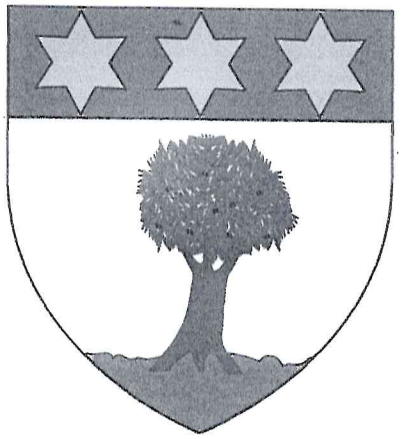


ŻEBBUĠ GOZO
LOCAL COUNCIL

ANNUAL REPORT & FINANCIAL STATEMENTS

31st December 2021

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2021

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

for the year ended 31 December 2021

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 25th April 2022 and signed on its behalf by

Dr Marlene Cini
Mayor

Odette Camilleri
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 €	2020 €
INCOME			
Funds received from Central Government	4	**629,234**	597,955
Income raised under Local Enforcement System	5	**1,517**	591
General Income	6	**57,471**	40,602
		688,222	639,148
EXPENDITURE			
Personal emoluments	8	**(134,034)**	(136,980)
Operations and maintenance expenses	9	**(267,800)**	(272,413)
Administrative and other expenditure	10	**(278,669)**	(236,448)
		(680,503)	(645,841)
Operating surplus / (deficit) for the year	7	**7,719**	(6,693)
Finance income	11	**12**	146
Total comprehensive surplus / (deficit) for the year		**7,731**	(6,547)

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

STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Notes	2021 €	2020 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	620,635	700,959
		620,635	700,959
Current Assets			
Inventories	13	2,482	2,662
Receivables	14	65,682	49,505
Cash and Cash Equivalents	15	199,603	99,665
		267,767	151,832
Total Assets		888,402	852,791
RESERVES AND LIABILITIES			
Reserves			
Retained Earnings		636,650	628,919
		636,650	628,919
Current Liabilities			
Payables	16	151,188	165,057
Deferred income	17	100,564	58,815
		251,752	223,872
Total Reserves and Liabilities		888,402	852,791

These financial statements were approved by the Local Council on 25th April 2022 and signed on its behalf by:

Dr Marlene Cini
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 2021

	Retained Funds €
At 1 January 2020	635,466
Deficit for the year 2020	(6,547)
At 31 December 2020	**628,919**
At 1 January 2021	628,919
Surplus for the year 2021	7,731
At 31 December 2021	**636,650**

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 2021

	Note	2021 €	2020 €
Cash flows from Operating Activities			
Total comprehensive surplus / (deficit) for the year		**7,731**	(6,547)
Reconciliation to cash generated from operations:			
Depreciation		**119,379**	126,357
(Decrease)/increase in provision for doubtful debts		**(1)**	(3,265)
Adjustment in property, plant & equipment		**10,613**	-
Interest receivable		**(12)**	(146)
Operating surplus before Working Capital Changes		**137,710**	116,399
Decrease in Inventories		**180**	180
(Increase)/decrease in receivables		**(677)**	40,606
Decrease in payables		**(26,946)**	(537,516)
Cash generated from/(used in) from operating activities		**110,267**	**(380,331)**
Cash flows from Investing Activities			
Interest received		**12**	146
Purchase of property, plant & equipment		**(157,336)**	(222,185)
Receipt of grant		**146,995**	134,921
Cash used in investing activities		**(10,329)**	(87,118)
Cash flows from Financing Activities			
Net Increase/ (decrease) in Cash and Cash Equivalents		**99,938**	(467,449)
Cash and Cash Equivalents at the Beginning of the year		**99,665**	567,114
Cash and Cash Equivalents at the End of the year	*15*	**199,603**	99,665

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 2021

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 25th April 2022. 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 revised standard adopted by the Local Council

During the current year, the Local Council has adapted a number of new standards and interpretations, or amendments thereto, issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee, and endorsed by the European Union. The Council is of the opinion that the adoption of these standards, interpretations or amendments thereto, did not have any material impact on these financial statements.

New and revised standards in issue but not yet effective

At the end of the reporting period, certain new standards, interpretations or amendments thereto, were in issue 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 Local Council anticipates that the adoption of the new standards, interpretations or amendments thereto, will not have a material impact on the financial statements upon initial application. The most relevant changes are the below:

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

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Annual Improvements to IFRS Standards 2018–2020

IFRS 9 Financial Instruments - The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Notes to the Financial Statements for the year ended 31 December 2021

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.

Notes to the Financial Statements for the year ended 31 December 2021

2. Accounting Policies and Reporting Procedures (cont.)

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.

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 therefrom are to be disclosed separately with expenses.

Notes to the Financial Statements for the year ended 31 December 2021

2. Accounting Policies and Reporting Procedures (cont.)

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.

3. Judgements 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.

Notes to the Financial Statements for the period ended 31 December 2021 (cont.)

4. Funds received from central government

	2021 €	2020 €
In terms of section 55 of the Local Councils Act	599,328	583,375
Other Government Income	29,906	14,580
	629,234	597,955

5. Local Enforcement system

	2021 €	2020 €
Administrative charges to Regional Committees and LESA	1,517	591

6. General Income

	2021 €	2020 €
Community services	36	410
Temporary permits	24,759	11,614
Other Income	32,676	28,578
	57,471	40,602

7. Operating surplus/(deficit) for the year

	2021 €	2020 €
Operating surplus/(deficit) for the year is stated after charging		
Staff salaries	134,034	136,980
Depreciation of non-current assets	119,380	126,357

Notes to the Financial Statements for the year ended 31 December 2021 (cont.)

8. Personal Emoluments

	2021 €	2020 €
Mayor's Honoraria	10,571	10,404
Mayor's and Councillors' Allowances	13,000	13,000
Executive Secretary Salary and Allowances	32,884	29,894
Employees' Salaries	68,800	74,706
Social Security Contributions	8,779	8,976
	134,034	136,980

9. Operations and Maintenance

	2021 €	2020 €
Repairs and Upkeep:		
Road/Street Pavements	7,331	35,498
Street Signs and markings	16,785	8,473
Public property	53,637	14,166
	77,753	58,137
Contractual Services:		
Waste Disposal	36,764	34,523
Refuse Collection	89,922	75,409
Bulky Refuse Collection	5,213	22,022
Cleaning and Maintenance of Public Conveniences	11,001	11,745
Cleaning and Maintenance of Parks and Gardens	15,812	20,299
Cleaning and Maintenance of Soft Areas	-	306
Cleaning and Maintenance of Beach and Coastal areas	-	9,880
Road & Street Cleaning	400	5,589
Other contractual services	-	400
Street Lighting	27,696	32,550
Local enforcement expenses	3,239	1,553
	190,047	214,276
Total Operations and Maintenance Costs	267,800	272,413

Notes to the Financial Statements for the year ended 31 December 2021 (cont.)

10. Administrative and other expenditure

	2021	2020
	€	€
Utilities	**7,258**	6,828
Other repairs and upkeep	**15,793**	13,750
Rent	**9,200**	7,700
National and International Memberships	**1,551**	586
Office Services	**15,602**	7,345
Transport and Travel	**1,323**	6,993
Information Services	**1,883**	2,019
Insurance Coverage	**2,601**	1,748
Bank charges	**473**	313
Professional Services	**41,498**	31,465
Community and Hospitality	**16,385**	6,931
Social and cultural events	**45,315**	27,020
Other expenses	**408**	658
(Decrease)/Increase in provision for doubtful debts	**(1)**	(3,265)
Depreciation and amortisation	**119,380**	126,357
	278,669	236,448

11. Finance Income

	2021	2020
	€	€
Bank Interest Receivable	**12**	146

Notes to the Financial Statements for the year ended 31 December 2021 (cont.)

12. Property, plant and equipment

	Office Furniture/ Fittings	Office/ Computer Equipment	Plant & Machinery	Urban Improvements	Assets under Construction	New Street Signs	Motor Vehicle	Construction/ Special Programmes	Total
	€	€	€	€	€	€	€	€	€
Cost									
At 1 January 2021	41,244	34,913	5,620	558,351	15,348	59,235	-	3,462,421	**4,177,132**
Additions	-	540	-	46,639	90,000	-	16,800	3,357	**157,336**
Adjustments	-	-	-	-	(15,348)	-	-	56,647	**41,299**
At 31 December 2021	41,244	35,453	5,620	604,990	90,000	59,235	16,800	3,522,425	**4,375,767**
Depreciation									
At 1 January 2021	26,543	29,255	2,289	429,837	-	59,235	-	1,361,522	**1,908,681**
Charge for the year	1,954	771	-	25,041	-	-	195	91,418	**119,379**
At 31 December 2021	28,497	30,026	2,289	454,878	-	59,235	195	1,452,940	**2,028,060**
Grants									
At 1 January 2021	-	3,395	3,331	8,390	-	-	-	1,552,376	**1,567,492**
Additions	-	-	-	2,168	90,000	-	15,500	-	**107,668**
Adjustments	-	-	-	(4,735)		-	-	56,647	**51,912**
At 31 December 2021	-	3,395	3,331	5,823	90,000	-	15,500	1,609,023	**1,727,072**
Net Book values									
At 31 December 2021	**12,747**	**2,032**	**-**	**144,289**	**-**	**-**	**1,105**	**460,462**	**620,635**

Notes to the Financial Statements for the year ended 31 December 2021 (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 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 2021 (cont.)

13. Inventories

	2021	2020
	€	€
Stock of books	2,482	2,662
	2,482	2,662

14. Receivables

	2021	2020
	€	€
Accounts receivables	34,184	40,049
Prepayments and accrued income	31,498	9,456
	65,682	49,505

Receivables

General receivables are analysed as follows:

	2021	2020
	€	€
Within credit period	47,733	38,448
Exceeded credit period but not impaired	17,949	11,057
Impaired and provided for	32,010	32,011
Provision for doubtful debts	(32,010)	(32,011)
	65,682	49,505

Included in the accounts receivable are amounts due from related parties amounting to €7,302 (2020 : €329). The amounts from related parties which are impaired are €1,856 (2020: €1,856) 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.

	2021	2020
	€	€
Cash at Bank	196,930	99,245
Cash in Hand	2,673	420
	199,603	99,665

Notes to the Financial Statements for the year ended 31 December 2021 (cont.)

16. Payables

	2021	2020
	€	€
Accounts payable	103,320	108,795
Accruals and other payables	47,868	56,262
	151,188	165,057

Included in the accounts payable are amounts due to related parties amounting to €6,424 (2020 : €2,602). These amounts are unsecured, interest free and repayable on demand.

17. Deferred Income

Government grants	2021	2020
	€	€
At 1 January	58,815	183,944
Increase in year	146,995	-
	205,810	183,944
Transferred to Capital Grants under PPE	(92,168)	(125,129)
Transferred to income	(10,639)	-
Transferred to payables	(2,439)	-
At 31 December	100,564	58,815
Current Deferred Income	100,564	58,815

Notes to the Financial Statements for the year ended 31 December 2021 (cont.)

18. Capital Commitments

	2021	2020
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	252,000	498,848
- Contracted for but not provided in the financial statements	-	-
(i) Approved but not yet contracted for:		
Furniture & Fittings	20,000	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
Landscaping works	25,000	-
PA Development Planning Fund Funded projects	200,000	-
Plant & Machinery	2,000	-
Computer equipment	5,000	2,000
	252,000	498,848

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 a claim for damages on a vehicle, which amount did not exceed Eur4,500 in total. The Council has refused this claim and as at year end, did not receive further communication from the claimants. Furthermore, at year end the Council had 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 2021 (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:

	2021	2020
Current Assets	€	€
Accounts and other receivables	**65,682**	49,505
Cash and Cash Equivalents	**199,603**	99,665
	265,285	149,170
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	**151,188**	165,057

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 €199,603 (2020: €99,665). This should ensure an ongoing working capital of the Council for the next 12 months.

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.

Notes to the Financial Statements for the year ended 31 December 2021 (cont.)

21. Financial Risk Management (cont.)

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 2021 (cont.)

22. Related party transactions (cont.)

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

	2021			2020		
	Related party activity €	Total activity €	%	Related party activity €	Total activity €	%
Income						
Transactions with central government	629,234			597,955		
Transactions with regions	1,517			591		
	630,751	688,222	92	598,546	639,148	94
Expenditure						
Transactions with government entities	41,638			39,397		
Key personnel remuneration	134,034			136,980		
	175,672	680,503	26	176,377	645,841	27

23. Fair values estimation

At 31 December 2021 and at 31 December 2020, 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.

RSM Malta
Mdina Road,
Zebbug ZBG 9015,
Malta.
T+356 2278 7000

www.rsm.com.mt

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 2021, 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 2021, 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

During the prior year, we have not obtained sufficient supporting documentation and explanations with respect to the Local Council's property, plant and equipment, including the additions, the depreciation charge and the grants capitalized. 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 opening balances of the property, plant and equipment shown in Note 12 to these financial statements.

During the year under review, an adjustment was passed under the property, plant and equipment category Special Programmes amounting to €56,647, increasing both the cost and the grants. No adequate supporting documentation and explanation were obtained for such adjustment. Consequently, we could not conclude whether the carrying values of the property, plant and equipment shown in the statement of financial position is correct.

When testing the accounts payable, no confirmation was received from the main contractor whose balance represents 56% 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 were not provided with sufficient and appropriate evidence on the €200,000 capital commitments approved but not contracted for, disclosed in Note 18 to the financial statements. Due to lack of documentation, we could not conclude whether the note in the financial statements is correct.

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.

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.

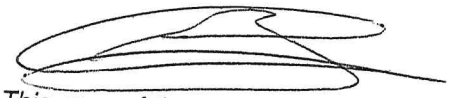
• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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: 25 April 2022