

Hal Lija Local Council

**Annual Audit Report
31st December 2010**

Hal Lija Local Council

Financial Statements for the year ended 31st December 2010

Contents:

Page 1	Statement of Local Council Members' and Executive Secretary's Responsibilities
Page 2	Auditors' report
Page 4	Statement of comprehensive income
Page 5	Statement of financial position
Page 6	Statement of changes in equity
Page 7	Statement of cash flows
Page 8 to 18	Notes to the financial statements

Hal Lija Local Council

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

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

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

Financial Statements for the year ended 31 December 2010**Report of the Local Government auditor to the Auditor General**

We have audited the accompanying financial statements of Lija Local Council which comprise the statement of financial position as at 31 December 2010, 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 notes.

Respective responsibilities of the Local Council and Local Government auditors

As described in page 1, these financial statements are the responsibility of the Executive Secretary and the Local Council members. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of opinion

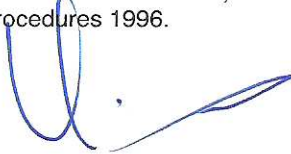
We conducted our audit in accordance with International Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by the Local Council's Members and the Executive Secretary, as well as evaluating the overall financial statements' presentation. We believe that our audit provides a reasonable basis for our opinion.

- 1 Grants received are not presented in the statement of financial position as deferred income and recognised as income on a systematic and rational basis over the useful life of the asset, as required by the directives given in memo 150/2010 and as stated in the accounting policy on page 9.
- 2 Excluded from these financial statements are the budgeted figures for the year. This is not in accordance with the Local Councils (Financial) Procedures, 1996.

Opinion

Except for the effects of the matter described in paragraph 1 above, the financial statements give a true and fair view of the financial position of Lija Local Council as of 31 December 2010, and of the results of its operations, changes in equity and its cash flows for the period then ended in accordance with the accounting policies set out on pages 8 to 10.

Because of the matter set out in paragraph 2 above, these financial statements do not comply fully with the Local Councils Act CAP 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.



Mark Bugeja
f/Grant Thornton
Certified Public Accountants

Grant Thornton
Tower Business Centre, Suite 3
Tower Street
Swatar BKR 4013

27 April 2011

Hal Lija Local Council

Statement of comprehensive income for the year ended 31st December 2010

	<i>Note</i>	Year ended 31 December 2010 Eur	Period from 1 April to 31 December 2009 Eur
		<u> </u>	<u> </u>
Funds received from Central Government	3	232,278	161,832
Revenue	3	<u>7,975</u>	<u>7,454</u>
		240,253	169,286
Expenditure			
Personal emoluments	4	(90,137)	(55,295)
Operations and maintenance	5	(84,685)	(58,880)
Administration and other expenditure	6	(86,211)	(63,406)
Investment income	7	<u>472</u>	<u>412</u>
Deficit for the year/period		<u><u>(20,308)</u></u>	<u><u>(7,883)</u></u>

Hal Lija Local Council

Statement of financial position at 31st December 2010

	Note	2010 Eur	2009 Eur
Assets			
Non-current Assets			
Property, plant and equipment	8a-b	394,959	285,896
		<u>394,959</u>	<u>285,896</u>
Current Assets			
Trade and other receivables	9	34,122	1,829
Cash and bank balances	10	85,843	95,965
		<u>119,965</u>	<u>97,794</u>
Total Assets		<u><u>514,924</u></u>	<u><u>383,690</u></u>
Reserves and Liabilities			
Reserves			
Retained Fund		<u>305,662</u>	<u>325,970</u>
Non-Current Liabilities			
Trade and other payables	11	<u>80,788</u>	<u>0</u>
		<u>80,788</u>	<u>0</u>
Current Liabilities			
Trade and other payables	11	<u>128,474</u>	<u>57,720</u>
		<u>128,474</u>	<u>57,720</u>
Total Reserves and Liabilities		<u><u>514,924</u></u>	<u><u>383,690</u></u>

These Financial Statements were approved by the Local Council on the 27th April 2011 and are signed on its behalf by :



Mayor

Nutar Ian Castaldi Paris
Sindku
KUNSIL LOKALI - LIJA



Executive Secretary

Alfred Buhagiar
Segretarju Ezekutiv
KUNSIL LOKALI - LIJA

Hal Lija Local Council**Statement of changes in equity
for the year ended 31st December 2010**

	Retained fund
	<u>Eur</u>
At 31st March 2009	333,853
Deficit for the period	<u>(7,883)</u>
At 31st December 2009	325,970
Deficit for the year	<u>(20,308)</u>
At 31st December 2010	<u>305,662</u>

Hal Lija Local Council

**Statement of cash flows
for the year ended 31st December 2010**

	<i>Note</i>	Year ended 31 December 2010 Eur	Period from 1 April to 31 December 2009 Eur
Cash flows from operating activities			
Deficit for the year/period		(20,308)	(7,883)
<i>Adjustments for:</i>			
Depreciation		39,895	27,638
Interest receivable		(472)	(411)
Surplus for the year/period before working capital movements		19,115	19,344
Movement in receivables		(2,014)	(508)
Movement in payables		10,094	11,962
Net cash generated from operating activities		27,195	30,798
Cash flows from investing activities			
Payment to acquire property, plant and equipment		(82,883)	(38,654)
Receipts from Government to acquire fixed assets		30,366	0
Interest received		578	974
Net cash used in investing activities		(51,939)	(37,680)
Movement in cash and cash equivalents		(24,744)	(6,882)
Cash and cash equivalents at the beginning of the year/period		70,650	77,532
Cash and cash equivalents at the end of the year/period	12	<u>45,906</u>	<u>70,650</u>

The notes on pages 6 to 16 form an integral part of these financial statements

Hal Lija Local Council

Notes to the financial statements for the year ended 31st December 2010

Note

1 General information

Lija Local Council is the local authority of Lija set up in accordance with the Local Councils Act. The office of the Local Council is situated at Triq Robert Mifsud Bonnici, Lija.

2 Accounting policies and reporting procedures

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 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.

The principal accounting policies and reporting procedures used by Local Councils are as follows :

a) 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.

b) Local Enforcement System

Lija Local Council forms part of Birkirkara Joint Committee - Group C. The amount disclosed in the financial statements under Local Enforcement System Income represents the share of profit derived from the Joint Committee after deducting the related expenses.

c) Property, plant and equipment

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

	%
Trees	0
Land	0
Buildings	1
Office furniture and fittings	7.5
Construction works	10
Special programmes	10
Urban improvements (Street Furniture)	10
Office equipment	20
Plant & Machinery	20
Motor Vehicles	20
Computer equipment	25
Plants	100
New street signs	100
Litter Bins	100
Playground Furniture	100
Street Lights	100
Street Mirrors	100

Hal Lija Local Council

Notes to the financial statements for the year ended 31st December 2010

Note

d) Government Grants

Government grants are accounted for on a systematic basis in the Income and Expenditure Account over the periods necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related costs, then the grant is accounted for when it becomes receivable.

e) 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 cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Income and Expenditure.

f) 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 Local 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.

g) 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 Local Council's functional and present currency.

Transactions denominated in foreign currencies are translated into Euro at 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

h) Profits and Losses

Only profits that were realised at the date of the Statement of Financial Positions 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.

i) 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.

Hal Lija Local Council

Notes to the financial statements for the year ended 31st December 2010

Note

j) Financial instruments

All financial assets are measured at cost and accounted for using settlement accounting.

A credit risk provision for financial asset impairment is established if there is objective evidence that the Council will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of the expected cash flows, including amounts receivable from collateral, discounted based on the interest rate at inception.

The Council's financial liabilities, other than those referred to in the accounting policies above, are classified as liabilities which are not held for trading ("other liabilities") under IAS 39, and are measured at cost, that is, the face value of such liabilities.

Hal Lija Local Council

Notes to the financial statements for the year ended 31st December 2010

Note

3 Revenue	Year ended 31 December 2010 Eur	Period from 1 April to 31 December 2009 Eur
Government income		
In terms of section 55 of the Local Councils Act (Cap 363)	227,312	157,186
Other Government Income	4,966	4,646
	<u>232,278</u>	<u>161,832</u>
General income		
Income from tender documents	1,250	0
Income from permits	4,868	1,920
Income on dissolution of Joint Committee		5,127
Sundry contributions & donations	1,857	407
	<u>7,975</u>	<u>7,454</u>
Total revenue	<u><u>240,253</u></u>	<u><u>169,286</u></u>
4 Personal emoluments	Year ended 31 December 2010 Eur	Period from 1 April to 31 December 2009 Eur
Personal emoluments include, inter alia :		
Mayor's allowance	7,964	4,500
Executive Secretary's salary and allowances	26,947	18,690
Employees' salaries	44,753	28,364
Social security contributions	5,673	3,741
Councillors' Allowance	4,800	0
	<u>90,137</u>	<u>55,295</u>

Hal Lija Local Council

Notes to the financial statements for the year ended 31st December 2010

Note

5 <u>Operations and maintenance</u>	Year ended 31 December 2010 Eur	Period from 1 April to 31 December 2009 Eur
Repairs and upkeep:		
Road and street pavements	7,874	8,266
Public property	1,456	1,085
Signs	881	1,686
Road markings	232	1,432
Other repairs and upkeep	831	602
	<u>11,274</u>	<u>13,071</u>
 Contractual services:		
Refuse collection	41,686	23,116
Bulky refuse collection	4,550	2,973
Road and street cleaning	7,139	5,079
Cleaning and maintenance - public conveniences	3,905	2,650
Cleaning and maintenance - parks and gardens	9,507	8,239
Street lighting	4,288	2,289
Other	2,336	1,463
	<u>73,411</u>	<u>45,809</u>
	<u><u>84,685</u></u>	<u><u>58,880</u></u>

Hal Lija Local Council

Notes to the financial statements for the year ended 31st December 2010

Note

8a Property, Plant and Equipment	Office furniture & fittings	Plant and Machinery	Office equipment	Urban improvements	New street signs	Construction works	Total
	Eur	Eur	Eur	Eur	Eur	Eur	Eur
Cost - as at 1st January 2010	16,749	3,986	31,127	108,194	29,804	508,878	698,738
Additions new this year	0	0	661	0	6,791	202,151	209,603
Adjustments	0	0	0	1,478	0	(1,478)	0
Cost - as at 31st December 2010	16,749	3,986	31,788	109,672	36,595	709,551	908,341
Grants - as at 1st January 2010	0	0	2,644	0	7,687	86,935	97,266
Transferred during this year	0	0	0	0	0	60,645	60,645
Grants - as at 31st December 2010	0	0	2,644	0	7,687	147,580	157,911
Acc.depreciation - as at 1st January 2010	9,108	3,684	19,547	54,333	22,117	206,787	315,576
Charge for the year	293	123	2,814	(4,475)	6,791	34,349	39,895
Acc.depreciation - as at 31st December 2010	9,401	3,807	22,361	49,858	28,908	241,136	355,471
Net book value - as at 31st December 2010	7,348	179	6,783	59,814	0	320,835	394,959

Hal Lija Local Council

Notes to the financial statements for the year ended 31st December 2010

Note

8b <u>Property, Plant and Equipment</u>	Office furniture & fittings	Plant and Machinery	Office equipment	Urban improvements	New street signs	Construction works	Total
	Eur	Eur	Eur	Eur	Eur	Eur	Eur
Cost - as at 1st April 2009	15,318	3,986	29,252	84,153	19,418	507,957	660,084
Additions new this period	1,431	0	1,875	24,041	10,386	921	38,654
Cost - as at 31st December 2009	16,749	3,986	31,127	108,194	29,804	508,878	698,738
Grants - as at 1st April 2009	0	0	2,644	0	7,687	86,935	97,266
Transferred during the year	0	0	0	0	0	0	0
Grants - as at 31st December 2009	0	0	2,644	0	7,687	86,935	97,266
Acc.depreciation - as at 1st April 2009	8,200	3,645	18,444	49,226	11,731	196,692	287,938
Charge for the period	908	39	1,103	5,107	10,386	10,095	27,638
Acc.depreciation - as at 31st December 2009	9,108	3,684	19,547	54,333	22,117	206,787	315,576
Net book value - as at 31st December 2009	7,641	302	8,936	53,861	0	215,156	285,896

Hal Lija Local Council

Notes to the financial statements for the year ended 31st December 2010

Note

9 <u>Amounts receivable</u>	2010	2009
	Eur	Eur
Current		
Amounts owed by Central Government (Note 13)	30,279	0
Debtors	0	412
Amounts owed by Councilors	2,560	0
Prepayments and accrued income	1,283	1,417
	<u>34,122</u>	<u>1,829</u>

10 <u>Cash and bank balances</u>	2010	2009
	Eur	Eur

For the purposes of the statement of cash flows, the year end cash and cash equivalents comprise the following:

Cash in hand	25	8
Bank balances :		
Current accounts	11	39
Savings accounts	68,537	78,949
Fixed account	17,270	16,969
	<u>85,843</u>	<u>95,965</u>

11 <u>Trade and other payables</u>	2010	2009
	Eur	Eur
Current		
Overdrawn bank balances	40,043	25,315
Creditors	5,505	4,068
Accruals	71,978	17,389
Special needs funds yet unspent	10,948	10,948
	<u>128,474</u>	<u>57,720</u>
Non-Current		
Accruals	<u>80,788</u>	<u>0</u>

Creditors include an amount of €5,363 (2009: €3,242) which is in dispute.

During 2010, the Council availed itself of the Government scheme to reconstruct three roads whereby, Government finances 30% of the cost and the Council the rest. Through this scheme the Council is obliged to pay the contractors 40% on completion of works, 20% after one year from completion date, 10% after two years from date of completion and the remaining 30% spread on the following six years. An accrual has been taken to cover the non-invoiced portion of the works.

Hal Lija Local Council

Notes to the financial statements for the year ended 31st December 2010

Note

12 <u>Cash and cash equivalents</u>	2010	2009
	Eur	Eur
Cash in hand	25	8
Bank balances :		
Current accounts	(40,032)	(25,276)
Savings accounts	68,537	78,949
Fixed account	17,270	16,969
	<u>45,800</u>	<u>70,650</u>
	<u><u>45,800</u></u>	<u><u>70,650</u></u>
13 <u>Capital commitments</u>	2010	2009
	Eur	Eur
Authorised and contracted for (i)	<u>112,625</u>	<u>10,948</u>
Analysed as follows:		
(i) Authorised and contracted for		
Water Culverts	10,948	10,948
Road resurfacing	101,677	0
	<u>112,625</u>	<u>10,948</u>
	<u><u>112,625</u></u>	<u><u>10,948</u></u>

14 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Central Government is the main related party of the Local Council. In 2010 the Local Council received Eur292,031 (2009: Eur161,832) in funding from Central Government. Payments to Central Government for services received amounted to Eur280 (2009: Eur 140).

15 Financial risk management

15 Financial risk factors

The Council's activities expose it to both credit risk and liquidity risk. The Council did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial years.

The Council provides principles for overall risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity.

Hal Lija Local Council

Notes to the financial statements for the year ended 31st December 2010

Note

15 Financial risk management - Continued

a) Credit risk

The Council's credit risk arises from investments and cash and cash equivalents, including deposits with the banks. The Council's exposures to credit risk are analysed as follows:

	2010	2,009
	Eur	Eur
Amounts receivable	32,915	594
Cash and bank balances	45,800	70,650
	<u>78,715</u>	<u>71,244</u>

The maximum exposure to credit risk at the reporting date in respect of the financial assets mentioned above is disclosed above and in Notes 9, 10 and 12 to these financial statements. The Council does not hold any collateral as security in this respect.

The Council banks only with local financial institutions with high quality standing or rating.

The Council's major debtor is the Government, thus, it deems that it does not have any risk of non-recoverability of its dues.

b) Liquidity risk

The Council's exposure to liquidity risk is mainly from its payables as per note 11 above and which are due within one year. Given the requirements at law to maintain a healthy working capital, the Council takes all measures to keep its liquidity risk exposure in check. In fact it maintains sufficient cash to ensure the availability of an adequate amount of funding to meet the Council's obligations. The Council's exposure to liquidity risk is as follows:

	2010	2009
	Eur	Eur
Creditors	5,505	4,068
Accruals	71,978	17,389
	<u>77,483</u>	<u>21,457</u>

15.2 Fair values of financial instruments

At 31 December 2010 and 2009, the carrying amounts of cash at bank, receivables, payables and accrued expenses in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.