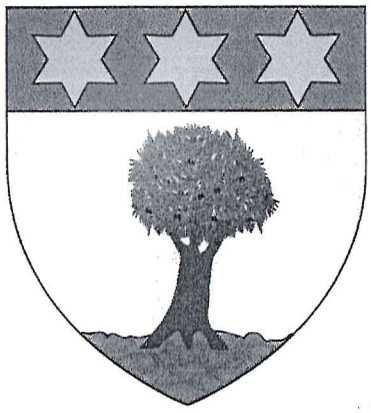


ŻEBBUĠ GOZO
LOCAL COUNCIL

ANNUAL REPORT & FINANCIAL STATEMENTS

31st December 2020

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2020

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

for the year ended 31 December 2020

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

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

This statement was approved by the Local Council on the 29th October 2021 and signed on its behalf by

Nicky Saliba
Mayor

Odette Camilleri
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 €	2019 €
INCOME			
Funds received from Central Government	4	**597,955**	557,329
Income raised under Local Enforcement System	5	**591**	628
General Income	6	**40,602**	39,477
		639,148	597,434
EXPENDITURE			
Personal emoluments	8	**(136,980)**	(108,246)
Operations and maintenance expenses	9	**(272,413)**	(258,216)
Administrative and other expenditure	10	**(236,448)**	(260,952)
		(645,841)	(627,414)
Operating deficit for the year	7	**(6,693)**	(29,980)
Finance income	11	**146**	308
Total comprehensive deficit for the year		**(6,547)**	(29,672)

The notes on pages 8 to 22 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 €	2019 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	700,959	740,052
		700,959	740,052
Current Assets			
Inventories	13	2,662	2,842
Receivables	14	49,505	86,846
Cash and Cash Equivalents	15	99,665	567,114
		151,832	656,802
Total Assets		852,791	1,396,854
RESERVES AND LIABILITIES			
Reserves			
Retained Earnings		628,919	635,466
		628,919	635,466
Current Liabilities			
Payables	16	165,057	577,444
Deferred income	17	58,815	183,944
		223,872	761,388
Total Reserves and Liabilities		852,791	1,396,854

These financial statements were approved by the Local Council on 29th October 2021 and signed on its behalf by:

Nicky Saliba
Mayor

Odette Camilleri
Executive Secretary

The notes on pages 8 to 22 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Retained Funds €
At 1 January 2019	665,138
Deficit for the year 2019	(29,672)
At 31 December 2019	**635,466**
At 1 January 2020	635,466
Deficit for the year 2020	(6,547)
At 31 December 2020	**628,919**

The notes on pages 8 to 22 form an integral part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	2020 €	2019 €
Cash flows from Operating Activities			
Total comprehensive deficit for the year		**(6,547)**	(29,672)
Reconciliation to cash generated from operations:			
Depreciation		**126,357**	132,475
(Decrease)/increase in provision for doubtful debts		**(3,265)**	42
Interest receivable		**(146)**	(308)
Operating Profit before Working Capital Changes		**116,399**	102,537
Decrease in Inventories		**180**	1,241
Decrease/(increase) in receivables		**40,606**	(73,205)
(Decrease)/increase in payables		**(537,516)**	255,779
Cash (used in)/generated from operating activities		**(380,331)**	**286,352**
Cash flows from Investing Activities			
Interest received		**146**	308
Purchase of property, plant & equipment		**(222,185)**	(673,151)
Receipt of grant		**134,921**	257,974
Cash used in investing activities		**(87,118)**	**(414,869)**
Net decrease in Cash and Cash Equivalents		**(467,449)**	(128,517)
Cash and Cash Equivalents at the Beginning of the year		**567,114**	695,631
Cash and Cash Equivalents at the End of the year	*15*	**99,665**	**567,114**

The notes on pages 8 to 22 form an integral part of these financial statements

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

1. General Information

The Iż-Żebbuġ (Gozo) Local Council is the local Authority of Iz-Zebbug (Gozo) set up in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at Church Street, Iż-Żebbuġ, Gozo. These financial statements were approved for issue by the Council Members on 29th October 2021. The Local Council's presentation as well as functional currency is denominated in €.

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 Cap. 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 (Cap. 363).

New and amended standards adopted by the Local Council:

In the current year, the Local Council has applied 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 2020.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. 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.

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

2. Accounting Policies and Reporting Procedures

Property, plant and equipment

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

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

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

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 costs to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Comprehensive Income.

Amounts receivable

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds and the redemption value is recognised in the income and expenditure account over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Local Council has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

2. Accounting Policies and Reporting Procedures

Other payables

Other payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material in which case other payables are measured at amortised cost using the effective interest method.

Financial instruments

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

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

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

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

Financial assets

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

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

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

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

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

Financial liabilities

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

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

Related parties

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

Notes to the Financial Statements for the period ended 31 December 2020 (cont.)

2. Accounting Policies and Reporting Procedures

Revenue

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

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

Local Enforcement System

The income recognised in the Statement of Comprehensive Income was derived from administrative fees charged to the five Regional Committees and the Local Enforcement System Agency.

Government grants

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

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

Foreign currencies

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

Transactions denominated in foreign currencies are translated into € at the rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into € at the rates of exchange prevailing at the date of the Statement of Financial Position.

Borrowing costs

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

Profits and losses

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

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.

Capital Management

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objectives are to ensure:

- that the Council's ability to continue as a going concern is still valid and
- that the Council maintains a positive working capital ratio.

To achieve the above, the Council carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was positive at the reporting date and has not changed significantly from the previous year. The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

Notes to the Financial Statements for the period ended 31 December 2020 (cont.)

3. Judgments in applying accounting policies and key sources of estimation

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

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

4. Funds received from central government

	2020	2019
	€	€
In terms of section 55 of the Local Councils Act	**583,375**	548,630
Supplementary Government Income	**14,580**	8,541
Other Government Income	**-**	158
	597,955	557,329

5. Local Enforcement system

	2020	2019
	€	€
Administrative charges to Regional Committees and LESA	**591**	628

6. General Income

	2020	2019
	€	€
Community services	**410**	1,515
Contributions and donations	**-**	510
Temporary permits	**11,614**	13,750
Other Income	**28,578**	23,702
	40,602	39,477

7. Operating deficit for the year

	2020	2019
	€	€
Operating deficit for the year is stated after charging		
Staff salaries	**136,980**	108,246
Depreciation of non-current assets	**126.357**	132,475

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

8. Personal Emoluments

	2020	2019
	€	€
Mayor's Honoraria	**10,404**	9,432
Mayor's and Councillors' Allowances	**13,000**	9,700
Executive Secretary Salary and Allowances	**29,894**	32,689
Employees' Salaries	**74,706**	49,640
Social Security Contributions	**8,976**	6,785
	136,980	108,246

9. Operations and Maintenance

	2020	2019
	€	€
Repairs and Upkeep:		
Road/Street Pavements	**35,498**	72,935
Street Signs and markings	**8,473**	8,707
Public property	**14,166**	15,546
	58,137	97,188
Contractual Services:		
Waste Disposal	**34,523**	33,109
Refuse Collection	**75,409**	56,279
Bulky Refuse Collection	**22,022**	14,562
Cleaning and Maintenance of Public Conveniences	**11,745**	11,726
Cleaning and Maintenance of Parks and Gardens	**20,299**	22,406
Cleaning and Maintenance of Soft Areas	**306**	1,224
Cleaning and Maintenance of Beach and Coastal areas	**9,880**	-
Road & Street Cleaning	**5,589**	2,301
Other contractual services	**400**	-
Street Lighting	**32,550**	17,821
Local enforcement expenses	**1,553**	1,600
	214,276	161,028
Total Operations and Maintenance Costs	**272,413**	258,216

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

10. Administrative and other expenditure

	€	€
Utilities	6,828	3,178
Other repairs and upkeep	13,750	2,135
Rent	7,700	7,700
National and International Memberships	586	2,232
Office Services	7,345	11,511
Transport and Travel	6,993	8,161
Information Services	2,019	3,946
Insurance Coverage	1,748	2,437
Bank charges	313	647
Professional Services	31,465	28,075
Community and Hospitality	6,931	3,885
Social and cultural events	27,020	53,649
Training	-	40
Other expenses	658	839
(Decrease)/Increase in provision for doubtful debts	(3,265)	42
Depreciation and amortisation	126,357	132,475
	236,448	260,952

11. Finance Income

	2020	2019
	€	€
Bank Interest Receivable	146	308

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

12. Property, plant and equipment

	Office Furniture/ Fittings	Office/ Computer Equipment	Plant & Machinery	Urban Improvements	Assets under Construction	New Street Signs	Construction/ Special Programmes	Total
	€	€	€	€	€	€	€	€
Cost								
At 1 January 2020	33,850	32,671	5,620	546,153	274,168	59,235	3,003,250	**3,954,947**
Additions	7,394	2,242	-	12,198	15,348	-	185,003	**222,185**
Reclassification	-	-	-	-	(274,168)	-	274,168	**-**
At 31 December 2020	41,244	34,913	5,620	558,351	15,348	59,235	3,462,421	**4,177,132**
Depreciation								
At 1 January 2020	25,123	29,012	2,289	403,720	-	59,235	1,214,689	**1,734,068**
Charge for the year	1,420	243	-	26,117	-	-	146,833	**174,613**
At 31 December 2020	26,543	29,255	2,289	429,837	-	59,235	1,361,522	**1,908,681**
Grants								
At 1 January 2020	-	3,395	3,331	8,390	188,934	-	1,276,777	**1,480,827**
Transfers	-	-	-	-	(188,934)	-	188,934	**-**
Additions	-	-	-	-	-	-	86,665	**86,665**
At 31 December 2020	-	3,395	3,331	8,390	-	-	1,552,376	**1,567,492**
Net Book values								
At 31 December 2020	**14,701**	**2,263**	**-**	**120,124**	**15,348**	**-**	**548,523**	**700,959**

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

12. Property, plant and equipment (cont.)

	Office Furniture/ Fittings	Office/ Computer Equipment	Plant & Machinery	Urban Improvements	Assets under Construction	New Street Signs	Construction/ Special Programmes	Total
	€	€	€	€	€	€	€	€
Cost								
At 1 January 2019	33,170	32,671	5,620	528,689	169,422	59,235	2,452,989	**3,281,796**
Additions	680	-	-	17,464	207,197	-	447,810	**673,151**
Reclassification	-	-	-	-	(102,451)	-	102,451	**-**
At 31 December 2019	33,850	32,671	5,620	546,153	274,168	59,235	3,003,250	**3,954,947**
Depreciation								
At 1 January 2019	23,817	28,658	2,289	374,456	-	59,235	1,113,138	**1,601,593**
Charge for the year	1,306	354	-	29,264	-	-	101,551	**132,475**
At 31 December 2019	25,123	29,012	2,289	403,720	-	59,235	1,214,689	**1,734,068**
Grants								
At 1 January 2019	-	2,242	4,484	-	-	-	873,174	**879,900**
Additions	-	-	-	8,390	188,934	-	403,603	**600,927**
Reclassification	-	1,153	(1,153)	-	-	-	-	**-**
At 31 December 2019	-	3,395	3,331	8,390	188,934	-	1,276,777	**1,480,827**
Net Book values								
At 31 December 2019	**8,727**	**264**	**-**	**134,043**	**85,234**	**-**	**511,784**	**740,052**

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

13. Inventories

	2020	2019
	€	€
Stock of books	2,662	2,842
	2,662	2,842

14. Receivables

	2020	2019
	€	€
Accounts receivables	40,049	7,873
Prepayments and accrued income	9,456	78,973
	49,505	86,846

Receivables

General receivables are analysed as follows:

	2020	2019
	€	€
Within credit period	17,433	75,789
Exceeded credit period but not impaired	32,072	11,057
Impaired and provided for	32,011	34,299
Provision for doubtful debts	(32,011)	(34,299)
	49,505	86,846

Included in the accounts receivable are amounts due from related parties amounting to €329 (2019 : €12,995). The amounts from related parties which are impaired are €214 (2019: €5,122) These amounts are unsecured, interest free and repayable on demand.

15. Cash & cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts.

	2020	2019
	€	€
Cash at Bank	99,245	566,059
Cash in Hand	420	1,055
	99,665	567,114

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

16. Payables

	2020	2019
	€	€
Accounts payable	**108,795**	336,676
Accruals	**56,262**	240,768
	165,057	577,444

Included in the accounts payable are amounts due to related parties amounting to €2,602 (2019 : €4,675). These amounts are unsecured, interest free and repayable on demand.

17. Deferred Income

	2020	2019
	€	€
Government grants		
At 1 January	**183,944**	526,897
Increase in year	**-**	257,974
	183,944	784,871
Transferred to Capital Grants under PPE	**(125,129)**	(600,927)
At 31 December	**58,815**	183,944
Current Deferred Income	**58,815**	183,944

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

18. Capital Commitments

	2020	2019
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	**498,848**	366,500
- Contracted for but not provided in the financial statements	-	163,406
(i) Approved but not yet contracted for:		
Furniture & Fittings	**2,000**	2,000
Playing Field Zebbug	**367,613**	-
Hal-Saghtrija Measure 4.4	**77,285**	-
Outdoor Gym Equipment	**21,950**	-
Truck	**18,000**	-
Pavements	**10,000**	-
PA Development Planning Fund Funded projects	-	352,500
Public Convenience - Xwejni	-	10,000
Computer equipment	**2,000**	2,000
	498,848	366,500
(i) Contracted for but not provided in the Financial Statements:		
Reconstruction of Triq Ghajn Mhelhel	-	163,406
	-	163,406

The council will be receiving a grant from the Development Planning Fund for the projects funded under this scheme.

19. Contingent liabilities and assets

There were no contingent liabilities in respect of bank guarantees at year end. The Council had received judicial letters from two individuals for two separate claims for damages on their vehicles, which amounts did not exceed Eur4,500 in total. The Council has refused these claim and as at year end, did not receive further communication from the claimants. Furthermore, at year end the council has a trade dispute with Gatt Tarmac for Eur29,736 which claim from this supplier had been brought forward for a number of years.

20. Ultimate controlling party

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

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

21. Financial Risk Management

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

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

Credit risk

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors 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.

Summary of financial assets and liabilities by category:

	2020	2019
	€	€
Current Assets		
Loans and receivables:		
Accounts and other receivables	**49,505**	86,846
Cash and Cash Equivalents	**99,665**	567,114
	149,170	653,960
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	**165,057**	577,444

Liquidity Risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact at year end, the Council has as cash and cash equivalents the amount of €99,665. This should ensure an ongoing working capital of the Council for the next 12 months.

Going Concern Risk

The Council had a net loss of €6,547 (2019: loss of €29,672) during the year ended 31 December 2020, and as at that date, the Council had a net current liabilities position of €72,040 (2019: €104,586). These financial statements have been prepared on a going concern basis in view of the fact that it is understood that the ultimate controlling party will provide adequate funds for the Council to cover present liabilities as well as short term obligations and commitments arising.

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

21. Financial Risk Management (cont.)

Foreign Currency Risk

Foreign currency transactions arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Council does not trade in any foreign currency transactions.

Interest Rate Risk

The Council operates bank accounts without any financing facilities. As a result, the Council is not exposed to cash flow interest rate risk on bank balances.

Other risks

Borrowings issued at variable rates expose the Council to cash flow interest rate risk. In general, 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 by the Councillors and Executive Secretary in view of the nature of the assets and liabilities. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.

22. 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	Significant control
North Joint Committee (Local Enforcement)	Joint Control
North Regional Committee	Joint Control
Central Regional Committee	No control
Gozo Regional Committee	No control
South Eastern Regional Committee	No control
South Regional Committee	No control
Local Enforcement System Agency	No control
Planning Authortiy	No control
Malta Information Technology Agency	No control
Water Services Corporation	No control
Enemalta Corporation	No control
ARMS Limited	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Police General Headquarters	No control
Department of Lands	No control
Airmalta plc	No control
Bank of Valletta plc	No control
Malta Tourism Authority	No control
Office of the Prime Minister	No control
Office of the Commissioner for Data Protection	No control

The amounts due from / to related parties at year-end are disclosed in notes 14 and 16. The terms and conditions do not specify the nature of the consideration to be provided in settlement. These amounts are unsecured, interest free and repayable on demand.

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

22. Related party transactions (cont.)

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

	2020			2019		
	Related party activity €	Total activity €	%	Related party activity €	Total activity €	%
Income						
Transactions with central government	**597,955**			557,329		
Transactions with regions	**591**			628		
	598,546	**639,148**	**94**	557,957	597,434	93
Expenditure						
Transactions with government entities	**39,397**			37,983		
Key personnel remuneration	**136,980**			108,246		
	176,377	**645,841**	**27**	146,229	627,414	23

23. Fair values estimation

At 31 December 2020 and at 31 December 2019, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively, approximated their fair values due to the short term maturities of these assets and liabilities. The fair values of non-current financial assets and non-current financial liabilities are not materially different from their carrying amount.

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IZ-ZEBBUG (GOZO) LOCAL COUNCIL

REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL

Report on the audit of the financial statements

Qualified Opinion

We have audited the accompanying financial statements of Iz-Zebbug (Gozo) Local Council, 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 a summary of significant accounting policies and other explanatory information set out on pages 4 - 22.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the financial statements give a true and fair view of the financial position of the Local Council as of 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Qualified Opinion

We have not obtained sufficient supporting documentation and explanations with respect to the Local Council's property, plant and equipment including the additions for the year, the depreciation charge for the year and the grants capitalized during the year. In view of the said lack of information and supporting documentation, we could not perform satisfactory audit procedures to obtain reasonable assurance on the correctness of the carrying amount of the property, plant and equipment shown in Note 12 to these financial statements, including the analysis of the movements for the year.

Within the property, plant and equipment, under the category urban improvements, there are €9,322 relating to restoration works carried out during 2019 on a monument in the locality for which €8,390 government grants are to be received. Restoration works are of a maintenance nature and should have therefore been expensed through the statement of comprehensive income.

Included in the accruals in Note 16, is an amount of €15,348 with respect to resurfacing works carried out in Triq Il-Ponta. No adequate audit evidence was made available to support this accrual. Therefore, we could not satisfy ourselves as to the correctness of this accrual and the respective asset being shown under property, plant and equipment in the category assets under construction.

When testing the accounts payable, no confirmation was received from the main contractor whose balance represents 78% of the total accounts' payable balance shown in Note 16. We could not satisfy ourselves through alternative audit procedures as to the correctness and completeness of this account payable.

RSM Malta is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction. The firm is registered as a partnership of Certified Public Accountants in terms of the Accountancy Profession Act. A list of partners of the firms is available at our office, RSM Malta, Mdina Road, Zebbug, Malta.

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

Basis for Qualified Opinion - continued

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

Material Uncertainty Related to Going Concern

We draw attention to the Local Council's Statement of Financial Position on page 5 which shows that as at 31st December 2020, the current liabilities of the Local Council exceeded its current assets by €72,040. This condition indicates that a material uncertainty exists that may cast significant doubt as to whether the Local Council will be able to meet its liabilities as and when they fall due. Our opinion is not modified in respect of this matter.

Other Information

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

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

Council Responsibilities for the Financial Statements

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

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

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

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

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

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

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

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Local Council's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Secretary and the Local Council Members.

• Conclude on the appropriateness of the Executive Secretary's and the Local Council Members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Local Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Local Council to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Executive Secretary and the Local Council Members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Report on Other Legal and Regulatory Requirements

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



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

RSM Malta
Certified Public Accountants

Date: 29th October 2021