

Gzira Local Council

Annual Report and Financial Statements

For the year ended 31 December 2020

Prepared by:

PKF Malta Limited



ANNUAL REPORT AND FINANCIAL STATEMENTS 31 DECEMBER 2020

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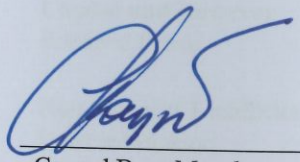
Financial Statements for the Year ended 31 December 2020

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

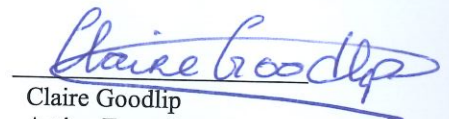
The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Councils (Financial) Regulations, and the Local Councils (Financial) Procedures.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

Approved by the Council and signed on its behalf on 07th September 2021 by:



Conrad Borg Manche

Mayor



Claire Goodlip
Acting Executive
Secretary

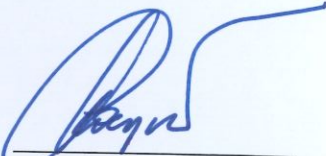
Gzira Local Council

Statement of Financial Position
As at 31 December 2020


	Note	2020 €	2019 €
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	3	<u>405,802</u>	<u>493,897</u>
Current Assets			
Trade and Other Receivables	4	247,219	216,446
Cash and Cash Equivalents	5	<u>126,603</u>	<u>78,680</u>
		<u>373,822</u>	<u>295,126</u>
Total Assets		<u><u>779,624</u></u>	<u><u>789,023</u></u>
RESERVES AND LIABILITIES			
Capital and Reserves			
Retained Funds		<u>453,185</u>	<u>508,221</u>
Non-Current Liabilities			
Deferred Income	7	<u>148,554</u>	<u>148,553</u>
		<u>148,554</u>	<u>148,553</u>
Current Liabilities			
Trade and Other Payables	8	116,115	132,249
Deferred Income	7	<u>61,770</u>	<u>-</u>
		<u>177,885</u>	<u>132,249</u>
Total Liabilities		<u>326,439</u>	<u>280,802</u>
TOTAL RESERVES AND LIABILITIES		<u><u>779,624</u></u>	<u><u>789,023</u></u>

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

Approved by the Council and signed on its behalf on 07th September 2021 by:


Conrad Borg Manche

Mayor


Claire Goodlip
Acting Executive
Secretary

Gzira Local Council

Statement of Comprehensive Income
Year ended 31 December 2020

	Note	2020 €	2019 €
REVENUE			
Funds Received from Central Government	9	767,645	715,817
Income Raised under Local Council Bye-Laws	10	74,790	72,795
Income Raised under Law Enforcement System	11	4,352	6,005
General Income	12	362	-
		<u>847,149</u>	<u>794,667</u>
EXPENDITURE			
Personal Emoluments	13	(123,765)	(127,653)
Operations and Maintenance	14	(500,478)	(501,064)
Administration and Other Expenditure	15	(277,688)	(271,033)
		<u>(901,931)</u>	<u>(899,750)</u>
Total Operating surplus / deficit for the year		(54,782)	(105,083)
Investment Income	16	3	22
Finance Costs	17	(257)	(1,155)
Deficit for the year		<u>(55,036)</u>	<u>(106,216)</u>

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

Gzira Local Council

Statement of Changes in Equity
Year ended 31 December 2020

Retained Funds	2020 €	2019 €
At 1 January	508,221	614,437
Surplus/ Deficit for the year	<u>(55,036)</u>	<u>(106,216)</u>
At 31 December	<u>453,185</u>	<u>508,221</u>

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

Gzira Local Council

Statement of Cash Flows
Year ended 31 December 2020

	Note	2020 €	2019 €
Deficit for the year		(55,036)	(106,216)
Adjustments for:			
Depreciation		100,924	95,356
Re-classification of assets under construction to expenses		8,094	-
ANYC reclassified to expenses		-	1,512
Provision for bad debts		-	(758)
Interest Receivable		(3)	(22)
Interest Payable		257	609
Operating Surplus before Working Capital Changes		54,236	(9,519)
Movement in Receivables		(30,773)	(103,494)
Movement in Payables		(16,134)	(5,207)
Net Cash generated from Operating Activities		7,329	(118,220)
Cash flows from Investing Activities			
Interest received		3	22
Interest paid		(257)	(609)
Purchase of Property, Plant and Equipment		(20,923)	(127,251)
Deferred Income Grants		61,771	-
Cash Flow (used in)/generated from Investing Activities		40,594	(127,838)
Cash flow From Financing Activities			
Payments to Long-Term Borrowings		-	(9,387)
Cash Flow used in Financing Activities		-	(9,387)
Movement in Cash and Cash Equivalents		47,923	(255,445)
Cash and Cash Equivalents at the Beginning of the year		78,680	334,125
Cash and Cash Equivalents at the End of the year	5	126,603	78,680

The above statement of cash flows should be read in conjunction with the accompanying notes.

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

1. General Information

Gzira Local Council is the local authority of Gzira setup in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at Rue d'Argens, Gzira. 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 19th April 2021.

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.

a. 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).

The financial statements are prepared under the historical cost convention as modified to include fair values stated in the accounting policies below. These Financial Statements are prepared in accordance to the requirements of International Financial Reporting Standards as adopted by the EU and comply with 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 Reporting Standards.

b. 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.

c. 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)

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

Accounting Policies and Reporting Procedures (Cont'd)

d. 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.

e. Revenue recognition

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

f. Local Enforcement System

During the year ended 31/12/2020 the amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the administrative fee of 10% that is chargeable to the respective Regional Committees for contraventions paid at the Council.

g. 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.

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

Accounting Policies and Reporting Procedures (Cont'd)

g. Property, Plant and Equipment (Cont'd)

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:

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

Further to the change in the depreciation method as instructed under directive 1 of 2017 the council was also instructed to adopt the capital approach of grants as from the year ended 31 December 2018, rather than the previously used income approach of grants, where such change is classified as a change in accounting policy .

h. 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.

The council adopted the capital approach. Any grant related to expenditure is recognised as income in the period the expense is incurred.

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 note below.

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

Accounting Policies and Reporting Procedures (Cont'd)

i. Amounts Receivable

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.

Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are considered as 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. The amount of the provision is recognised in the Statement of income and Expenditure.

j. 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.

k. 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.

l. Cash and Cash Equivalents

Cash and Cash Equivalents are carried in the Statement of Financial Position at face value. For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash in hand and balances held with banks.

m. 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 (note 19). The parties that exercise no control are disclosed in note 19.

n. Payables

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

Amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Local Council.

o. Financial Instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Council 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.

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

Accounting Policies and Reporting Procedures (Cont'd)

Classification and initial measurement of financial assets

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 period 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):

- 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.

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

Accounting Policies and Reporting Procedures (Cont'd)

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.

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

p. 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).

q. Borrowings

Borrowings are initially recognised at cost, being the fair value of the consideration received and including acquisition charges associated with the borrowing.

Subsequent to initial recognition, all interest-bearing borrowings, other than liabilities held for trading, are subsequently measured at amortised cost, using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on settlement. Liabilities which are held for trading are subsequently measured at fair value.

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

Gzira Local Council

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

3. Property, Plant and Equipment

Tangible Assets Cost	Property €	Office Furniture / fittings €	Improvements to Property €	New Street Signs €	Urban Improvements €	Office Equipment €	Computer Equipment €	Gym Equipment €	Trees €	Construction €	Motor Vehicle €	Plant and Machinery €	Asset Under Construction €	Total €
At 1 January 2020	224,201	91,448	22,499	1,009	159,015	22,419	51,219	7,400	27,928	1,033,062	14,000	970	24,290	1,679,460
Additions	-	2,365	-	-	466	3,492	13,537	-	-	-	-	-	1,062	20,923
Reclassified to expenses	-	-	-	-	-	-	-	-	-	-	-	-	(8,094)	(8,094)
At 31 December 2020	224,201	93,813	22,499	1,009	159,481	25,911	64,756	7,400	27,928	1,033,062	14,000	970	17,258	1,692,289
Grants and other reimbursements	-	-	-	-	(83,197)	(1,273)	-	-	-	(235,547)	-	-	-	(320,017)
At 01 January 2020	-	-	-	-	(83,197)	(1,273)	-	-	-	(235,547)	-	-	-	(320,017)
At 31 December 2020	-	-	-	-	(83,197)	(1,273)	-	-	-	(235,547)	-	-	-	(320,017)
Accumulated Depreciation	(33,749)	(46,482)	(8,860)	(1,009)	(40,741)	(20,033)	(46,163)	(7,340)	-	(653,448)	(7,190)	(531)	-	(865,546)
Charge for the year	(2,243)	(6,963)	(225)	-	(3,790)	(671)	(4,591)	(60)	-	(79,368)	(2,818)	(195)	-	(100,924)
At 31 December 2020	(35,992)	(53,445)	(9,085)	(1,009)	(44,531)	(20,704)	(50,754)	(7,400)	-	(732,816)	(10,008)	(726)	-	(966,470)
Net Book Value	188,209	40,368	13,414	-	31,753	3,934	14,002	-	27,928	64,699	3,992	244	17,258	405,802
At 31 December 2020	188,209	40,368	13,414	-	31,753	3,934	14,002	-	27,928	64,699	3,992	244	17,258	405,802

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

3. Property, Plant and Equipment (Cont'd)

Tangible Assets	Property	Office Furniture / fittings	Improvements to Property	New Street Signs	Urban Improvements	Office Equipment	Computer Equipment	Gym Equipment	Trees	Construction	Motor Vehicle	Plant and Machinery	Asset Under Construction	Total
Cost	€	€	€	€	€	€	€	€	€	€	€	€	€	€
At 1 January 2019	224,201	56,358	14,990	1,009	121,765	21,759	48,239	7,400	27,928	994,771	14,000	725	28,517	1,561,662
Additions	-	35,090	2,613	-	37,250	660	2,980	-	-	37,376	-	245	3,096	119,310
Reclassifications from ANYC	-	-	4,896	-	-	-	-	-	-	915	-	-	(5,811)	-
ANYC reclassified to expenses	-	-	-	-	-	-	-	-	-	-	-	-	(1,512)	(1,512)
At 31 December 2019	224,201	91,448	22,499	1,009	159,015	22,419	51,219	7,400	27,928	1,033,062	14,000	970	24,290	1,679,460
Grants and other reimbursements	-	-	-	-	(83,197)	(1,273)	-	-	-	(235,547)	-	-	-	(320,017)
At 01 January 2019	-	-	-	-	(83,197)	(1,273)	-	-	-	(235,547)	-	-	-	(320,017)
At 31 December 2019	-	-	-	-	(83,197)	(1,273)	-	-	-	(235,547)	-	-	-	(320,017)
Accumulated Depreciation	(31,506)	(40,412)	(8,660)	(1,009)	(38,189)	(19,780)	(44,514)	(6,614)	-	(574,798)	(4,372)	(336)	-	(770,190)
Charge for the year	(2,243)	(6,070)	(200)	-	(2,552)	(253)	(1,649)	(726)	-	(78,650)	(2,818)	(195)	-	(95,356)
At 31 December 2019	(33,749)	(46,482)	(8,860)	(1,009)	(40,741)	(20,033)	(46,163)	(7,340)	-	(653,448)	(7,190)	(531)	-	(865,546)
Net Book Value	190,452	44,966	13,639	-	35,077	1,113	5,056	60	27,928	144,067	6,810	439	24,290	493,897
At 31 December 2019	190,452	44,966	13,639	-	35,077	1,113	5,056	60	27,928	144,067	6,810	439	24,290	493,897

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

4. Trade and Other Receivables

	2020	2019
	€	€
Trade Receivables	168,713	8,085
Provision for bad debts	(5,686)	(5,686)
Other receivables	5,262	2,779
Accrued income	<u>57,727</u>	<u>200,013</u>
Financial assets	226,016	205,191
Prepayments	<u>21,203</u>	<u>11,255</u>
	<u><u>247,219</u></u>	<u><u>216,446</u></u>

Trade receivables

Within the credit period	5,768	2,048
Exceeded credit period but not yet impaired	<u>157,259</u>	<u>351</u>
	<u><u>163,027</u></u>	<u><u>2,399</u></u>

The carrying value of short-term receivables is considered a reasonable approximation of fair value.

In determining the recoverability of receivables, the council considers any change in the credit quality of each receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the debtor base being unrelated.

The Council felt the need to make a provision for doubtful debts on an amount receivable from one of its customers. This customer seems to be undergoing financial difficulty so the whole debt is being considered as doubtful. LES receivables are stated net of provision for doubtful debts of €307,907.

5. Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the Statement of cash flows comprise the following amounts in the Local Council's Statement of Financial Position:

	2020	2019
	€	€
Bank Balances:		
Ordinary funds	126,541	78,556
Cash in hand	<u>62</u>	<u>124</u>
Cash at bank and in hand	<u><u>126,603</u></u>	<u><u>78,680</u></u>

6. Long Term Borrowings

	2020	2019
	€	€
Bank loans	<u>-</u>	<u>-</u>

The Local Council had obtained facilities, specifically for the purchase of property used to house the administrative offices of the Council. Loan I (€) and Loan II (€) bearing interest at 4.65% per annum. The remaining current liability portion of both these loans were paid off during the year ended 31 December 2020 bringing the balance to zero (refer to Note: 8).

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

6. Long Term Borrowings (Cont'd)

The facility was secured by:

- (a) First General Hypothec over the Council's assets
- (b) First Special Hypothec and Special Privilege over the property purchased.

7. Deferred Income

	2020	2019
	€	€
Analysis		
Balance brought forward	148,554	121,815
Received in Current Year	61,770	26,738
	<u>210,324</u>	<u>148,553</u>

8. Trade and Other Payables

	2020	2019
	€	€
Financial Liabilities		
Trade Payables	48,210	44,781
Accruals and Other Creditors	16,923	76,217
FSS and NI Due	9,486	3,439
Payable to LESA and Land Authority	41,496	-
Loan - Current Portion	-	7,812
	<u>116,115</u>	<u>132,249</u>

Gzira Local Council

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

9. Funds received from Central Government

	2020	2019
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	660,358	583,414
Other Supplementary Government Income	-	6,447
Other Government Income	<u>107,287</u>	<u>125,956</u>
	<u>767,645</u>	<u>715,817</u>

10. Income raised under Local Council Bye-Laws

	2020	2019
	€	€
Income from Bye-Laws	<u>74,790</u>	<u>72,795</u>

11. Income raised under the Law Enforcement System

	2020	2019
	€	€
Pre-regional Committees	686	-
Regional Committees - Administrative Fees	<u>3,666</u>	<u>6,055</u>
	<u>4,352</u>	<u>6,055</u>

12. General Income

	2020	2019
	€	€
Other Income	<u>362</u>	<u>-</u>

13. Personal Emoluments

	2020	2019
	€	€
Personal emoluments include, inter alia:		
Mayor's Allowance	15,309	13,764
Councillor's Allowances	22,600	15,016
Executive Secretary salary and allowance	10,682	28,300
Employees' Salary and Allowances	62,512	63,129
Social Security Contributions	<u>12,662</u>	<u>7,444</u>
	<u>123,765</u>	<u>127,653</u>

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

14. Operations and Maintenance

Operations and maintenance include, inter alia:

	2020	2019
	€	€
Repairs and Upkeep:		
Road and Street Pavements (patching works)	3,657	5,213
Street Signs	2,898	9,126
Road Markings	2,765	3,860
Other repairs and upkeep expenses	54,473	74,312
	<u>63,793</u>	<u>92,511</u>
Contractual Services:		
Refuse Collection (including bins on wheels)	221,168	213,054
Bulky Refuse Collection (including open skips)	23,347	20,204
Road and Street Cleaning (mechanical and manual)	72,892	65,336
Tipping fees	55,810	54,462
Cleaning and Maintenance of Public Conveniences	492	85
Cleaning and Maintenance of Parks and Gardens	26,571	26,571
Cleaning - Council Premises	14,043	4,556
Street Lighting	6,483	7,564
Other Contractual Services	15,879	16,721
	<u>436,685</u>	<u>408,553</u>
Total Operations and Maintenance Expenses	<u>500,478</u>	<u>501,064</u>

15. Administration and other expenditure

	2020	2019
	€	€
Utilities	11,265	12,874
Materials & Supplies	7,788	14,506
Rent	12,807	12,197
Office Services	13,477	20,602
Information services (including library)	11,969	13,235
Professional Services	60,672	21,173
Insurance	6,042	6,171
Community and Hospitality	50,197	69,497
Penalties	-	53
Increase in provision for bad debts	-	(758)
Depreciation	100,924	95,356
Transport Expense	1,330	3,667
LES expenses	54	-
Participation fees	151	2,460
Bank Charges	1,012	-
	<u>277,688</u>	<u>271,033</u>

16. Investment income

	2020	2019
	€	€
Bank Interest Receivable	<u>3</u>	<u>22</u>

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

17. Finance Costs

	2020	2019
	€	€
Bank interest	257	609
Bank charges	-	546
	<u>257</u>	<u>1,155</u>

18. Capital Commitments

Below are the projects that the Council has committed to but not yet contracted:-

Refurbishment of Public Convenience: The budget of this project is EUR 8,336 and this will be financed through the LESA funds.

Ibins Smart Solution for Waste Management: This project will cost approximately EUR 233,750. The Council has applied for the funding and if the funding is approved then it will be funded 85% by DLG and 15% by Green Pak.

Street CCTV System: This project involves installing street cameras in 5 locations. This project is currently at its initial stages once approved it will be funded 80% through a new launch of LESA funds and 20% from the Gzira Local Council Budget.

Pilot Project – Housing Estate Green Walls: The Gzira Local Council has been at the forefront in promoting Nature Based solutions to improve the wellbeing of its residents. This pilot project includes the installation of green walls at the housing estate, purchase of 3D printers and training of staff. DLG has launched a 2nd Call for the Small Grand Scheme in Urban Areas. The Small Grand Scheme allows from a minimum of EUR 25,000 to a maximum of EUR 100,000 funding. The funding will cover 85% of the total project, for which the Council will have to fund the remaining amount. The cost of this project is yet to be ascertained.

19. Financial Instruments and Related Parties Disclosures

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

Name of entity	Nature of relationship:
Department of Local Councils	Significant control
Regional Committees	No control
Malta Environment and Planning Authority	No control
Assocjazzjoni Kunsilli Lokali	No control
ARMS Limited	No control
Office of The Attorney General	No control
Police Department	No control
Courts of Justice	No control
Department of Information	No control
Information And Data Protection Commissioner	No control
Malta Library & Information Association	No control
Ministry For Resources and Rural Affairs	No control
Malta Information Technology Agency	No control
Public Broadcasting Services Ltd	No control
WasteServ Malta Ltd	No control

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

19. Financial Instruments and Related Parties Disclosures (Cont'd)

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

	2020	2019
Significant control:	€	€
Financial allocation for the year	<u>660,358</u>	<u>583,414</u>

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

20. Risk management objectives and policies

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

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

a. Credit risk

The council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting year, as summarised below:

	2020	2019
Class of financial assets – carrying amounts	€	€
Trade and other receivables	247,219	205,191
Cash and Cash Equivalents	<u>126,603</u>	<u>78,680</u>
	<u>373,822</u>	<u>283,871</u>

The council continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The council's policy is to deal with only creditworthy counterparties.

The council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See note 4 for further information on impairment or financial assets that are past due.

None of the council's financial assets is secured by collateral or other credit enhancements

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

b. Liquidity risk

The council's exposure to liquidity risk arises from its obligations to meet its financial liabilities which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funds to meet the council's obligations when they become due.

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

20. Risk management objectives and policies (Cont'd)

The council manage its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. The council's liquidity is deemed to be sufficient in view of an excess of financial assets.

	2020	2019
	€	€
Payables	48,210	44,781
Accruals and other creditors	67,905	79,656
	<u>116,115</u>	<u>124,437</u>

	2020	2019
	€	€
Long term and short-term borrowings		
Current within 1 year	-	7,812
Due in 1 to 5 years	-	-
	<u>-</u>	<u>7,812</u>

c. Summary of the financial assets and liabilities by category

The council manages its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a regular basis.

Current Assets	2020	2019
	€	€
Trade and Other Receivables	247,219	205,191
Cash and Cash Equivalents	126,603	78,680
	<u>373,822</u>	<u>283,871</u>

Non-current Liabilities

Financial liabilities measured at amortised costs:

Borrowings	-	-
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Financial liabilities measured at historic costs:

Current Liabilities

Trade Payables	48,210	44,781
Accruals and Other Creditors	67,905	79,656
Borrowings due within 1 year	-	7,812
	<u>116,115</u>	<u>132,249</u>
	<u>116,115</u>	<u>132,249</u>

d. Interest rate risk

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 5), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on surplus or deficit of a defined interest rate shift that is reasonably possible at the end of the reporting year to be immaterial.

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

20. Risk management objectives and policies (Cont'd)

e. Capital risk management

The Council's objectives when managing capital are to safeguard the Council's ability to continue as a going concern so that it can continue to provide a service to the residents of the Local Council by maintaining an optimal capital structure to reduce cost of capital.

The Council's equity, as disclosed in the statement of financial position, constitutes its capital. The Council's capital structure is monitored by the Executive Secretary and the Council with appropriate reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Council's activities and the extent of borrowings, the capital level as at the end of the reporting year is deemed adequate by the Council.

21. Fair value estimation

At 31 December 2020 and 2019 the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short year of time between the origination of the instruments and their expected realisation.

22. Contingent Liability

The Council has the three below pending court cases in which the Council is implicated:

Gasamamo Insurance Limited vs Kunsill Locali Gzira: This case is currently being heard before the Small Claims Tribunal. The amount being claimed by the plaintiff is EUR 950 exclusive of interest and judicial costs.

Mifsud Romina vs Awtorita ghat-Transport f' Malta et. This case is currently being heard before the Small Claims Tribunal. The amount being claimed by the plaintiff is EUR 2,708 exclusive of interest and judicial costs.

Dr Andre Borg vs Kunsil Locali Gzira: This case was decided at the first instance on 12th June 2020 wherein the Gzira Local Council was ordered to pay EUR 26,547. This case is now with the Court of Appeal. Compensation of actual damages and loss of future earnings is being claimed. The amount that might have to be paid after the judgement is not capped and is exclusive of interest and judicial costs.

23. Post Balance Sheet Events

There were no particular important events affecting the operations of the Council since the end of the accounting year.

24. Lease

The Gzira Local Council has taken a community centre hall at St. Albert Street in Gzira on lease and this in turn is leased out to the Primary Health Care as a place to treat their patients. The Council needs to adopt IFRS 16 with effect from 1st January 2019 as a lessee and needs to continue to apply IAS 17 as a lessor.

The rental fees for the period 1st November 2019 till 31st October 2020 is EUR 12,700. The Council has applied for an extension of the Community Centre Lease till 31st October 2021 that is until the refurbishment works of the Gzira Health Centre is completed. An extension would mean a 5% increase over the rental fees that is EUR 13,336.

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 Gzira Local Council set out on pages 4 to 23 which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in paragraphs 1 to 4 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 the 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. The Joint Committee ceased operations on that date. We were provided with the audited financial statements for the year ended 31 December 2011. The reserves of the Committee at that date amount to €3.01 million. We were unable to determine whether the council is entitled to receive any further income from the Joint Committee.
2. The council is recording in its books of account the amount of €33,815.25 representing accrued income brought forward from prior years. This amount has been accrued for since 2017 and relates to funds which are due to be received in relation to UIF funds for Gnien Ewropa. The council failed to provide us with supporting documentation to support this amount and consequently we were unable to satisfy ourselves as to whether or not this amount is materially misstated.
3. Procedures on trade payables revealed that amounts shown as due to a third parties are overstated by €16,474.40. We were not provided with satisfactory explanations and documentation about these differences.
4. We were not provided with satisfactory workings and supporting documentation in relation to deferred income of €148,552 included in the statement of financial position.

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 3 the Acting Executive Secretary and the members of the 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 Acting Executive Secretary and the members of the 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 Acting Executive Secretary and the members of the 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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Triq L-Intornjatur, Zone 1
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Malta

7 September 2021