

San Gwann Local Council

Report and Financial Statements

For the year ended 31 December 2020



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Financial Statements For the year ended 31 December 2020**Statement of Local Council Members' and Executive Secretary's Responsibilities**


The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of comprehensive income of the Local Council's 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 Council (Financial) Regulations, and the Local Council (Financial) Procedures issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Council (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 Council on 15th November 2021 and signed on its behalf by:



Mr. Trevor Fenech
Mayor



Mr. Kurt Guillaumier
Executive Secretary

Statement of Comprehensive Income For the year ended 31 December 2020

	Note	2020 Euro	2019 Euro
Income			
Funds received from central government	4	991,084	966,471
Income raised under Local Council Bye-Laws	5	-	-
Income raised under Local Enforcement System	6	12,857	13,921
Other Income	7	<u>50,349</u>	<u>57,834</u>
		<u>1,054,290</u>	<u>1,038,226</u>
Expenditure			
Personal emoluments	8	(187,375)	(176,111)
Operations and maintenance	9	(574,914)	(571,906)
Administration and other expenditure	10	(218,477)	(282,364)
Finance Cost	11	<u>(214)</u>	<u>(915)</u>
		<u>(980,980)</u>	<u>(1,031,296)</u>
Surplus for the year		<u>73,310</u>	<u>6,930</u>


The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position as at 31 December 2020

	Note	2020 Euro	2019 Euro
Assets			
<i>Non-current Assets</i>			
Property, plant and equipment	12	<u>343,590</u>	<u>327,428</u>
<i>Current Assets</i>			
Receivables	13	<u>210,973</u>	<u>106,961</u>
Cash and cash equivalents	14	<u>746,552</u>	<u>783,900</u>
Total Current Assets		<u>957,525</u>	<u>890,861</u>
Total Assets		<u>1,301,115</u>	<u>1,218,289</u>
Reserves and Liabilities			
<i>Capital and Reserves</i>			
Retained Earnings		<u>924,456</u>	<u>851,146</u>
		<u>924,456</u>	<u>851,146</u>
<i>Non-current liabilities</i>			
Long term borrowings	15	-	-
Deferred Income	18	<u>185,936</u>	<u>185,936</u>
Total Non-Current Liabilities		<u>185,936</u>	<u>185,936</u>
<i>Current Liabilities</i>			
Trade and other payables	16	<u>133,292</u>	<u>114,690</u>
Lease Liability	17	<u>65</u>	<u>532</u>
Deferred Income	18	<u>26,788</u>	<u>26,788</u>
Short-term borrowings	14	<u>30,578</u>	<u>39,197</u>
Total Current Liabilities		<u>190,723</u>	<u>181,207</u>
Total Liabilities		<u>376,659</u>	<u>367,143</u>
Total Equity and Liabilities		<u>1,301,115</u>	<u>1,218,289</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

The financial statements were presented to and approved by the Council on the 15th November 2021 and were signed on its behalf by:


 Mr. Trevor Fenech
 Mayor


 Mr. Kurt Guillaumier
 Executive Secretary

Statement of Changes in Equity For the year ended 31 December 2020

	Retained Earnings
	Euro
Changes in equity	
Balance as at 1 January 2019	844,216
Surplus for the year	<u>6,930</u>
Balance at 31 December 2019	<u>851,146</u>
Balance as at 1 January 2020	851,146
Surplus for the year	<u>73,310</u>
Balance at 31 December 2020	<u>924,456</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows For the year ended 31 December 2020

	2020 Euro	2019 Euro
	Note	
Cash flow from operating activities		
Surplus for the year	73,310	6,930
Adjustments for:		
Depreciation	32,941	93,792
Interest payable	192	915
	<u>106,443</u>	<u>101,637</u>
Movement in payables	18,602	7,799
Movement in receivables	<u>(104,012)</u>	<u>(56,554)</u>
<i>Net cash generated from operating activities</i>	<u>21,033</u>	<u>52,882</u>
Cash flows in investing activities		
Purchase of property, plant and equipment	(49,103)	(45,756)
Grants received	-	49,913
<i>Net cash generated from/ (used in) investing activities</i>	<u>(49,103)</u>	<u>4,157</u>
Cash flows from financing activities		
Lease payments	(467)	(489)
Payment of long-term borrowings	(10,978)	(14,203)
Interest paid	(192)	(875)
<i>Net cash used in financing activities</i>	<u>(11,637)</u>	<u>(15,567)</u>
Movement in cash and cash equivalents	(39,707)	41,472
Cash and cash equivalents at beginning of year	<u>755,681</u>	<u>714,209</u>
Cash and cash equivalents at end of year	14 <u>715,974</u>	<u>755,681</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to the Financial Statements for the year ended 31 December 2020**1. General Information**

San Gwann Local Council is a local government set up by the Local Councils Act, 1993. The office of the council is situated at 55, R.Caruana Dingli Street, San Gwann. The local council's presentation as well as the functional Currency are denominated in Euro. The financial statements were authorised for issue by the council on the 12th March 2021.

2. 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 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).

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.

Standards, interpretations and amendments to published standards as endorsed by the EU effective in the current year.

A number of new and revised standard are effective for annual years beginning on or after 1st January 2020. Information on these new standards is presented below.

- IAS 1 and IAS 8 (Amendments) – Definition of material (effective for annual reporting periods beginning on or after 1 January 2020).
- IFRS 9, IAS 39 and IFRS 7 (Amendments) – Interest Rate Benchmark Reform – Phase 1 (effective for annual reporting periods beginning on or after 1 January 2020).
- IFRS 3 Business Combinations (Amendments) – Definition of a Business (effective for annual reporting periods beginning on or after 1 January 2020).
- Amendments to references to the Conceptual Framework in IFRS standards.

Notes to the Financial Statements for the year ended 31 December 2020 (Continued)**2. Reporting procedures (Continued)****Standards, amendments and interpretations to published standards as endorsed by the EU that are not yet effective.**

Up to date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but which are not yet effective for the current reporting year and which the Council has not early adopted, but plans to adopt upon their effective date. The Council is still assessing the effect of these changes on the financial statements. The new and amended standards are as follows:

- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (applicable for annual periods beginning on or after 1 January 2021).
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest rate benchmark reform – Phase 2 (applicable for annual periods beginning on or after 1 January 2021).
- Amendments to IFRS 16 Leases: Covid-19 related rent concessions (applicable for annual periods beginning on or after 1 June 2020).

Standards, interpretations and amendments to published standards that are not yet endorsed by the EU.

- IFRS 17 – Insurance Contracts (applicable for annual reporting periods beginning on or after 1 January 2023)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (applicable for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (applicable for annual periods beginning on or after 1 January 2022).
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts (applicable for annual periods beginning on or after 1 January 2022).
- Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework (applicable for annual periods beginning on or after 1 January 2022).
- Annual improvements to IFRS standards 2018-2020 (applicable for annual periods beginning on or after 1 January 2022).

The Council is of the opinion that the adoption of these standards and interpretations did not have a material impact on the financial statements.

Notes to the Financial Statements for the year ended 31 December 2020 (Continued)**3. Accounting Policies****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.

As from 1st September 2011, the Central Government re-allocated the full management of the LES system from the Joint Committee to the Regional Offices. From 1st September 2011, San Gwann Local Council will be compensated for the handling of the payments made at its council on a pro rata basis. However as from 1st October, the Administrative fee will no longer be sent to the Regional committees but to Local Enforcement System Agency (LESA). This change is not expected to impact the operations of the Local Council.

Right of Use Asset

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Council expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Council has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease Liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Council's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down

Notes to the Financial Statements for the year ended 31 December 2020 (Continued)**3. Accounting Policies (Continued)****Property, plant and equipment**

Freehold land is not depreciated. Furniture and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives. In line with directive 1/2017 the council has adopted the straight-line method of depreciation as from 1 January 2018 instead of the previously used reducing balance method. The estimated useful lives, residual values and depreciation method are renewed at the end of each reporting year, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the statement of comprehensive income.

Tangible fixed assets are stated at cost less accumulated depreciation and grants received for specific projects. Depreciation is calculated on a monthly basis using the reducing balance method at rates estimated to write down the cost of all tangible fixed assets, other than land and trees over their expected useful lives as follows:

	Rates in %
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
Playground furniture	100

Certain depreciation rates such as those of plants, playground equipment and street lighting had their depreciation rate changed from 10% to 100% in October 2002 by virtue of Legal Notice 323 of 2002. Litter bins and street signs are treated on replacement basis as per memo 121/2011.

Notes to the Financial Statements for the year ended 31 December 2020 (Continued)**3. Accounting Policies (Continued)****Receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Council will not be able to collect all amounts receivable.

Payables and borrowings

Payable and borrowing costs are recognised as an expense in the period in which they are incurred. Amounts payable comprise creditor payments, that is, the amounts payable for the procurement of supplies and services. When an invoice or request for payment is received from a supplier, this is checked to the purchase order previously issued or the service contract, before payment is released in favour of any vendor. All cheque payments are signed by the Mayor and Executive Secretary and then reconciled with the bank statements on a monthly basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial year 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.

All other borrowing costs are recognised in the statement of comprehensive income in the year in which they are incurred.

Government grants

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.

As described in the property, plant and equipment note above, the council was instructed to adopt the capital approach of government grants as from 1 January 2018, as opposed to the previously used income approach as per IAS 20.

Under the capital approach, grants received are deducted from the respective asset's carrying account it was received for. This is shown as a separate line item in the property, plant and equipment schedule.

Notes to the Financial Statements for the year ended 31 December 2020 (Continued)**3. Accounting Policies (Continued)****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 Euro which is the Council's functional and presentation currency.

Surplus and deficits

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 deficits arising up to the said date are accounted for even if they become apparent between the said date and the date on which the Financial Statements are approved.

Cash and 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.

Related Parties

Related parties are those persons or bodies of persons having relationships with the council as defined in IAS 24. During the year under review, the Local Council's related party that exercises a significant control was the Department for Local Government.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years. In the opinion of the council members, 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 (revised).

Capital Management Policies

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.

Notes to the Financial Statements for the year ended 31 December 2020 (Continued)**3. Accounting Policies (Continued)**

To achieve the above, the Council carries out a quarterly review of the working capital ratio by means of a Financial Situation Indicator. This ratio was positive as at 31/12/2020 and has not had significant changes from the previous reporting year. The council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments towards the locality.

Financial Instruments*Recognition and derecognition*

Financial assets and financial liabilities are recognised when the Corporation becomes a party to the contractual provisions of the 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 substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

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

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

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

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

Subsequent measurement of financial assets

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

Notes to the Financial Statements for the year ended 31 December 2020 (Continued)**3. Accounting Policies (Continued)****Financial Instruments (Continued)**

-they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Council's cash and cash equivalents and receivables fall into this category of financial instruments.

Impairment of financial assets

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

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

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

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

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

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

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

Classification and measurement of financial liabilities

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

The Council's financial liabilities include trade and other payables.

Notes to the Financial Statements for the year ended 31 December 2020 (Continued)**3. Accounting Policies (Continued)****Financial Instruments (Continued)**

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Council designated a financial liability at FVTPL.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in statement of income and expenditure are included within finance costs or finance income.

	2020	2019
	Euro	Euro
4. Funds received from central government		
In terms of section 55 of the Local Councils Act (Cap 363)	898,714	847,890
Supplementary Government Income	-	30,231
Other Government Income	92,370	88,350
	<u>991,084</u>	<u>966,471</u>

	2020	2019
	Euro	Euro
5. Income raised from Bye-Laws		
Income raised under Local Council Bye-Laws	<u>-</u>	<u>-</u>

The income reported in 2019 under Income raised from Bye-laws was reinstated under Note 7 - Other general income

	2020	2019
	Euro	Euro
6. Local Enforcement Income		
Regional Committees/Admin Fees/LESA	<u>12,857</u>	<u>13,921</u>

	2020	2019
	Euro	Euro
7. Other Income		
Income from other activities	208	300
Income from tender documents	-	973
Contributions and donations	-	170
Other general income	50,141	56,391
	<u>50,349</u>	<u>57,834</u>

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

	2020	2019
8. Personal Emoluments	Euro	Euro
Mayor's honoraria and allowances	15,027	13,250
Executive Secretary salary and allowances	35,820	35,567
Employees' salaries	102,308	98,916
Councillors Allowances	22,680	16,900
Social Security Contributions	11,540	11,478
	<u>187,375</u>	<u>176,111</u>
	2020	2019
9. Operations and Maintenance	Euro	Euro
Repairs and upkeep:		
Road and street pavements (Patching works)	13,474	3,672
Street signs	6,520	2,339
Road markings	7,754	2,900
	<u>27,748</u>	<u>8,911</u>
Contractual Services:		
Refuse collection (including bins on wheels)	282,640	280,904
Bulky refuse collection (including open skips)	54,803	52,330
Road and Street Cleaning (mechanical and manual)	86,220	87,720
Cleaning and Maintenance of Public Convenience	24,605	24,605
Cleaning and Maintenance of Parks and Gardens	90,579	91,470
Street Lighting	7,908	24,991
Local Enforcement Expenses	411	975
	<u>547,166</u>	<u>562,995</u>
	<u>574,914</u>	<u>571,906</u>

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

	2020	2019
	Euro	Euro
10. Administration and other expenditure		
Training	-	207
Utilities	7,641	8,184
Rent	8,638	8,696
Other repairs and upkeep	27,653	76,297
National and International Memberships and Participation expenses	-	960
Office Services	8,297	8,771
Travel	1,300	-
Transport	17,361	6,763
Information Services	12,343	3,459
Other contractual services	6,624	11,274
Professional services	32,338	18,114
Community and hospitality	19,065	8,231
Social events	28,978	24,097
Cultural events	15,298	13,519
Depreciation	32,941	93,792
	<u>218,477</u>	<u>282,364</u>
	2020	2019
	Euro	Euro
11. Finance Costs		
Interest on Bank Loan	192	875
Lease interest	22	40
	<u>214</u>	<u>915</u>

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

12. Property, Plant and Equipment

	Right to Use Property	Property		Construction		Office furniture & fittings		New Street Signs		Office Equipment		Computer Equipment		Urban Improvements		Trees & Plants		Asset Under Construction		Total
		Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	
Cost																				
As at 1 January 2020	981	246,865	1,102,607	41,924	33,389	67,101	45,949	307,756	18,281	14,222	1,879,075									
Additions	-	-	3,770	-	-	1,401	3,206	19,330	-	21,396	49,103									
As at 31 December 2020	981	246,865	1,106,377	41,924	33,389	68,502	49,155	327,086	18,281	35,618	1,928,178									
Grants and Other Reimbursements																				
As at 1 Jan 2020	-	-	(371,819)	-	-	(1,357)	-	(115,843)	(18,281)	-	(507,300)									
Additions	-	-	-	-	-	-	-	-	-	-	-									
As at 31 December 2020	-	-	(371,819)	-	-	(1,357)	-	(115,843)	(18,281)	-	(507,300)									
Depreciation																				
As at 1 January 2020	(327)	(45,919)	(719,345)	(34,508)	(33,389)	(62,942)	(42,592)	(105,325)	-	-	(1,044,347)									
Charge for the year	(327)	(2,468)	(12,417)	(3,103)	-	(798)	(2,031)	(11,797)	-	-	(32,941)									
As at 31 December 2020	(654)	(48,387)	(731,762)	(37,611)	(33,389)	(63,740)	(44,623)	(117,122)	-	-	(1,077,288)									
Net Book Value																				
As at 31 December 2020	327	198,478	2,796	4,313	-	3,405	4,532	94,122	-	35,618	343,590									

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

12. Property, Plant and Equipment (Continued)

Cost	Right to Use Property	Property		Construction		Office furniture & fittings		New Street Signs		Office Equipment		Motor Vehicles		Computer Equipment		Urban Improvements		Trees & Plants		Asset Under Construction		Total
		Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	
As at 1 January 2019	-	246,865	1,102,607	41,739	33,389	64,082	7,200	44,971	263,249	18,281	17,155	1,839,538										
Additions	981	-	-	185	-	3,019	-	978	38,424	-	3,150	46,737										
Reclassification	-	-	-	-	-	-	-	-	6,083	-	(6,083)	-										
Disposals	-	-	-	-	-	-	(7,200)	-	-	-	-	-										
As at 31 December 2019	981	246,865	1,102,607	41,924	33,389	67,101	-	45,949	307,756	18,281	14,222	1,879,075										
Grants and Other Reimbursements																						
As at 1 Jan 2019	-	-	(371,819)	-	-	(1,357)	-	-	(115,843)	(18,281)	-	(507,300)										
Additions	-	-	-	-	-	-	-	-	-	-	-	-										
As at 31 December 2019	-	-	(371,819)	-	-	(1,357)	-	-	(115,843)	(18,281)	-	(507,300)										
Depreciation																						
As at 1 January 2019	-	(43,451)	(646,350)	(31,358)	(33,389)	(58,358)	(7,200)	(41,290)	(96,359)	-	-	(957,755)										
Charge for the year	(327)	(2,468)	(72,995)	(3,150)	-	(4,584)	-	(1,302)	(8,966)	-	-	(93,792)										
Released on disposal	-	-	-	-	-	-	7,200	-	-	-	-	7,200										
As at 31 December 2019	(327)	(45,919)	(719,345)	(34,508)	(33,389)	(62,942)	-	(42,592)	(105,325)	-	-	(1,044,347)										
Net Book Value																						
As at 31 December 2019	654	200,946	11,443	7,416	-	2,802	-	3,357	86,588	-	14,222	327,428										

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

13. Receivables	2020	2019
	Euro	Euro
Trade Receivables	160,210	56,084
Accrued Income	37,279	44,766
Other Receivables	12,532	5,870
Financial Asset	210,021	106,720
Prepayments	952	241
	<u>210,973</u>	<u>106,961</u>

Trade receivables are unsecured and interest free. The provision of doubtful debts has been reduced to nil in the current year as the Council confirmed that the aged receivables of EUR 15,630 that were receivable from Green MT and Water Services Corporation is not recoverable. Accrued income is stated net of provision amounting to €11,300 (2019: €11,300).

Within credit period	30,524	53,488
Exceeded credit period but not impaired	129,686	18,226
Provision for Doubtful Debts	-	(15,630)
	<u>160,210</u>	<u>56,084</u>

14. Cash and Equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the Local Council Statement of Financial Position:

	2020	2019
	Euro	Euro
Bank balances: Ordinary funds	746,076	783,424
Cash in Hand	476	476
	<u>746,552</u>	<u>783,900</u>
Overdrawn Bank Balance	(30,578)	(28,219)
	<u>715,974</u>	<u>755,681</u>

Notes to the Financial Statements for the year ended 31 December 2020 (Continued)**15. Borrowings**

	2020 Euro	2019 Euro
Long term Borrowings		
Bank Loan	<u>-</u>	<u>-</u>
Short Term Borrowings		
Bank Loan	-	10,978
Bank Balance Overdrawn	<u>30,578</u>	<u>28,219</u>
	<u>30,578</u>	<u>39,197</u>

The loan facility that was being provided to the Council has been paid in full and therefore it has a nil balance (2019: EUR 10,978). It consisted of a loan facility with monthly instalments of EUR 1,251 and Interest charged at 4.15% per annum. The loan was secured by a hypothec covering the council's assets and a pledge over the insurance policies covering the assets of the council.

	2020 Euro	2019 Euro
Amounts falling due within one year	<u>-</u>	<u>10,978</u>
Amounts falling due between 1 and 2 years	<u>-</u>	<u>-</u>
Total Borrowings	<u>-</u>	<u>10,978</u>

	2020 Euro	2019 Euro
16. Payables		
Payables	73,218	64,712
Accruals	59,235	49,139
Other payables	<u>839</u>	<u>839</u>
	<u>133,292</u>	<u>114,690</u>

	2020 Euro	2019 Euro
17. Lease Liability		
Payables	<u>65</u>	<u>532</u>

Lease Liability refers to the lease of the Flour Mill and Cart Ruts that have been leased out to the San Gwann Local Council. It is a 3 years renewable lease that began in 21st February 2000. The council intends to renew this lease continuously. It will be renewed next in 21st February 2021.

Notes to the Financial Statements for the year ended 31 December 2020 (Continued)**17. Lease Liability (Continued)**

All works and repairs are a sole responsibility of the council. The rent of 100 Maltese Liri is payable yearly in advance for Flour Mill and Cart Ruts respectively.

The lease is not short term as it started in the year 2000 and is not of low value therefore the exemptions under IFRS 16 cannot be recognized in this case.

	01 Jan 2020
	Euro
Operating lease commitments (IAS 17)	1,047
Operating lease commitments discount based on weighted average incremental borrowing rate of 4.15%	<u>(66)</u>
Lease liabilities (IFRS 16)	<u>981</u>

In case of termination, the property needs to be surrendered with its decorative structures and fixtures in place.

	2020	2019
	Euro	Euro
18. Deferred Income		
Balance at the beginning of the year	212,724	162,811
Funds allocated to the Council	-	49,913
Released to Income	-	-
Capitalised	-	-
Balance at the end of the year	<u>212,724</u>	<u>212,724</u>
Short - Term Deferred Income	26,788	26,788
Long - Term Deferred Income	<u>185,936</u>	<u>185,936</u>
	<u>212,724</u>	<u>212,724</u>

19. Post Balance Sheet events

There were no particular important events affecting the operation of the council since the end of the accounting year.

20. Financial Risk Management

Financial assets include equity, other receivables and cash held at bank and in hand. Financial liabilities include other payables and long-term borrowings.

The Council is exposed to a variety of financial risks: market risk, credit risk and liquidity risk. The Council's overall risk management focuses on the unpredictability of financial markets

Notes to the Financial Statements for the year ended 31 December 2020 (Continued)**20. Financial Risk Management (Continued)**

and seeks to minimise potential adverse effects on the Council's financial performance. The Council adopts an overall risk management to maintain and control its exposures.

*Market risk**i) Cash flow and fair value interest rate risk*

As the Council has no interest-bearing assets, the Council's income and operating cash flows are independent of changes in market interest rates. Although the Council has borrowings issued at fixed rates, the exposure to fair value interest rate risk is limited and ultimately endorsed by Central Government.

ii) Credit Risk

Credit risk on amounts receivable is limited through the systematic monitoring of outstanding balances and the presentation of debtors net of allowances for doubtful debts, where applicable. Cash is placed with reputable banks.

Credit risk arises ever increasing variances between the main council's income, that provided by Central Government, and the cost of its outsourced services which are mostly exposed to commodity risks. Furthermore the huge reduction of other revenue from LES and Permits could well expose the Council even more to credit issues unless this shortfall is recovered from other sources.

The maximum exposure to credit risk at the reporting date in respect of the financial assets mentioned above is disclosed in the respective notes to the financial statements.

	2020 Euro	2019 Euro
Classes of Financial Assets – Carrying amounts		
Trade and Other Receivables	210,021	106,720
Cash and Cash Equivalents	<u>715,974</u>	<u>755,681</u>
	<u>925,995</u>	<u>862,401</u>

iii) Fair Values

As at 31 December 2020 and 2019, the carrying amounts of financial assets and liabilities were not materially different from the fair value.

iv) Liquidity risk

The council monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve-month year and ensures that no additional financing facilities are expected to be required over the coming year.

Notes to the Financial Statements for the year ended 31 December 2020 (Continued)**20. Financial Risk Management (Continued)**

At 31 December, the council's financial liabilities have contractual maturities summarised below:

31 December 2020

	Current	Non-Current	
	Within 1 Year Euro	1 to 5 years Euro	Later than 5 Years Euro
Creditors	73,218	-	-
Other Payables	839	-	-
Lease Liability	65	-	-
Accruals	59,235	-	-
Borrowings	-	-	-
	133,357	-	-

This compares to the maturity of the councils financial liabilities in the previous reporting year as follows:

31 December 2019

	Current	Non-Current	
	Within 1 Year Euro	1 to 5 years Euro	Later than 5 Years Euro
Creditors	64,712	-	-
Other Payables	839	-	-
Lease Liability	532	-	-
Accruals	49,139	-	-
Borrowings	10,978	-	-
	126,200	-	-

Notes to the Financial Statements for the year ended 31 December 2020 (Continued)**20. Financial Risk Management (Continued)****Summary of Financial Assets and liabilities**

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

	2020 Euro	2019 Euro
Current Assets		
Receivables		
Trade and Other Receivables	210,021	106,720
Cash and Cash Equivalents	<u>715,974</u>	<u>755,681</u>
	<u>925,995</u>	<u>862,401</u>
	Euro	Euro
Current Liabilities		
Financial Liabilities measured at historic cost		
Payables	73,218	64,712
Lease Liability	65	532
Other Payables	839	839
Accruals	59,235	49,139
Short Term Borrowings	<u>-</u>	<u>10,978</u>
	<u>133,357</u>	<u>126,200</u>

As at year end the Council has as cash and cash equivalents the amount of EUR 717,254 (2019: EUR 755,681). The council also maintains a positive Working Capital of EUR 764,708 (2019: EUR 709,654) ensuring that adequate funds are available to cover present liabilities as well as short term obligations and commitments arising.

21. Capital commitments

The San Gwann Local Council has the 5 below projects in progress:

- Establishment of a public garden in Triq Il-Kampanella
- Embellishment of a green area in Triq Ibiskus
- Creation of a pollinator garden in Tal-Propostru
- Reconstruction of Gnien George Zarb
- Cart Ruts project

The Council has applied for funds for these projects however if the funds are not approved then the Council will use its accumulated funds.

Notes to the Financial Statements for the year ended 31 December 2020 (Continued)**22. Related Party Transactions**

All the Authorities set up by Central Government and all the entities which are owned by Central Government are considered to be related parties to the San Gwann Local Council.

The San Gwann Local Council has the following related Parties Exercising:

- I. Significant Control – as per Local Councils Act 1993, Department for Local Government is the major and ultimate controlling related party.
- II. Joint control – North Joint Committee for Local enforcement, North Regional Committee
- III. No Control – Water Services corporation, Automated Revenue Management Services, Waste Management Service

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

Transactions with Related Parties

	2020	2019
	Euro	Euro
Annual Financial Allocation	898,714	846,754
<i>LES</i>	12,857	16,341
<i>LESA</i>	-	27,345
Key Management Personnel Remuneration		
Executive Secretary	35,820	37,987
Mayor Honoraria	15,027	13,250
Mayor and Councillor's Allowance	22,680	16,900

Report of the Local Government Auditor

To the Auditor General

Report on the audit of the financial statements

Qualified opinion

We have audited the financial statements of San Gwann Local Council set out on pages 4 to 27 which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in paragraphs 1 and 2 under the Basis for qualified opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Council as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act, the Local Councils (Financial) Procedures 1996 (the “Legislation”).

Basis for qualified opinion

1. Up to 31 August 2011, all income and expenditure from the Local Enforcement System (LES) were centralised through the Lvant Joint Committee of which San Gwann Local Council formed part. The Joint Committee ceased operations on that date. The most recent audited financial statements of the Joint Committee that were made available to us are those for the year ended 31 December 2011. Those financial statements show that the Committee had accumulated reserves amounting to €3.01 million. Due to the uncertainty as to whether the Council will receive further amounts from the Committee, the Council has not recognised any receivable from the Committee. In the absence of more recent audited financial statements, we are unable to determine whether the Council is entitled to receive any further income from the Joint Committee.
2. The Council did not provide us with authorisation to request one of their banks to confirm the balances held on the Council’s bank accounts. Consequently, we were unable to confirm whether or not the balance of € 202,604.54 held with the bank in question, was materially misstated or not.

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

Responsibilities of those charged with governance for the financial statements

As described on page 1, the Executive Secretary and the members of the Local Council are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Legislation, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Secretary and the members of the Local Council are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is the intention to liquidate the Council or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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



Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

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Malta

22 November 2021