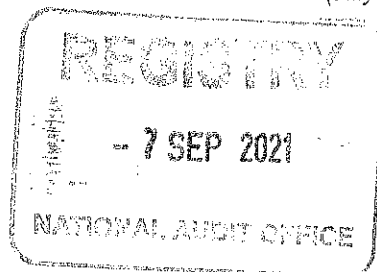


**IL-GUDJA LOCAL COUNCIL**

**Report and Financial Statements**

**For the year ended 31 December 2020**

*Prepared by Ms Josianne Debono CPA  
Obo Dconsulta Ltd,  
(July 2021)*



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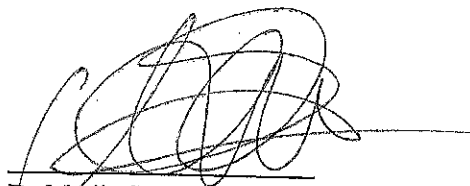
## II-GUDJA LOCAL COUNCIL

### STATEMENT OF COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S RESPONSIBILITIES for the year ended 31 December 2020

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

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

This statement was approved by the Council on 4<sup>th</sup> August 2021 and signed on its behalf by:

  
Dr Marija Sara Vella  
Mayor

  
Ms Lara Mascena  
Executive Secretary

## II-GUDJA LOCAL COUNCIL

### Statement of Profit or Loss and Other Comprehensive Income For the year ended 31 December 2020

	Notes	Year Ended 2020	Year Ended 2019
		€	€
<b>Income</b>			
Funds received from Central Government	4	367,355	329,991
Income raised under Council Bye-laws	5	7,844	7,154
Income from Law Enforcement System	6	1,725	1,913
General Income	7	2,041	7,811
		<b>378,965</b>	<b>346,869</b>
<b>Expenditure</b>			
Personnel emoluments	8	87,153	66,734
Operations and maintenance	9	140,995	119,622
Administrative and other expenses	10	144,875	136,333
		<b>373,023</b>	<b>322,689</b>
<b>Operating Surplus for the year</b>		<b>5,942</b>	<b>24,180</b>
Finance income	11	170	173
Finance costs		(531)	(1,533)
<b>Surplus for the year</b>		<b>5,581</b>	<b>22,820</b>
<b>Total Comprehensive Income</b>		<b>5,581</b>	<b>22,820</b>

*The notes on pages 6 to 23 form an integral part of these financial statements.*


## II-GUDJA LOCAL COUNCIL

### STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	Year Ended 2020	Year Ended 2019
		€	€
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant and equipment	12	229,069	291,202
		<b>229,069</b>	<b>291,202</b>
<i>Current assets</i>			
Trade and other receivables	13	532,614	45,813
Cash and cash equivalents	14	474,229	836,350
<b>Total current assets</b>		<b>1,006,843</b>	<b>882,163</b>
<b>Total assets</b>		<b>1,235,912</b>	<b>1,173,365</b>
<b>Reserves and liabilities</b>			
<i>Reserves</i>			
Retained earnings		687,022	681,441
<i>Current liabilities</i>			
Trade and other payables	15	548,890	491,924
		<b>548,890</b>	<b>491,924</b>
<b>Total liabilities</b>		<b>548,890</b>	<b>491,924</b>
<b>Total reserves and liabilities</b>		<b>1,235,912</b>	<b>1,173,365</b>

The financial statements were approved by the Council on 4<sup>th</sup> August 2021 and signed on its behalf by:

  
 \_\_\_\_\_  
 Dr Marija Sara Vella  
 Mayor

  
 \_\_\_\_\_  
 Lara Mascena  
 Executive Secretary

*The notes on pages 6 to 23 form an integral part of these financial statements.*

## II-GUDJA LOCAL COUNCIL

### STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2020

	Retained earnings €	Total earnings €
At 1 January 2019	658,621	658,621
Surplus for the year	22,820	22,820
Total comprehensive income	681,441	681,441
At 31 December 2019	<b>681,441</b>	<b>681,441</b>
At 1 January 2020	681,441	681,441
Surplus for the year	5,581	5,581
Total comprehensive income	687,022	687,022
At 31 December 2020	<b>678,022</b>	<b>687,022</b>
Total Equity	<b>687,022</b>	<b>687,022</b>

*The notes on pages 6 to 23 form an integral part of these financial statements.*

## II-GUDJA LOCAL COUNCIL

### STATEMENT OF CASH FLOWS For the year ended 31 December 2020

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	Notes	2020	2019
		€	€
<b>Cash flows from operating activities</b>			
Surplus for the year		5,581	22,820
<i>Adjustments for:</i>			
Depreciation		81,960	85,460
Interest payable		531	1,533
Interest receivable		(170)	(173)
		<b>81,902</b>	<b>109,640</b>
<i>Movements in working capital:</i>			
Increase in receivables		(486,801)	(23,987)
Increase in payables		27,511	2,544
<b>Net cash flows from operating activities</b>		<b>(371,388)</b>	<b>88,197</b>
<b>Cash flows from investing activities</b>			
Payments to acquire property, plant and equipment		(30,771)	(39,425)
Interest paid		(531)	(1,533)
Interest received		170	222
<b>Net cash flows from investing activities</b>		<b>(31,132)</b>	<b>(40,736)</b>
<b>Cash flows from financing activities</b>			
Grants received		40,399	52,616
<b>Net cash flows from financing activities</b>		<b>40,399</b>	<b>52,616</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(362,121)</b>	<b>100,077</b>
Cash and cash equivalents at beginning of year		836,350	736,273
<b>Cash and cash equivalents at end of year</b>	14	<b>(474,229)</b>	<b>836,350</b>

*The notes on pages 6 to 23 form an integral part of these financial statements.*

## II-GUDJA LOCAL COUNCIL

### Notes to the Financial Statements for the year ended 31 December 2020

#### 1. General Information

Il-Gudja Local Council is a local authority of Malta set up in accordance with the Local Councils Act (1993). The office of the Local Council is situated at 88, Triq Raymond Caruana, Il-Gudja. These financial statements were approved for issue by the Council Members on 4<sup>th</sup> August 2021. The Local Council's presentations as well as functional currency are denominated in Euro (€). Its ultimate controlling party is the Department for Local Government within the Ministry of Justice, Culture and Local Government (MJCL).

#### 2. Accounting Policies and Reporting Procedures

The 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 values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act, 1993 (Chap. 363), the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures, 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards, as adopted by the EU.

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

##### *Fair value measurements*

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

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

##### *New and revised standards that are effective*

In the previous financial year, the Local Council has applied IFRS 16, Leases that is effective for periods that begin on or after 1 January 2019. IFRS 16 introduced a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. Under the new standard, an asset (the right-of-use the leased item) and a financial liability to pay rentals are recognized, with the exception of short-term and low-value leases. IFRS 16 superseded the current lease guidance of IAS 17 and the related interpretations.

The adoption of IFRS 16 has had no material impact on the financial position and financial performance of the Local Council.



## II-GUDJA LOCAL COUNCIL

### Notes to the Financial Statements for the year ended 31 December 2020

#### Accounting Policies and Reporting Procedures (continued)

##### *New and revised standards that are issued but not yet effective*

##### **Amendments to IAS 1 and IAS 8 Definition of material**

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

##### **Amendments to IFRS 3 Definition of a business**

The amendments clarify that while entities usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Additional guidance is provided that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

##### **Amendments to References to the Conceptual Framework in IFRS Standards**

The IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

The Local Council does not expect that the adoption of the amended Standards will have a material impact on the financial statements of the Local Council.

##### **Leases**

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

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

## II-GUDJA LOCAL COUNCIL

Notes to the Financial Statements  
for the year ended 31 December 2020

### Accounting Policies and Reporting Procedures (continued)

#### *Property, plant and equipment*

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

	Rates in %
Land	0
Trees	0
Buildings	1
Office Furniture & Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Programmes (Projects)	10
Office Equipment and Computer Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Road/Street Signs	Replacement basis
Litter Bins	Replacement basis
Playground Equipment	100
Street Lighting	100
Street Mirrors	Replacement basis
Plants	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 surplus. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each year end. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

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

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

At the end of each reporting year, the Council reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

## IL-GUDJA LOCAL COUNCIL

### Notes to the Financial Statements for the year ended 31 December 2020

#### Accounting Policies and Reporting Procedures (continued)

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

Where it is not possible to estimate the recoverable amount of an individual asset, the Council estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

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

##### *Impairment of assets*

The Council recognises an allowance for expected credit losses (ECLs) for trade receivables. ECLs are based on the difference between the contracted cash flows due in accordance with the contract and all the cash flows that the Council expects to receive, discounted at an approximation of the original effective interest rate. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Council applies a simplified approach in calculating ECLs as a practical expedient. Therefore, the Council does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

##### *Cash and cash equivalents*

Cash and cash equivalents are carried in the Statement of Financial Position at face value. For the purpose of the Statement of cash flows, cash and cash equivalents comprise cash in hand and balances held at banks.

## II-GUDJA LOCAL COUNCIL

### Notes to the Financial Statements for the year ended 31 December 2020

#### Accounting Policies and Reporting Procedures (continued)

##### *Receivables*

Receivables are recognised initially at the transaction price, less provision for impairment. A provision for impairment of general receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

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

##### *Related Parties*

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard No. 24.

##### *Income recognition*

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

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

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

##### *Government grants*

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

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

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

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

The benefit of a Central Government loan at a below-market rate of interest is treated as a government grant, measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

## II-GUDJA LOCAL COUNCIL

### Notes to the Financial Statements for the year ended 31 December 2020

#### Accounting Policies and Reporting Procedures (continued)

##### *Financial instruments*

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

Financial assets are de-recognised 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.

Financial liabilities are de-recognised when they are extinguished, discharged, cancelled or expired. Financial assets and financial liabilities are measured initially at fair value plus transaction costs. Financial assets and financial liabilities are measured subsequently as described below:

##### *Financial assets*

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

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss.

Loans and 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.

##### *Loans and receivables*

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 trade receivables and cash and cash equivalents 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 counter party default rates for each identified group. Impairment of 'trade receivables' is presented within 'other expenses'.

##### *Financial liabilities*

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

##### *Foreign currencies*

##### *Functional and presentation currency*

These financial statements are presented in Euro (€), which is the Local Council's functional and presentation

## II-GUDJA LOCAL COUNCIL

### Notes to the Financial Statements for the year ended 31 December 2020

#### Accounting Policies and Reporting Procedures (continued)

##### *Foreign currencies - continued*

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

##### *Borrowing costs*

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

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

All other borrowing costs are recognised in Total Comprehensive Income for the period in which they are incurred.

##### *General payables*

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

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

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

At the end of the reporting period, except as disclosed in note 20, there were no key assumptions concerning the future, or any other key sources of estimating uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

##### *Provisions*

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

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

## II-GUDJA LOCAL COUNCIL

Notes to the Financial Statements  
for the year ended 31 December 2020

### Accounting Policies and Reporting Procedures (continued)

#### Provisions - continued

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

#### 3. Surplus for the year

	Notes	2020	2019
		€	€
<i>Surplus for the year is stated after charging:</i>			
Personnel Emoluments	8	87,153	66,734
Depreciation	12	81,960	85,460

#### 4. Funds Received from Central Government

	2020	2019
	€	€
In terms of section 55 of the Local Councils Act, 1993	315,975	302,797
Other Supplementary Government Income ( <i>Note i</i> )	51,380	27,194
	<u>367,355</u>	<u>329,991</u>

*Note (i) Other supplementary income includes €86 (2019 - €5,586) representing Wasteserv tipping fees.*

#### 5. Income raised under Council Bye-Laws

	2020	2019
	€	€
Permits	7,821	6,805
Kiosks	23	349
	<u>7,844</u>	<u>7,154</u>

## II-GUDJA LOCAL COUNCIL

### Notes to the Financial Statements for the year ended 31 December 2020

#### 6. Income raised under Law Enforcement System

	2020	2019
	€	€
LES Share of Joint Committee Results	114	797
Income from Regional Committees	1,611	1,116
	<u>1,725</u>	<u>1,913</u>

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

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

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

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

#### 7. General Income

	2020	2019
	€	€
Commission of bills – WSC	504	599
Community and Cultural activities	1,175	684
Other income	362	6,528
	<u>2,041</u>	<u>7,811</u>

#### 8. Personnel emoluments

	2020	2019
	€	€
Personnel emoluments include:		
Mayors' honoraria	10,404	10,236
Council members' allowance	13,000	8,900
Executive salary and allowance (2019 – Deputy)	31,341	3,036
Employees' salaries	27,604	42,338
Social security contributions - employer's share	4,804	2,224
	<u>87,153</u>	<u>66,734</u>



## II-GUDJA LOCAL COUNCIL

### Notes to the Financial Statements for the year ended 31 December 2020

#### 9. Operations and Maintenance

	2020	2019
	€	€
Operations and maintenance include:		
<b>Repairs and upkeep</b>		
Road and street pavements	1,949	5,210
Road markings & signs	2,259	6,135
Maintenance of office furniture & equipment	855	368
Maintenance of plant & machinery	3,899	627
Maintenance of public and council property	22,376	3,638
Other repairs & upkeep	5,742	5,689
	<u>37,080</u>	<u>21,667</u>
<b>Contractual Services</b>	2020	2019
	€	€
Operating materials and supplies	211	447
Waste disposal	14,251	13,960
Refuse collection	40,790	37,360
Open skips	2,484	2,856
Road & street cleaning	21,079	18,175
Cleaning & maintenance - public conveniences	4,655	4,655
Cleaning & maintenance – parks & gardens	6,542	5,634
Cleaning council premises	1,703	1,606
Street lighting	8,930	11,962
LES and other contractual services	3,270	1,300
	<u>103,915</u>	<u>97,955</u>
<b>Total operations and maintenance</b>	<u>140,995</u>	<u>119,622</u>

## II-GUDJA LOCAL COUNCIL

### Notes to the Financial Statements for the year ended 31 December 2020

#### 10. Administrative and Other Expenses

	2020	2019
	€	€
Utilities incl. internet connectivity	5,237	4,157
Cleaning materials & supplies	1,071	216
Office services	2,022	1,864
Uniforms	166	-
Transport expenses (incl. fuel)	87	101
Information services	20	397
ICT expenses	2,655	80
Library expenses	3,775	3,648
Hire of equipment	85	313
Hire of transport	-	1,995
Travelling and entertainment expenses	6	9
Insurance coverage	2,004	2,009
Bank charges	231	127
Professional and legal services	37,229	18,489
Participation fees	86	632
Community services, social & cultural events	7,955	16,716
Staff Training	125	-
Sundry minor expenses	120	120
Depreciation	82,001	85,460
	<u>144,875</u>	<u>136,333</u>

#### 11. Investment Income

	2020	2019
	€	€
Bank interest on savings	15	121
Bank interest on term deposits	155	52
	<u>170</u>	<u>173</u>

**IL-GUDJA LOCAL COUNCIL**

Notes to the Financial Statements  
for the year ended 31 December 2020

**12. Property, plant and equipment**

Cost	Assets under Construction	Trees	Construction & Special Programmes	Furniture & Fittings	New Street Signs	Urban Improve.	Office & Computer Equip.	Plant and Machinery	Total
€	€	€	€	€	€	€	€	€	€
As at 1 January 2020	10,239	384	1,461,458	44,760	2,784	126,758	42,136	4,081	1,692,600
Additions	6,695	-	-	2,262	-	12,471	8,643	700	30,771
As at 31 December 2020	16,934	384	1,461,458	47,022	2,784	139,229	50,779	4,781	1,723,371

**Grants and other reimbursements**

As at 1 January 2020	-	-	681,291	-	-	2,050	5,318	-	688,659
Additions	-	-	-	1,000	-	6,394	3,550	-	10,944
As at 31 December 2020	-	-	681,291	1,000	-	8,444	8,868	-	699,603

**Depreciation**

At 1 January 2020	-	-	526,679	33,177	2,784	111,459	35,360	3,280	712,739
Charge for the year	-	-	75,025	3,392	-	1,783	1,414	346	81,960
At 31 December 2020	-	-	601,704	36,569	2,784	113,242	36,774	3,626	794,699

**N.B.V. at 31 December 2020**

<b>16,934</b>	<b>384</b>	<b>178,463</b>	<b>9,453</b>	<b>-</b>	<b>17,543</b>	<b>5,137</b>	<b>1,155</b>	<b>229,069</b>
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## II-GUDJA LOCAL COUNCIL

Notes to the Financial Statements  
for the year ended 31 December 2020

### 12. Property, plant and equipment

Assets under Construction	Trees		Construction & Special Programmes		Furniture & Fittings		New Street Signs		Urban Improve.		Office & Computer Equip.		Plant and Machinery		Total
	€	€	€	€	€	€	€	€	€	€	€	€	€	€	
As at 1 January 2019	-	384	1,441,333	44,760	2,784	114,392	40,926	3,596	1,648,175						
Additions	10,239	-	20,125	-	-	12,366	1,210	485	44,425						
As at 31 December 2019	10,239	384	1,461,458	44,760	2,784	126,758	42,136	4,081	1,692,600						

### Grants and other reimbursements

As at 1 January 2019	-	-	676,291	-	-	2,050	5,318	-	683,659
Additions	-	-	5,000	-	-	-	-	-	5,000
As at 31 December 2019	-	-	681,291	-	-	2,050	5,318	-	688,659

### Depreciation

At 1 January 2019	-	-	452,663	29,833	2,784	104,050	35,010	2,939	627,279
Charge for the year	-	-	74,016	3,344	-	7,409	350	341	85,460
At 31 December 2019	-	-	526,679	33,177	2,784	111,459	35,360	3,280	712,739

N.B.V. at 31 December 2019

10,239	384	253,488	11,583	-	13,249	1,458	801	291,202
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## II-GUDJA LOCAL COUNCIL

### Notes to the Financial Statements for the year ended 31 December 2020

#### 13. Trade and other Receivables

	2020	2019
	€	€
<b>Falling due within One Year</b>		
Receivables (Note i)	1,059	412
Advance payments	474,855	-
Other related undertakings (Note i)	22,419	1,207
Other receivables	9,052	9,028
Prepayments and accrued income	25,229	35,166
	<u>532,614</u>	<u>45,813</u>

	2020	2019
	€	€
<i>(i) Credit period analysis:</i>		
Within credit period	280	131
Exceeded credit period but not impaired	23,198	1,488
	<u>23,478</u>	<u>1,619</u>

#### 14. Cash and Cash Equivalents

Cash and cash equivalents in the statement of cash flows comprise the following amounts in the Council's statement of financial position:

	2020	2019
	€	€
Petty cash	254	84
Bank balances: Savings and Current accounts	366,934	729,278
Bank balances: Term Deposits	107,041	106,988
	<u>474,229</u>	<u>836,350</u>

## II-GUDJA LOCAL COUNCIL

Notes to the Financial Statements  
for the year ended 31 December 2020

### 15. Trade and Other Payables

	2020	2019
	€	€
<b>Falling due within One Year</b>		
Trade Payables	68,693	48,213
Amounts owed to Joint Committee	35	35
Other Related undertakings	4,957	14,967
Other creditors	1,753	144
Accruals	12,819	21,965
Grants received in Advance	16,431	-
Deferred income	444,202	406,600
<b>Total payables</b>	<b>548,890</b>	<b>491,924</b>

### 16. Capital commitments

	2020	2019
	€	€

Details of capital commitments at the accounting date are as follows:

(i) Approved and contracted for (note a.)	<u>837,000</u>	<u>333,500</u>
(ii) Approved but not yet contracted for (note b.)	<u>520,000</u>	<u>766,500</u>
<p>a. Embellishment and resurfacing of various roads as per BOQs, the works of which were carried out by Infrastructure Malta part of which cost will be funded through Measure 4.3 of the Rural Development Programme 2014-2020. Total Eligible cost amount to €786,633 on which under the Measure, a Grant of €707,970 is approved representing 90% of total Eligible cost. Pre-financing for the above-mentioned capital projects, amounting to €428,430, has already been received and is reflected in this financial report as Deferred Income under Development Planning Fund and Measure 4 (note 15).</p>		
<p>b. (i) Paving works in Triq Santa Katerina, Triq J.Pace and Triq id-Dejqa, a percentage of which costs will also be funded by Development Planning Fund</p>		
<p>(ii) Resurfacing and paving works in Triq iz-Zebbuga, a percentage of which costs will also be funded by Development Planning Fund</p>		
<p>(iii) Rubble Wall Works Project as per BOQs part of which cost will be funded by European Agricultural funds for Rural Developments (Measure 4.4).</p>		

### 17. Contingent liabilities

Contingencies which are not included in the financial statements amount to € 16,414 (2019: €16,414). These might give rise to liabilities due by the Local Council in the future.

## IL-GUDJA LOCAL COUNCIL

### Notes to the Financial Statements for the year ended 31 December 2020

#### 18. Related party transactions

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

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

#### 18. Related party transactions (continued)

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

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

Name of Entity:	Nature of Relationship
Department of Local Councils	Significant Control
Regional Committee - Local Law Enforcement	No Control
Bank of Valletta	No Control
Employment & Training Corporation	No Control
Enemalta Corporation	No Control
Head of School - Primary A & B	No Control
Kunsill Malti għall-Isport	No Control
Local Councils Association	No Control
Local Councils, other than Local Council Gudja	No Control
Police Commissioner	No Control
Water Services Corporation	No Control
Wasteserv Malta Limited	No Control
Works Division - Director General Works	No Control

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

	2020	2019
	€	€
Income - Annual Financial Allocation	315,975	302,797

## II-GUDJA LOCAL COUNCIL

### Notes to the Financial Statements for the year ended 31 December 2020

#### 19. Financial Risk Management

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

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

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

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

#### *Liquidity risk*

Liquidity risk is the risk that the Local Council will not be able to meet its financial obligations as they fall due.

The Local Council's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Generally, the Local Council ensures that it has sufficient cash on demand to meet expected operational expenditure, including the servicing of financial obligations.

At 31 December 2020 and 31 December 2019, the contractual maturities on the financial liabilities of the Council were as summarized below. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the Statement of Profit and Loss and Other Comprehensive Income.

	2020	2019
<b>Trade and other payables</b>	€	€
Less than 6 months	39,123	39,306
6 to 12 months	480,465	428,483
1 to 5 years	25,480	24,135
	<u>545,068</u>	<u>491,924</u>



## II-GUDJA LOCAL COUNCIL

### Notes to the Financial Statements for the year ended 31 December 2020

#### 19. Financial Risk Management - continued

##### *Capital management*

It is the policy of the council to maintain an adequate capital base in order to sustain the future development of the council and safeguard the ability of the council to continue operating. In this respect, the council monitors the operations and results of the council. The council is not subject to externally imposed capital requirements. There were no changes in the council's approach to capital management during the year.

##### *Interest Rate risk*

The Council's interest rate risk arises from the borrowings issued at variable rates expose the Council to cash flow interest rate risk. In general, the Council Members and Executive Secretary the Council's exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows are not deemed to be substantial in view of the nature of the assets and liabilities.

##### *Credit risk*

Financial assets which potentially subject the Council to concentration of credit risk consist primarily of cash at bank and receivables. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any financial credit history. In this respect, credit with respect to receivables is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

#### 20. Events after the reporting period

During the reporting year, the World Health Organisation declared the spread of Coronavirus Disease (COVID-19), a worldwide pandemic. COVID-19 is still having significant effects on global markets, supply chains, businesses, and communities. The Local Council Members' and Executive Secretary are monitoring the situation and taking action to safeguard the interests of the Local Council. To date the Local Council is operating as normal. The full impact of COVID-19 is still unknown and cannot be reasonably estimated as these events are still developing.

No other adjusting or significant non-adjusting events have occurred between the reporting date and the date of approval of the financial statements - 4<sup>th</sup> August 2021 by the council members.

#### 21. Comparative figures

Certain amounts have been re-classified to conform with the current year's presentation

# Report of the Local Government Auditor

To the Auditor General

## Report on the audit of the financial statements

### Qualified opinion

We have audited the financial statements of Gudja Local Council set out on pages 2 to 23 which comprise the statement of financial position as at 31 December 2020, 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 significant accounting policies.

In our opinion, except for the effects of the matters described in 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 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act, the Local Councils (Financial) Procedures 1996 (the "Legislation").

### Basis for qualified opinion

Up to 31 August 2011, all income and expenditure from the Local Enforcement System (LES) were centralised through the Zejtun Joint Committee. The Joint Committee ceased operations on that date. No audited financial statements of the Joint Committee have been made available to us and consequently we were unable to determine whether the Council is entitled to receive any further income from the Joint Committee.

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 qualified opinion.

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

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

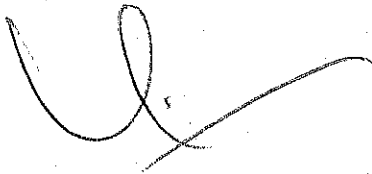
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 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 1050  
Malta

4 August 2021