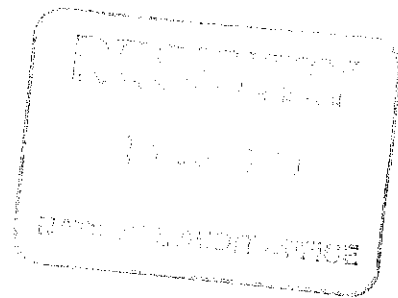


IL-GUDJA LOCAL COUNCIL

Report and Financial Statements

For the year ended 31 December 2019



*Prepared by: Ms Josianne Debono CPA
Obo Dconsulta Ltd,
(February 2020)*

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II-GUDJA LOCAL COUNCIL

STATEMENT OF COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S RESPONSIBILITIES for the year ended 31 December 2019


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 1st June 2020 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 2019

	Notes	Year Ended 2019	Year Ended 2018
		€	€
Income			
Funds received from Central Government	4	310,652	305,842
Income raised under Council Bye-Laws	5	7,154	5,450
Income from Law Enforcement System	6	1,913	2,727
General Income	7	27,150	6,249
		<u>346,869</u>	<u>320,268</u>
Expenditure			
Personnel emoluments	8	66,734	69,279
Operations and maintenance	9	119,622	103,067
Administrative and other expenses	10	136,333	133,822
		<u>322,689</u>	<u>306,168</u>
Operating Surplus for the year		24,180	14,100
Finance income	11	173	463
Finance costs		(1,533)	(566)
Surplus for the year		22,820	13,997
Total Comprehensive Income		22,820	13,997

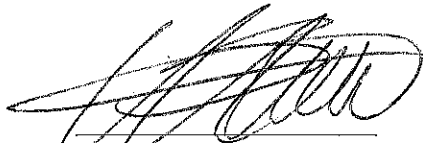
The notes on pages 6 to 23 form an integral part of these financial statements.

IL-GUDJA LOCAL COUNCIL

STATEMENT OF FINANCIAL POSITION As at 31 December 2019

	Notes	Year Ended 2019	Year Ended 2018
		€	€
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	12	291,202	337,237
		<u>291,202</u>	<u>337,237</u>
<i>Current assets</i>			
Trade and other receivables	13	45,813	21,761
Cash and cash equivalents	14	836,350	736,273
Total current assets		<u>882,163</u>	<u>758,034</u>
Total assets		<u>1,173,365</u>	<u>1,095,271</u>
Reserves and liabilities			
<i>Reserves</i>			
Retained earnings		681,441	658,621
<i>Current liabilities</i>			
Trade and other payables	15	491,924	436,650
		<u>491,924</u>	<u>436,650</u>
Total liabilities		<u>491,924</u>	<u>436,650</u>
Total reserves and liabilities		<u>1,173,365</u>	<u>1,095,271</u>

The financial statements were approved by the Council on 1st June 2020 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 2019

	Retained earnings €	Total earnings €
At 1 January 2018	644,624	644,624
Surplus for the year	13,997	13,997
Total comprehensive income	13,997	13,997
At 31 December 2018	658,621	658,621
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	681,441	681,441
Total Equity	681,441	681,441

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

IL-GUDJA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2019

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 1st June 2020. 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 67 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 for the current period

In the current 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 not 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 2019

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 2019

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

Accounting Policies and Reporting Procedures (continued)

II-GUDJA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2019

Impairment of property, plant and equipment - continue

the impairment loss (if any). 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.

Accounting Policies and Reporting Procedures (continued)

II-GUDJA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2019

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.

Accounting Policies and Reporting Procedures (continued)

II-GUDJA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2019

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

Accounting Policies and Reporting Procedures (continued)

II-GUDJA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2019

Foreign currencies - continue

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

Accounting Policies and Reporting Procedures (continued)

Provisions - continue

II-GUDJA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2019

material).

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	2019	2018
		€	€
<i>Surplus for the year is stated after charging:</i>			
Personnel Emoluments	8	66,734	69,279
Depreciation	12	85,460	93,202

4. Funds Received from Central Government

	2019	2018
	€	€
In terms of section 55 of the Local Councils Act, 1993	302,797	287,067
Other Supplementary Government Income (<i>Note i</i>)	7,855	18,775
	310,652	305,842

Note (i) Other supplementary income includes €5,586 (2018 - €14,331) representing Wasteserv tipping fees.

5. Income raised under Council Bye-Laws

	2019	2018
	€	€
Permits	6,805	5,147
Kiosks	349	303
	7,154	5,450

6. Income raised under Law Enforcement System

2019	2018
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II-GUDJA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2019

	€	€
LES Share of Joint Committee Results	797	985
Income from Regional Committees	<u>1,116</u>	<u>1,742</u>
	<u>1,913</u>	<u>2,727</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 'Regjun 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:

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

7. General Income

	2019	2018
	€	€
Commission of bills – WSC	599	440
Community and Cultural activities	684	1,764
Other income	6,528	540
Organic waste	<u>19,339</u>	<u>3,505</u>
	<u>27,150</u>	<u>6,249</u>

8. Personnel emoluments

	2019	2018
	€	€
Personnel emoluments include:		
Mayors' honoraria	10,236	7,464
Council members' allowance	8,900	6,400
Acting executive salary and allowance	3,036	3,676
Employees' salaries	42,338	49,578
Social security contributions - employer's share	<u>2,224</u>	<u>2,161</u>
	<u>66,734</u>	<u>69,279</u>

9. Operations and Maintenance

2019	2018
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II-GUDJA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2019

	€	€
Operations and maintenance include:		
Repairs and upkeep		
Road and street pavements	5,210	2,481
Road markings & signs	6,135	2,572
Maintenance of office furniture & equipment	368	-
Maintenance of plant & machinery	627	216
Maintenance of public and council property	3,638	714
Other repairs & upkeep	5,689	5,593
	<u>21,667</u>	<u>11,576</u>
Contractual Services	2019	2018
	€	€
Operating materials and supplies	447	292
Waste disposal	13,960	21,964
Refuse collection	37,360	28,793
Open skips	2,856	1,989
Road & street cleaning	18,175	12,975
Cleaning & maintenance - public conveniences	4,655	4,655
Cleaning & maintenance of soft Areas	5,634	9,500
Cleaning council premises	1,606	1,500
Street lighting	11,962	9,554
LES and other contractual services	1,300	269
	<u>97,955</u>	<u>91,491</u>
Total operations and maintenance	<u>119,622</u>	<u>103,067</u>

10. Administrative and Other Expenses

2019	2018
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II-GUDJA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2019

	€	€
Utilities incl. internet connectivity	4,157	5,392
Cleaning materials & supplies	216	236
Office services	1,864	3,794
Transport expenses (incl. fuel)	101	112
Information services	397	549
ICT expenses	80	372
Library expenses	3,648	3,668
Hire of equipment	313	566
Hire of transport	1,995	1,993
Travelling and entertainment expenses	9	12
Insurance coverage	2,009	1,890
Bank charges	127	87
Professional and legal services	18,489	8,680
Participation fees	632	278
Community services, social & cultural events	16,716	12,565
Sundry minor expenses	120	426
Depreciation	85,460	93,202
	<u>136,333</u>	<u>133,822</u>

11. Investment Income

	2019	2018
	€	€
Bank interest on savings	121	67
Bank interest on term deposits	52	396
	<u>173</u>	<u>463</u>

II-GUDJA LOCAL COUNCIL

Notes to the Financial Statements
for the year ended 31 December 2019

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 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		

II-GUDJA LOCAL COUNCIL

Notes to the Financial Statements
for the year ended 31 December 2019

12. Property, plant and equipment

Cost	Trees	Construction & Special Programmes	Furniture & Fittings	New Street Signs	Urban Improve.	Office & Computer Equip.	Plant and Machinery	Total
€	€	€	€	€	€	€	€	€
As at 1 January 2018	384	1,441,333	44,521	2,784	112,474	40,129	3,051	1,644,676
Additions	-	-	239	-	1,918	797	545	3,499
As at 31 December 2018	384	1,441,333	44,760	2,784	114,392	40,926	3,596	1,648,175
Grants and other reimbursements								
As at 1 January 2018	-	676,291	-	-	2,050	5,318	-	683,659
Additions	-	-	-	-	-	-	-	-
As at 31 December 2018	-	676,291	-	-	2,050	5,318	-	683,659
Depreciation								
At 1 January 2018	-	379,152	26,498	2,784	92,739	30,594	2,310	534,077
Charge for the year	-	73,511	3,335	-	11,311	4,416	629	93,202
At 31 December 2018	-	452,663	29,833	2,784	104,050	35,010	2,939	627,279
N.B.V. at 31 December 2018	384	312,379	14,927	-	8,292	598	657	337,237

II-GUDJA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2019

13. Trade and other Receivables

	2019	2018
	€	€
Falling due within One Year		
Receivables (Note i)	412	171
Other related undertakings (Note i)	1,207	1,247
Other receivables	9,028	-
Prepayments and accrued income	35,166	20,343
	<u>45,813</u>	<u>21,761</u>

	2019	2018
	€	€
(i) <i>Credit period analysis:</i>		
Within credit period	131	224
Exceeded credit period but not impaired	1,488	1,194
	<u>1,619</u>	<u>1,418</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:

	2019	2018
	€	€
Petty cash	84	128
Bank balances: Savings and Current accounts	729,278	629,157
Bank balances: Term Deposits	106,988	106,988
	<u>836,350</u>	<u>736,273</u>

IL-GUDJA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2019

15. Trade and Other Payables

	2019	2018
	€	€
Falling due within One Year		
Trade Payables	48,213	48,432
Amounts owed to Joint Committee	35	35
Other Related undertakings	14,967	17,590
Other creditors	144	-
Accruals	21,965	16,608
Deferred income	406,600	353,985
Total payables	491,924	436,650

16. Capital commitments

	2019	2018
	€	€

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

(i) Approved and contracted for (note a.)	<u>333,500</u>	-
(ii) Approved but not yet contracted for (note b.)	<u>766,500</u>	<u>885,000</u>
a. <i>Embellishment of various roads</i> as per BOQs part of which cost will be funded by European Agricultural funds for Rural Developments in 2019.		
b. <i>Resurfacing works of other roads</i> a percentage of which costs will also be funded by European Agricultural funds for Rural Developments.		

Pre-financing for the above-mentioned capital projects, amounting to €406,600, has already been received and is reflected in this financial report as Deferred Income under Development Planning Fund and Measure 4 (note 15).

17. Contingent liabilities

Contingencies which are not included in the financial statements amount to € 16,414 (2018: € 7,386). These might give rise to liabilities due by the Local Council in the future.

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).

IL-GUDJA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2019

REPORT OF THE LOCAL GOVERNMENT AUDITORS ON IL-GUDJA LOCAL COUNCIL TO THE AUDITOR GENERAL

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Il-Gudja Local Council which comprise the Statement of Financial Position as at 31 December 2019, and the statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the statement of financial position of Il-Gudja Local Council as at 31 December 2019, 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 EU.

Basis for Opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Executive Secretary

The Executive Secretary is 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 EU, and for such internal control as the Executive Secretary 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 is responsible for assessing the 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 the Council is intended to be liquidated or to cease operations, or has no realistic alternative but to do so.

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.

IL-GUDJA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2019

REPORT OF THE LOCAL GOVERNMENT AUDITORS ON IL-GUDJA LOCAL COUNCIL TO THE AUDITOR GENERAL (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

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 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 the Executive Secretary.
- Conclude on the appropriateness of the Executive Secretary'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 the Executive Secretary regarding, among other matters, the planned scope and timing of the audit and significant audit figures, including any significant deficiencies in internal control that we identify during our audit.


IL-GUDJA LOCAL COUNCIL

**Notes to the Financial Statements
for the year ended 31 December 2019**

**REPORT OF THE LOCAL GOVERNMENT AUDITORS ON THE IL-GUDJA LOCAL COUNCIL
TO THE AUDITOR GENERAL (continued)**

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements comply fully with the Local Councils Act, the Financial Regulations issued in terms of this Act and the Local Council (Financial) Procedures.



Mr Manuel Castagna

For and on behalf of
Nexia BT
Certified Public Accountants

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Malta

Date: 1 June 2020