1,966,693
Cash and cash equivalents at the end of the year	13	<u>2,588,523</u>	<u>2,168,403</u>

The notes on pages 6 to 22 form an integral part of these financial statements.

SOUTHERN REGIONAL COUNCIL

Notes to the financial statements for the year ended 31 December 2023

1. GENERAL INFORMATION

The Southern Regional Council is the local authority of Malta set up in accordance with the Local Councils Act. The office of the Regional Council is situated at 395, Triq il-Vitorja, Qormi QRM2504. These financial statements were approved for issue by the Regional Council Members on 29 April 2024. The Regional Council's financial statements are prepared on a going concern basis and are presented in Eur which is the functional currency of the Regional Council.

2. MATERIAL ACCOUNTING POLICIES AND REPORTING PROCEDURES

The material accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all 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 Ministry 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 as adopted by the 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) Changes in accounting policies and disclosures

In the current year, the Local Council has reviewed a number of new standards and amendments to IFRS issued by the International Accounting Standards Boards (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023.

IFRS 17 'Insurance Contracts'

IFRS 17 'Insurance Contracts' was issued in May 2017, with amendments to the standard issued in June 2021. The standard sets out the requirements that an entity should apply in accounting for insurance contracts it issues and reinsurance contracts it holds. Following the amendments, IFRS 17 is effective from 1 January 2023. This Standard does not have any effect on the Council's financial statements.

Amendments to IAS 1 Presentation of Financial Statements – Disclosure of Accounting Policies

The amendments to "Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)" were issued on 12 February 2021. They are intended to help preparers in deciding which accounting policies to disclose in their financial statements, with clarifications on applying the concept of materiality. These amendments had no impact on the financial statements.

SOUTHERN REGIONAL COUNCIL

Notes to the financial statements for the year ended 31 December 2023

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. The amendments are applicable for annual reporting periods beginning on or after 1 January 2023, with optional early adoption.

Amendments to IAS 12 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify how entities account for deferred taxes on certain transactions, such as leases and decommissioning obligations, with a focus on reducing diversity in practice. The amendments narrow the scope of the initial recognition exemption so entities will need to recognize a deferred tax asset and a deferred tax liability arising from transactions that give rise to equal and offsetting temporary differences. These amendments had no impact on the financial statements.

New Standards and amendments not yet effective

At the end of the reporting period, certain new standards, interpretations or amendments thereto, were in issue and endorsed by the EU, but not yet effective for the current financial period. There have been no instances of early adoption of standards, interpretations or amendments ahead of their effective date. The Councillors and Executive Secretary anticipate that the adoption of the International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application. The most relevant changes are the following:

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

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted.

Amendments to IAS 12 Income Taxes - International Tax Reform - Pillar Two Model Rules

The amendments introduce an immediate temporary mandatory exception from accounting for deferred tax related to GloBE top-up tax. However, entities will be required to provide new disclosures about their potential exposure to the top-up tax at the reporting date in periods in which a tax law is enacted but the top-up tax does not yet apply. The disclosure requirements apply from 31 December 2023. No disclosures are required in interim periods ending on or before 31 December 2023.

SOUTHERN REGIONAL COUNCIL

Notes to the financial statements for the year ended 31 December 2023

b) *Changes in accounting policies and disclosures (continued)*

Amendments to IAS 7, Statement of Cash Flows and IFRS 7, Financial Instruments: Disclosures – Supplier Finance Arrangements

The amendments require an entity to disclose qualitative and quantitative information about its supplier finance arrangements, such as terms and conditions, for example, extended payment terms and security or guarantees provided. These amendments will not have any effect on the Council's financial statements.

c) *Revenue recognition*

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs.

d) *Local enforcement system*

Income from the Local Enforcement System is recognized in the statement of comprehensive income as it accrues.

e) *Property, plant and equipment*

Property, plant and equipment, are initially recorded at cost and are subsequently stated at cost less accumulated depreciation and accumulated impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of items. Subsequent costs are included in the asset's carrying amount, 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 Regional Council, and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives using depreciation rates as follows:

	%
Computer equipment	25.0
Office equipment	20.0
Furniture and fittings	7.5
Motor vehicles	20.0
Construction works - completed	10.0

f) *Government grants*

Government grants are accounted for on a systematic basis in the statement of comprehensive income over the periods necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related costs, then the grant is accounted for when it becomes receivable.

Government and EU grants relating to property, plant and equipment are written-off against the expenditure incurred on such property, plant and equipment in the year of purchase in line with the capital approach as per International Accounting Standard 20: Government Grants.

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Notes to the financial statements for the year ended 31 December 2023

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) *Receivables*

Amounts receivable are recognized initially at fair value and subsequently measured at amortized 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 recognized 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 Regional Council operates. These financial statements are presented in euro which is the Council's functional and present currency.

Transactions denominated in foreign currencies are translated into Euro at rates of exchange in operation on the dates of transactions. Monetary assets and liabilities expressed in foreign currencies are translated into euro at the rates of exchange prevailing at the date of the statement of financial position.

j) *Surplus and deficits*

Only surpluses that were realized at the date of the statement of financial position are recognized in these financial statements. All foreseeable liabilities and potential deficits arising up to the said date are accounted for even if they become apparent between the said date and the date on which the Financial Statements are approved.

k) *Cash and cash equivalents*

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

l) *Related parties*

Related parties are those persons or bodies of persons having relationship with the Council as defined in IAS 24. During the year under review, the Regional Council's related party that exercised a significant control was the Department of Local Government. The parties that exercise no control were Water Services Corporation, LESA, Enemalta, Wasteserv, ARMS and Malta Environmental and Planning Authority.

SOUTHERN REGIONAL COUNCIL

Notes to the financial statements for the year ended 31 December 2023

m) Trade and other payables

Trade payables comprise obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable 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 payable 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 Regional Council.

n) Financial instruments

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

Financial assets are derecognized 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 derecognized when it is extinguished, discharged, cancelled or expires.

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, other than those designated and effective as hedging instruments, are classified into the following categories:

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

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

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.

SOUTHERN REGIONAL COUNCIL

Notes to the financial statements for the year ended 31 December 2023

n) Financial instruments (continued)

Subsequent measurement of financial assets

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 Council's cash and cash equivalents and receivables fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses - the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

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

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

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

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

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

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Notes to the financial statements for the year ended 31 December 2023

n) Financial instruments (continued)

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Council's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Council's financial liabilities include trade and other payables and short-term borrowings.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Council designated 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 changes and, if applicable, changes in an instrument's fair value that are reported in statement of income and expenditure are included within finance costs or finance income.

o) Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires council members to make judgments, 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 judgment 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 assumption are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future period if the revision affects both current and future periods.

In the opinion of the Regional Council members, the accounting estimates and judgments 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).

SOUTHERN REGIONAL COUNCIL

Notes to the financial statements for the year ended 31 December 2023

3. FUNDS RECEIVED FROM CENTRAL GOVERNMENT

	2023	2022
	€	€
Government allocation received during the year	<u>583,332</u>	<u>583,332</u>

4. INCOME RAISED FROM LOCAL ENFORCEMENT SYSTEM

	2023	2022
	€	€
Regional Committee LESA – administration fee	<u>1,027</u>	<u>2,887</u>

5. REIMBURSEMENTS

	2023	2022
	€	€
Reimbursement of salaries	268,968	75,762
Reimbursement of expenses	<u>41,275</u>	<u>7,486</u>
	<u>310,243</u>	<u>83,248</u>

SOUTHERN REGIONAL COUNCIL

Notes to the financial statements for the year ended 31 December 2023

6. GENERAL INCOME

	2023	2022
	€	€
Grant for steward officer	17,593	-
Grants for cultural activities	149,571	-
Waste collection and disposal	2,741,294	-
Other income	34,005	3,934
	<u>2,942,463</u>	<u>3,934</u>

7. PERSONNEL EMOLUMENTS

	2023	2022
	€	€
President's honoraria	22,158	21,484
Executive secretary's salary	41,445	45,095
Employees' salaries	307,962	302,601
Social security contributions	18,885	29,713
	<u>390,450</u>	<u>398,893</u>

AVERAGE NUMBER OF PEOPLE EMPLOYED

	2023	2022
	No.	No.
Executive secretary	1	1
Employees	11	12
President	1	1
	<u>1</u>	<u>1</u>

8. OPERATIONS AND MAINTENANCE

	2023	2022
	€	€
Tribunal cost	-	1
Refuse collection	2,228,395	1,841
Tipping fees	1,435,068	-
	<u>3,663,463</u>	<u>1,842</u>

SOUTHERN REGIONAL COUNCIL

Notes to the financial statements for the year ended 31 December 2023

9. ADMINISTRATION AND OTHER EXPENDITURE

	2023	2022
	€	€
Annual plenary session	6,393	4,586
Bank charges and interest	1,072	701
Cleaning and supplies cost	8,808	8,701
Computer maintenance agreement	2,696	2,463
Data protection officer	234	1,868
Depreciation	18,682	17,900
Equipment hire	1,007	2,606
Funeral wreath and flowers	315	125
General expenses	110	-
Health insurance	1,000	827
Handyman works	7,300	5,800
Insurance	1,556	673
Legal fees	45	1,239
LES services	3,867	765
Motor vehicles expenses	4,458	3,775
Other hospitality costs	5,947	5,634
Overseas travel	6,457	2,877
Postage, printing and stationery	4,286	14,964
PR material	-	21
Professional fees	23,018	12,980
Rent	22,760	20,357
Repairs and maintenance	3,501	3,670
Reversal of provision for bad debts	(15,738)	(20,535)
Staff uniforms	30	1,152
Staff training and team building events	10,268	17,407
Subscription, licences and memberships	2,017	1,861
Telephone and communication	5,765	2,326
Transportation	1,714	40,518
Water/electricity and gas	2,870	2,601
	<u>130,438</u>	<u>157,862</u>

10. FINANCIAL ASSISTANCE WITHIN THE REGIONAL COUNCIL

	2023	2022
	€	€
Christmas decoration projects	-	19,629
Activities project	-	10,000
Skema settur kulturali u artistiku	11,292	1,500
Kwarta tajba project	-	1,500
Art lessons and exhibition project	5,550	750
Other community projects	166,821	22,845
	<u>183,663</u>	<u>56,224</u>

**Notes to the financial statements
for the year ended 31 December 2023**

11. PROPERTY, PLANT AND EQUIPMENT

	Computer Equipment	Office Equipment	Furniture & Fittings	Motor Vehicles	Construction Works	Total
	€	€	€	€	€	€
Cost						
As at 1 January 2023	24,315	11,249	16,447	30,471	72,077	154,559
Additions during the year	-	-	1,682	-	-	1,682
As at 31 December 2023	24,315	11,249	18,129	30,471	72,077	156,241
Grants and Other Reimbursements						
As at 1 January 2023	(3,600)	-	-	-	-	(3,600)
As at 31 December 2023	(3,600)	-	-	-	-	(3,600)
Depreciation and Impairment Provision						
As at 1 January 2023	14,380	8,367	6,692	14,188	16,643	60,270
Charge for the year	3,048	972	1,360	6,094	7,208	18,682
As at 31 December 2023	17,428	9,339	8,052	20,282	23,851	78,952
NET BOOK VALUE						
As at 31 December 2023	3,287	1,910	10,077	10,189	48,226	73,689

	Computer Equipment	Office Equipment	Furniture & Fittings	Motor Vehicles	Construction Works	Total
	€	€	€	€	€	€
Cost						
As at 1 January 2022	23,360	8,596	15,715	30,471	72,077	150,219
Additions during the year	955	2,653	732	-	-	4,340
As at 31 December 2022	24,315	11,249	16,447	30,471	72,077	154,559
Grants and Other Reimbursements						
As at 1 January 2022	(3,600)	-	-	-	-	(3,600)
As at 31 December 2022	(3,600)	-	-	-	-	(3,600)
Depreciation and Impairment Provision						
As at 1 January 2022	12,232	7,961	5,022	8,094	9,061	42,370
Charge for the year	2,148	406	1,670	6,094	7,582	17,900
As at 31 December 2022	14,380	8,367	6,692	14,188	16,643	60,270
NET BOOK VALUE						
As at 31 December 2022	6,335	2,882	9,755	16,283	55,434	90,689

SOUTHERN REGIONAL COUNCIL

Notes to the financial statements for the year ended 31 December 2023

12. TRADE AND OTHER RECEIVABLES

	2023	2022
	€	€
Receivables	889,231	7,096
Prepayments	10,407	10,141
Accrued income	92,609	4,783
	<u>992,247</u>	<u>22,020</u>
Analysis of trade receivables		
Within the credit period	687,452	6,522
Exceeded credit period but not yet impaired	201,779	574
	<u>889,231</u>	<u>7,096</u>

Receivables are stated net of provision for doubtful debts of Eur1,637,071 (2022: Eur1,652,809).

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and balances with banks. Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the Statement of Financial Position.

	2023	2022
	€	€
Current accounts	2,588,190	2,168,070
Cash in hand	333	333
	<u>2,588,523</u>	<u>2,168,403</u>

SOUTHERN REGIONAL COUNCIL

Notes to the financial statements for the year ended 31 December 2023

14. TRADE AND OTHER PAYABLES

	2023	2022
	€	€
Trade payables	880,698	16,933
CIR payable	-	9,380
Accruals	354,110	28,740
DLG funds	165,116	439,568
Deferred income	387,344	360,094
Financial liabilities	1,787,268	854,715

15. SHORT-TERM BORROWINGS

	2023	2022
	€	€
Loan due to DLG	204,855	-
Amount due to DLG	766,888	-
Short-term borrowings	971,743	-

The loan due to DLG and the amount due to DLG are unsecured, are non-interest bearing, are repayable on demand and do not have a fixed date of repayment.

16. CAPITAL COMMITMENTS

By the time these financial statements were approved, the Regional Council has approved a construction project for of an Administration Building Rehabilitation Project for an estimated building cost for Eur645,000. The project will be financed from the Regional Council's internal funds and is expected to be completed by end of 2024.

Another committed investment is the purchase of an electric van during 2024 for an estimated cost of Eur45,000, of which Eur36,000 will be co-financed by LESA.

SOUTHERN REGIONAL COUNCIL

Notes to the financial statements for the year ended 31 December 2023

17. RELATED PARTY TRANSACTIONS

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

Name of Entity	Nature of relationship
Department of Local Government (DLG)	Significant control
Joint Committee (Local Enforcement)	Joint control
Local Enforcement System Agency	Joint control
Local Council Association	No control
Water Services Corporation	No control
Enemalta Corporation / ARMS	No control
Wasteserv Malta	No control

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

	2023	2022
	€	€
Annual financial allocation	583,332	583,332
Loan from DLG	204,855	-
Amount received from DLG -- to be refunded	766,888	-
LESA reimbursement	81,130	83,248

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

Transactions were carried out with other local councils and government entities that do not have control over the Regional Council. These mainly include various local councils in Malta and amount to Eur2,741,294 (2022: nil), representing collection and disposal of waste, administration fees on contraventions paid and local council schemes.

Key management compensation

Transactions with key management personnel are disclosed in note 8. The Council considers its Mayor, Councillors and the Executive Secretary to be Key Management Personnel. Remuneration paid to its Key Management Personnel amounted to Eur66,286 (2022: Eur66,579).

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 risk to which the Council is exposed are described below.

SOUTHERN REGIONAL COUNCIL

Notes to the financial statements for the year ended 31 December 2023

18. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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:

		2023	2022
		€	€
Classes of financial assets – carrying amounts			
Trade and other receivables	(Note 12)	981,840	11,879
Cash and cash equivalents	(Note 13)	2,588,190	2,168,070
		<u>3,570,030</u>	<u>2,179,949</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 only with 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.

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.

18.2 Liquidity Risk

The Council's trade and other payables and short-term borrowings 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. The Council's liquidity is deemed to be sufficient in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments.

		2023	2022
		€	€
Current liabilities			
Financial liabilities measured at amortised cost:			
Trade and other payables		1,045,814	465,881
Accruals		354,110	28,740
Short-term borrowings		971,743	-
		<u>2,371,667</u>	<u>494,621</u>

SOUTHERN REGIONAL COUNCIL

Notes to the financial statements for the year ended 31 December 2023

18. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

18.2 Liquidity Risk (continued)

At 31 December, the Council's financial liabilities have contractual maturities which are summarised below:

31 December 2023	Current within 1 year €	Non- current 1 to 5 years €	Later than 5 years €
Trade and other payables	880,698	-	-
DLG funds	165,116	-	-
Accruals	354,110	-	-
Short-term borrowings	971,743	-	-
	<u>2,371,667</u>	-	-

This compares to the maturities of the Council's financial liabilities in the previous reporting period as follows:

31 December 2022	Current within 1 year €	Non- current 1 to 5 years €	Later than 5 years €
Trade and other payables	26,313	-	-
DLG funds	439,568	-	-
Accruals	28,740	-	-
Short-term borrowings	-	-	-
	<u>494,621</u>	-	-

18.3 Interest Rate Risk

The Council has no significant interest-bearing assets other than cash and cash equivalent (Note 13), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. The Council monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, the Council 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 Foreign Currency Risk

The Council is not exposed to foreign exchange risk since it does not transact in foreign currencies.

SOUTHERN REGIONAL COUNCIL

Notes to the financial statements for the year ended 31 December 2023

18. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

18.5 Summary of financial assets and liabilities by category

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

	2023	2022
	€	€
Current assets		
Financial assets measured at amortised cost:		
Trade and other receivables	981,840	11,879
Cash and cash equivalents	2,588,190	2,168,070
	<u>3,570,030</u>	<u>2,179,949</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Trade and other payables	880,698	26,313
DLG funds	165,116	439,568
Accruals	354,110	28,740
Short-term borrowings	971,743	-
	<u>2,371,667</u>	<u>494,621</u>

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 Regional 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

As at 31 December 2023 and 2022, the carrying amounts of cash at bank, receivables, payables and short-term borrowings 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. Events After the End of the Reporting Period

No adjusting or significant non-adjusting events have occurred between the end of the reporting period and the date of authorisation by the Regional Council.

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 Regjun Nofsinhar set out on pages 2 to 22 which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies.

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

Basis for opinion

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

Responsibilities of those charged with governance for the financial statements

As described on page 1 the Executive Secretary and the members of the Regional Committee 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 committee are responsible for assessing the committee'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 committee or to cease operations, or have no realistic alternative but to do so.

The Executive Secretary and the members of the committee are responsible for overseeing the committee'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 Committee'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 committee'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 committee to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

The engagement partner on the audit resulting in this independent auditor's report is Mark Bugeja.



Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

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

29 April 2024