Local Council Ta' Sannat

Annual Report and Financial Statements

For the year ended 31 December 2020



Prepared by: Pauliana Said

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

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

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

This statement was approved by the Council on 13 Sept. 2021 and signed on its behalf by:

Philip Vella

Mayor

Jason Curmi

Executive Secretary

Statement of Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 €	2019 €
Revenue			
Funds Received from Central Government Income raised under the Local Enforcement System General Income	3 4 5	271,918 1,099 41,429	273,279 844 25,700
		314,446	299,823
Evmanditura			
Expenditure			
Personal Emoluments Operations and Maintenance Administration and Other Expenditure	6 7 8	(114,993)	(73,721) (85,210) (149,829)
		(295,050)	(308,760)
Operating profit/(loss) for the year		19,396	(8,937)
Finance Charges			
Finance Income Finance costs	9 10	6 (3,594)	(4,031)
Total Comprehensive profit/(loss) for the year	6	15,808	(12,924)

Statement of Financial Position

For the year ended 31 December 2020

	Neter	2020	2019
ASSETS	Notes	€	€
Intangible Assets Property, plant and equipment	11 12	623 297,711	390 331,860
Total non-current assets		298,334	
Current Assets Receivables Cash and cash equivalents	13 14	30,015 253,965	
Total current assets		283,980	518,250
TOTAL ASSETS		582,314	850,500
RESERVES AND LIABILITES			
Retained earnings		181,640	165,832
Total reserves		181,640	165,832
LIABILITIES Non Current liabilities Bank Borrowings	16		61,197
Total non-current liabilties		52,694	
Current liabilities Payables	15		623,471
Total current liabilities		347,980	623,471
TOTAL RESERVES AND LIABILITIES		582,314 =======	

These financial statements were approved by the Local Council on 13 on its behalf by:

2021 and signed

Philip Vella

Mayor

Jason Curmi Executive Secretary

Statement of Changes in Reserves

For the year end	led 31 Dece	mber 2020
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	Retained Funds €
At 1 January 2019	178,756
Loss for the year	(12,924)
At 31 December 2019	165,832
At 1 January 2020	165,832
Profit for the year	15,808
At 31 December 2020	181,640 —————

Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 €	2019 €
Cash flow from operating activities			
Net profit/(loss) for the year Reconciliation to cash generated from operations:		15,808	(12,924)
Depreciation Amortisation Capitalised assets written off Decrease in provision for bad debts Interest Receivable Interest Payable		43,506 208 - (2,685) (6) 3,594	43,103 120 14,139 - (44) 4,031
Operating profit before working capital changes		60,425	48,425
Decrease / (Increase) in receivables (Decrease) / Increase in payables		22,803 (50,003)	(23,473) 51,652
Cash generated from operating activities		33,225	76,604
Cash flows from investing activities Interest received Purchase of property, plant and equipment Purchase of intangible asset Receipt of Grant		6 (256,843) (441) 21,998	44 (177,803) - 123,340
Cash used in investing activities		(235,280)	(54,419)
Cash flows from financing activities Repayment of borrowings Interest payable		(8,503) (3,594)	(8,146) (4,031)
Cash used in financing activities		(12,097)	(12,177)
Net (decrease) / increase in cash in the year Cash and cash equivalents at beginning of year		(214,152) 468,117 ======	10,008 458,109 ======
Cash and cash equivalents at end of year	14	253,965 ======	468,117 =====

Notes to the Financial Statemens

For the year ended 31 December 2020

1 General Information

The Local Council Ta Sannat is the local authority of Sannat set up in accordance with the Local Councils Act (1993). The office of the Local Council is situated at Sannat Road, Sannat, Gozo. These financial statements were approved for issue by the Council Members on 135000. The Local Council's presentation as well as functional currency are denominated in €.

2 Accounting Policies and Reporting procedures

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Accounting convention

These financial statements are prepared under the historical cost convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards as adopted by the EU.

These financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjuction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap 363).

New and amended standards adopted by the Local Council

During the period under review, the Council has applied the following International Financial Reporting Standards as adopted by the EU:

IAS1 and IAS8 'definition of material' has been amended to clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards. Effective for annual reporting periods beginning on or after 1 January 2020.

Amendment to IFRS 16 Covid-19 related rent concessions provides lessees with an exemption from assessing whether a Covid-19 related rent concession is a lease modification.

Standards, amendments and interpretations to existing standards that are not yet effective

A number of new International Financial Reporting Standards and amendments and revisions thereto were in issue but not yet adopted by the EU during the financial year under review. These include the following:

IAS1 has been amended with the aim to promote consistency in applying the requirements by helping entities determine whether, in the statement of financial position, debt and other liabilities with an uncertain

settlement date should be classified as current or non current. Effective for annual reporting periods beginning on or after 1 January 2023.

Amendments to IAS 16 Property, plant and equipment prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit and loss. Effective for annual reporting periods beginning on or after 1 January 2022 and not yet endorsed for use in the EU.

The amendments to IAS 37 Onerous Contracts specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). Effective for annual reporting periods beginning on or after 1 January 2022 and not yet endorsed for use in the EU.

Annual Improvements to IFRS standards 2018 -2020 makes amendments to; IFRS1 – the amendment permits a subsidiary that applies paragraph D16(a) of IFRS1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs; IFRS9 – the amendment clarifies which fees an entity includes when it applies the 10% test in paragraph B3.3.6 of IFRS9 in assessing whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf; IFRS16 – the amendment to illustrative example 13 accompanying IFRS16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example; IAS41 – the amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. Effective for annual reporting periods beginning on or after 1 January 2022 and not yet endorsed for use in the EU.

Amendments to classification of liabilities as current or non current IAS1 defers the effective date of the January 2020 amendments by one year, so that entities would be required to apply the amendments for annual periods beginning on or after 1 January 2023.

The Council is assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Council anticipates that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

Intangible Asset

Computer software is valued at cost less accumulated depreciation and impairment losses to date. Depreciation to write off the cost is calculated on a yearly basis using the straight line method at 20% per annum.

Property, plant and equipment

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

	%
Land	0%
Trees	0%
Buildings	1%
Office furniture and fittings	8%
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	10%
Litter Bins	Replacement Basis
Playground Furniture	100%
Traffic Signs	Replacement Basis
Road Signs	Replacement Basis
Street Mirrors	Replacement Basis
Street Lights	100%

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

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Comprehensive Income.

Amounts receivable

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

Related Parties

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

Revenue

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

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

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises expenses for the related costs for which the grants are intended to compensate, which in the case of grants related to assets requires deducting it from the carrying amount of the asset, using the capital approach.

Foreign currencies

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

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

Profits and losses

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

Cash and cash equivalents

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

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historic experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Executive Secretary, the accounting estimates and judgements made in the preparation of the financial statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS1 (revised) - 'Presentation of Financial Statement'.

Capital management

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

- that the Council's ability to continue as a going
- that the Council maintains a positive working capital

To achieve the above, the Council carries out a quarterly review of the working capital ratio ('Financial

Situation Indicator'). This ratio was negative at the reporting date and has not changed significantly from the previous year. The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

Financial Instrument

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 all substantial risks and rewards are transferred.

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

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

Financial assets

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

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

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

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

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

Financial Liabilities

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

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

3 Funds received from central government		2020 €	2019 €
In terms of section 55 of the Local Supplementary government income		255,633 16,285	245,786 27,493
		271,918 ========	273,279 =======
4 Income raised under Local Enforcement Sy	stem		
		2020 €	2019 €
Administration Income from Contraventions		1,099	844
5 General Income		2020	2019
		€	€
Community Services		31,971	20,723
Cultural Events		2,180	295
Contributions		507	200
Income from Permits		6,697	4,327
General income		74	155
		41,429 =======	25,700 ======
6 Profit / (Loss) for the year			========
6 Profit / (Loss) for the year Profit / (Loss) for the year is stated after charge	ing:		
Profit / (Loss) for the year is stated after charge	ing: Note	2020 €	2019
Profit / (Loss) for the year is stated after charge		2020	2019
Profit / (Loss) for the year is stated after charge Staff Salaries Amortisation of Intangible assets		2020 € 79,476	2019 €
Profit / (Loss) for the year is stated after charge		2020 € 79,476 208	2019 € 73,721 120
Profit / (Loss) for the year is stated after charge Staff Salaries Amortisation of Intangible assets		2020 € 79,476 208 43,506	2019 € 73,721 120 43,102
Profit / (Loss) for the year is stated after charge Staff Salaries Amortisation of Intangible assets Depreciation of property, plant and equipment		2020 € 79,476 208 43,506 ====================================	2019 € 73,721 120 43,102 ======= 2019 €
Profit / (Loss) for the year is stated after charge Staff Salaries Amortisation of Intangible assets Depreciation of property, plant and equipment Staff Salaries		2020 € 79,476 208 43,506 ======= 2020 € 10,404 12,600	2019 € 73,721 120 43,102 ======= 2019 € 9,436 9,700
Profit / (Loss) for the year is stated after charge Staff Salaries Amortisation of Intangible assets Depreciation of property, plant and equipment Staff Salaries Mayor's Remuneration Mayor and Councillors' Allowances Executive Secretary salary and allowances		2020 € 79,476 208 43,506 ======== 2020 € 10,404 12,600 31,833	2019 € 73,721 120 43,102 ======= 2019 € 9,436 9,700 30,966
Profit / (Loss) for the year is stated after charge Staff Salaries Amortisation of Intangible assets Depreciation of property, plant and equipment Staff Salaries Mayor's Remuneration Mayor and Councillors' Allowances Executive Secretary salary and allowances Employees' Salaries		2020 € 79,476 208 43,506 ======= 2020 € 10,404 12,600 31,833 20,272	2019 € 73,721 120 43,102 ====== 2019 € 9,436 9,700 30,966 19,415
Profit / (Loss) for the year is stated after charge Staff Salaries Amortisation of Intangible assets Depreciation of property, plant and equipment Staff Salaries Mayor's Remuneration Mayor and Councillors' Allowances Executive Secretary salary and allowances		2020 € 79,476 208 43,506 ======== 2020 € 10,404 12,600 31,833	2019 € 73,721 120 43,102 ======= 2019 € 9,436 9,700 30,966
Profit / (Loss) for the year is stated after charge Staff Salaries Amortisation of Intangible assets Depreciation of property, plant and equipment Staff Salaries Mayor's Remuneration Mayor and Councillors' Allowances Executive Secretary salary and allowances Employees' Salaries		2020 € 79,476 208 43,506 ======= 2020 € 10,404 12,600 31,833 20,272	2019 € 73,721 120 43,102 ======= 2019 € 9,436 9,700 30,966 19,415
Profit / (Loss) for the year is stated after charge Staff Salaries Amortisation of Intangible assets Depreciation of property, plant and equipment Staff Salaries Mayor's Remuneration Mayor and Councillors' Allowances Executive Secretary salary and allowances Employees' Salaries		2020 € 79,476 208 43,506 ======= 2020 € 10,404 12,600 31,833 20,272 4,367 79,476 ========	2019 € 73,721 120 43,102 ======= 2019 € 9,436 9,700 30,966 19,415 4,204 73,721
Profit / (Loss) for the year is stated after charge Staff Salaries Amortisation of Intangible assets Depreciation of property, plant and equipment Staff Salaries Mayor's Remuneration Mayor and Councillors' Allowances Executive Secretary salary and allowances Employees' Salaries Social security contributions Average number of persons employed Employees		2020 € 79,476 208 43,506 ======= 2020 € 10,404 12,600 31,833 20,272 4,367 79,476 ========	2019 € 73,721 120 43,102 ======= 2019 € 9,436 9,700 30,966 19,415 4,204 73,721 ====================================
Profit / (Loss) for the year is stated after charge Staff Salaries Amortisation of Intangible assets Depreciation of property, plant and equipment Staff Salaries Mayor's Remuneration Mayor and Councillors' Allowances Executive Secretary salary and allowances Employees' Salaries Social security contributions Average number of persons employed		2020 € 79,476 208 43,506 ======= 2020 € 10,404 12,600 31,833 20,272 4,367 79,476 ========	2019 € 73,721 120 43,102 ======= 2019 € 9,436 9,700 30,966 19,415 4,204 73,721 ========

7 Operations and Maintenance	2020	2019
	2020	2019
Repairs and upkeep		
Road and street pavements	-	7,533
Street signs	3,821	1,843
Road Markings	153	-
Plant and equipment repairs	877	686
Other repairs and upkeep	5,284	792
	10,135	10,854
	========	
Contractual services:		
Refuse collection	62,755	32,218
Bring-in sites and open skips	2,314	2,728
Bulky refuse collection	1,546	1,564
Road and street cleaning	18,500	17,707
Cleaning and maintenance of public conveniences	1,430	1,625
Cleaning and maintenance of parks and gardens	9,213	9,632
Cleaning of council premises	2,352	2,155
Street lighting	6,748	6,727
	104,858	74,356
	========	
Total operations and maintenance expenses	114,993 =======	85,210 ======
8 Administration and other expenditure	2020	2019
	€	€
Utilities	4,626	2,272
Materials and supplies	5,425	8,968
Rent	1,103	1,078
National and international memberships	586	1,191
Office services	8,921	10,277
Transport	352	1,435
Travelling expenses	-	622
Information services	1,408	2,573
Other contractual services	1,454	19,538
Professional services	19,399	13,910
Community and hospitality	15,041	42,849
Depreciation	43,506	43,102
Amortisation	208	120
Other minor expenses	1,066	12
Lease of equipment	171	1,882
Decrease in provision for bad debts	(2,685)	-
	100,581	149,829
		========

9 Finance Income	2020 €	2019 €
Bank Interest receivable	6	44
	6	44
10 Finance Costs	2020 €	2019
Interest payable Bank charges	3,322 272	3,678 353
	3,594 =======	4,031
11 Intangible Fixed Assets	Computer Software €	Total €
Cost At 1 January 2020 Additions	986 441	986 441
At 31 December 2020	1,427 =======	1,427 ======
Provision for amortisation At 1 January 2020 Charge for the year At 31 December 2020	596 208 804 ========	596 208 804
Net Book Value At 31 December 2020	623 =======	623 =======
At 31 December 2019	390 ======	390

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	Construction	Trees	Office Furniture & Fittings	New Street Signs	Urban Improvements	Office Plant and Equipment Machinery	Plant and Machinery	Computer Equipment I	Special Programmes	Computer Special Assets under Equipment Programmes Construction	Total
	æ	e	Ψ	Æ	¥	Ψ	Ψ	æ	Ψ	¥	æ
	376,214	22,500	27,194	3,272	79,066	7,846	1,569	6,551	1,203,573	13,004	1,740,789
	•	1	í		ı	845	1,015		171,023	4,920	177,803
		1	1	1	1	1	1		1	(14,139)	(14,139)
	1		1	1	1	1	1		3,785		1
At 31 December 2019	376,214	22,500	27,194	3,272	79,066	8,691	2,584	6,551	1,378,381	1	1,904,453
	199,338		10,926	3,272	36,393	4,866	1,063	5,458	381,181		642,497
Charge for the year	7,720	1	909	T	2,550	774	311	233	30,909	,	43,102
At 31 December 2019	207,058	,	11,532	3,272	38,943	5,640	1,374	5,691	412,090		685,599
Grants At 1 January 2019 Addition	107,100	22,500			19,553	1 1	1.1		658,845	- 1 1	816,764
At 31 December 2019	107,100 22,500	22,500	8,766	# 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	19,553		# 10 mm of the contract of the		729,075	1 11 11 11 11 11 11 11 11 11 11 11 11 1	886,994
Net Book Amount At 31 December 2019	62,056	,			20,570	3,051	1,210	860	237,216		331,860

12 Property, plant and equipment b)

13 Receivables		
	2020 €	2019 €
Accounts receivable	25,860	6,043
Prepayments and accrued income	3,705	43,640
Other receivables	450	450
	30,015 ======	50,133 =======
Accounts receivable		
General receivables are analysed as follows:	2020	2019
	€	€
Within credit period	8,240	3,356
Exceeded credit period but not impaired	17,620	2,687
	25,860	6,043
Note Receivables are net of provision for doubtful debts of Eur 0 (2019 :	Eur 2,685)	
14 Cash and cash equivalents		
Cash and cash equivalents included in the statement of cash flows	comprise the following Sta	atement of
Financial Position amounts:		
	2020	2019
	€	€
Bank Balances	253,859	468,074
Cash in Hand	106	43
	253,965	468,117
	========	=======
15 Payables		
10 Tayabios	2020	2019
	€	€
Amounts payable	90,432	133,237
Accruals	10,606	17,803
Loan payable within one year Deferred income	11,821 235,121	11,821 460,610
Deletted Income		
	347,980	623,471

16 Long Term borrowings	2020	2019
	€	€
Bank loan	52,694	61,197
Loan repayable from 1 to 2 years	11,821	11,821
Loan repayable from 2 to 5 years	35,464	35,464
Loan repayable over 5 years	5,409	13,912
	52,694	61,197
	========	========

The loans taken out by Sannat Local Council, with the approval of the Ministry of Finance carried an interest rate of 4.65% per annum during 2020. The duration of the loans are for a period of 20 years. The bank loans are secured by a 1st General Hypothec over the assets of Sannat Local Council for Loan I and Loan II total of €110,128 and by a letter of undertaking dated 01/02/2008 by the Council that :

- funds received from the government shall be channelled to an account held with the bank;
- to authorise the bank to settle loan instalments, fees and costs which may be due;
- to retain at all times sufficient funds in account.

17 Capital commitments

17 Capital communents	2020 €	2019 €
Total capital commitments	861,309 ======	1,054,960
(i) Contracted but not yet included in the financial statements:	704.040	
Road resurfacing	791,012	
Restoration of Rubble walls	30,033	-
Paving works	40,264	_
	861,309	-
(ii) Approved but not yet contracted for:		
Road resurfacing		1,007,940
Restoration of Rubble walls		47,020

The project relating to the resurfacing of Triq Sannat will be fully financed by the Ministry For Gozo. The project relating to rubble walls under Measure 4.4 is being 80% financed by EU funds and 20% co-financed by the Department for Local Councils.

1,054,960

18 Related Parties

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	
Local Enforcement System Agency	Joint control	
Gozo Regional Committee	Joint control	
Central Regional Committee	No control	
North Regional Committee	No control	
South Eastern Regional Committee	No control	
South Regional Committee	No control	
Police General Head Quarters	No control	
Malta Environment and Planning Authority	No control	
Water Services Corporation	No control	
Enemalta Corporation	No control	
Department of Agriculture	No control	
Director General - Works Division	No control	
Department of Lands	No control	
Department of Inland Revenue	No control	
Airmalta plc	No control	
Bank of Valletta plc	No control	
Wasteserv Malta Limited	No control	
Kunsill Malti ghall-iSports	No control	
Mitts Limited	No control	
Ministry for the Family	No control	
Malta Communications Authority	No control	
Green MT	No control	

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

	2020	2019
	€	€
Annual Financial Allocation	255,633	245,786

Key management compensation

Transactions with key management personnel are disclosed in note 6.

Ultimate controlling party

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

19 Financial Risk Management

The Council's activities expose it to a variety of financial risks such as market risk, credit risk, liquidity risk, and interest rate risk. The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance.

Credit Risk

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and receivables. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to receivables is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

The maximum exposure to credit risk for amounts receivable at the reporting date, net of impairment losses, by type of customer is as follows:

Receivables from related parties

€ 25,860 ======

Liquidity risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the council's present commitments arising due to shortage of funds, The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact, at year end, the Council has as cash and cash equivalents the amount of €253,965. This should ensure an ongoing working capital of the Council for the next 12 months. However, the Council has a net liabilities position of €64,000 indicating that adequate headroom might not be available to cover present liabilities as well as short term obligations and commitments arising.

Foreign currency risk

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

Interest rate risk

Interest rate risk mainly arises through interest bearing liabilities and assets. The objective of interest rate risk management is to optimise the balance between minimizing uncertainty caused by fluctuations in interest rates and maximising the net interest income and expense.

20 Summary of the financial assets and liabilities by category

The carrying amounts of the council's financial assets and liabilities as recognised at the reporting dates

	2020	2019
	€	€
Current Assets Trade and other receivables Cash and cash equivalents	30,015 253,965	50,133 468,117
	283,980 ======	518,250
Current Liabilities Financial liabilities measured at amortised costs: Payables	347,980	623,471
	347,980 ======	623,471 ======

21 Fair values estimation

The nominal values less estimated credit adjustments of receivables and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair values.



RSM Malta

Mdina Road, Zebbug ZBG 9015, Malta: T+356 2278 7000 F+356 2149 3318

TA' SANNAT LOCAL COUNCIL

REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL

Report on the audit of the financial statements

Qualified Opinion

We have audited the accompanying financial statements of Ta' Sannat Local Council, which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 4 – 22.

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

Basis for Qualified Opinion

Following Directive 01/2017 issued by the Department for Local Government, the Local Council changed its accounting policies on depreciation, whereby the straight line method is to be applied instead of the reducing balance method and the accounting policy on government grants, whereby the capital approach is to be applied instead of the income approach. These changes became effective as from 1 January 2018. We were provided with limited information to ensure that the changes in the accounting policies were properly applied. From the tests that we could carry out, it however transpired that items of property, plant and equipment whose useful life expired, were not written off and these were estimated to have had a carrying value as of the date of the application of the new accounting policy of approximately Euro 22,000. Depreciation seems to have been applied on the carrying values as at 1 January 2018 at the applicable depreciation rates as if the assets' useful life started in 2018. Furthermore, we noticed that grants received for specific projects, were allocated to several items of property, plant and equipment rather than those specific projects, clearly indicating that the allocation of grants to the respective assets was not properly carried out. Based on the limited tests that we could carry out, we could conclude that the application of the changes in the accounting policies was not properly carried out and no remedial action was taken during the current year. This would impact the carrying amounts of property, plant and equipment as well as the depreciation charge for the year.



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

Basis for Qualified Opinion - continued

With respect to the disclosures in the financial statements, in the financial statements the year ended 31 December 2018, we have noticed that Note 12 was not properly prepared following the changes in the accounting policy relating to government grants. The amounts added to the grants, did not represent the gross amounts of grants received but the gross amounts of grants received less the amortization up till 31 December 2016. The amortization up till 31 December 2016 should have been netted off against the accumulated depreciation as of that date. This matter has never been adjusted in the financial statements and has been carried forward from one year to the next.

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

Material Uncertainty Related to Going Concern

We draw attention to the Local Council's Statement of Financial Position on page 5 which shows that as at 31st December 2020, the current liabilities of the Local Council exceeded its current assets by €64,000. This condition indicates that a material uncertainty exists that may cast significant doubt as to whether the Local Council will be able to meet its liabilities as and when they fall due. Our opinion is not modified in respect of this matter.

Other Information

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

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



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

Council Responsibilities for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



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

Auditor's Responsibilities for the Audit of the Financial Statements - continued

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

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

Report on Other Legal and Regulatory Requirements

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

This copy of the audit report has been signed by

Conrad Borg (Principal) for and on behalf of

RSM Malta Certified Public Accountants

Date: 13th September 2021