

Hal Lija Local Council

**Annual Audit Report
31st December 2012**

Hal Lija Local Council

Financial Statements for the year ended 31st December 2012

Contents:

Page 1	Statement of Local Council Members' and Executive Secretary's Responsibilities
Page 2	Statement of comprehensive income
Page 3	Statement of financial position
Page 4	Statement of changes in equity
Page 5	Statement of cash flows
Page 6 to 16	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.

Hal Lija Local Council

**Statement of comprehensive income
for the year ended 31st December 2012**

	<i>Note</i>	Year ended 31 December 2012 <u>Eur</u>	Year ended 31 December 2011 <u>Eur</u>
Funds received from Central Government	3	252,531	246,261
Revenue	3	<u>14,093</u>	<u>11,817</u>
		266,624	258,078
Expenditure			
Personal emoluments	4	(99,256)	(97,297)
Operations and maintenance	5	(91,443)	(89,433)
Administration and other expenditure	6	(102,792)	(89,798)
Investment income	7	<u>544</u>	<u>516</u>
Deficit for the year/period		<u><u>(26,323)</u></u>	<u><u>(17,934)</u></u>

Hal Lija Local Council

Statement of financial position at 31st December 2012

	<i>Note</i>	2012 Eur	2011 Eur
Assets			
Non-current Assets			
Property, plant and equipment	8a-b	447,666	389,224
		<u>447,666</u>	<u>389,224</u>
Current Assets			
Trade and other receivables	9	43,454	37,268
Cash and bank balances	10	106,112	71,653
		<u>149,566</u>	<u>108,921</u>
Total Assets		<u><u>597,232</u></u>	<u><u>498,145</u></u>
Reserves and Liabilities			
Reserves			
Retained Fund		<u>261,405</u>	<u>287,728</u>
Non-Current Liabilities			
Trade and other payables	11	186,904	60,642
		<u>186,904</u>	<u>60,642</u>
Current Liabilities			
Trade and other payables	11	148,923	149,775
		<u>148,923</u>	<u>149,775</u>
Total Reserves and Liabilities		<u><u>597,232</u></u>	<u><u>498,145</u></u>

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

Mayor

Executive Secretary

Date :

Hal Lija Local Council**Statement of changes in equity
for the year ended 31st December 2012**

	Retained fund
	<u>Eur</u>
At 31st March 2010	305,662
Deficit for the period	<u>(17,934)</u>
At 31st December 2011	287,728
Deficit for the year	<u>(26,323)</u>
At 31st December 2012	<u>261,405</u>

Hal Lija Local Council

**Statement of cash flows
for the year ended 31st December 2012**

	<i>Note</i>	Year ended 31 December 2012 <u>Eur</u>	Year ended 31 December 2011 <u>Eur</u>
Cash flows from operating activities			
Deficit for the year/period		(26,323)	(17,934)
<i>Adjustments for:</i>			
Depreciation		50,022	41,001
Deferred income released		(8,724)	0
Interest receivable		<u>(544)</u>	<u>(516)</u>
Surplus for the year/period before working capital movements		14,431	22,551
Movement in receivables		(6,186)	(1,738)
Movement in payables		<u>4,772</u>	<u>(15,657)</u>
Net cash generated from operating activities		<u>13,017</u>	<u>5,156</u>
Cash flows from investing activities			
Payment to acquire property, plant and equipment		(3,712)	(21,535)
Receipts from Government to acquire fixed assets		28,374	4,500
Interest received		546	512
Net cash used in investing activities		<u>25,208</u>	<u>(16,523)</u>
Movement in cash and cash equivalents		38,225	(11,367)
Cash and cash equivalents at the beginning of the year/period		34,433	45,800
Cash and cash equivalents at the end of the year/period	12	<u><u>72,658</u></u>	<u><u>34,433</u></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 2012

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 formed part of Birkirkara Joint Committee - Group C until the 31st August 2011. As from the 1st September 2011 the Lija Local Council started to form part of the Central Regional Committee. The amount disclosed in the financial statements under Local Enforcement System Income represents the share of profit derived from the Joint Committee and the Central Regional 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	Replacement basis
Playground Furniture	100
Street Lights	100
Street Mirrors	100

Hal Lija Local Council

Notes to the financial statements for the year ended 31st December 2012

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 receiveable.

Government grants relating to property, plant and equipment are included as deferred grants and treated as a component of total funds and equity. Grants are credited to the Statement of Comprehensive Income over the expected useful lives of the related assets.

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 receiveable

Amounts receiveable 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 receiveable 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 receiveables. 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.

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 Affairs.

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.

Fal Lija Local Council

Notes to the financial statements for the year ended 31st December 2012

Note

j) Trade and other payables

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. 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.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

k) 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 2012

Note

3 Revenue	Year ended 31 December 2012	Year ended 31 December 2011
	Eur	Eur
Government income		
In terms of section 55 of the Local Councils Act (Cap 363)	235,941	226,313
Other Government Income	16,590	19,948
	<u>252,531</u>	<u>246,261</u>
General income		
Income from tender documents	1,000	769
Income from permits	2,348	1,979
Income from Local Enforcement System	6,303	5,824
Sundry contributions & donations	4,442	3,245
	<u>14,093</u>	<u>11,817</u>
Total revenue	<u>266,624</u>	<u>258,078</u>
4 Personal emoluments	Year ended 31 December 2012	Year ended 31 December 2011
	Eur	Eur
Personal emoluments include, inter alia :		
Mayor's allowance	8,139	7,964
Executive Secretary's salary and allowances	25,672	25,707
Employees' salaries	55,738	52,864
Social security contributions	4,967	5,962
Councillors' Allowance	4,740	4,800
	<u>99,256</u>	<u>97,297</u>

Hal Lija Local Council

Notes to the financial statements for the year ended 31st December 2012

Note

5 <u>Operations and maintenance</u>	Year ended 31 December 2012 Eur	Year ended 31 December 2011 Eur
	<u> </u>	<u> </u>
Repairs and upkeep:		
Road and street pavements	9,622	1,768
Public property	2,187	6,821
Signs	1,140	2,357
Road markings	1,893	2,887
Other repairs and upkeep	701	1,561
	<u>15,543</u>	<u>15,394</u>
 Contractual services:		
Refuse collection	41,729	45,420
Bulky refuse collection	2,884	4,014
Road and street cleaning	12,005	9,122
Cleaning and maintenance - public conveniences	286	1,142
Cleaning and maintenance - parks and gardens	9,731	9,725
Street lighting	6,163	2,028
Other	3,102	2,588
	<u>75,900</u>	<u>74,039</u>
	<u>91,443</u>	<u>89,433</u>

Hal Lija Local Council

Notes to the financial statements for the year ended 31st December 2012

Note

6 <u>Administration and other expenditure</u>	Year ended 31 December 2012 Eur	Year ended 31 December 2011 Eur
Utilities	4,803	5,296
Materials & supplies	782	158
Office services	4,233	5,251
Transport	2,239	662
Information services	1,003	2,036
Rent	8,400	8,692
Professional services	6,173	12,730
Penalties	0	747
Community services & events	24,450	12,473
National and international memberships	687	752
Depreciation	50,022	41,001
	<u>102,792</u>	<u>89,798</u>
	Year ended 31 December 2012 Eur	Year ended 31 December 2011 Eur
7 <u>Investment income</u>		
Bank interest receivable	544	516

Hal Lija Local Council

Notes to the financial statements for the year ended 31st December 2012

Note

8a <u>Property, Plant and Equipment</u>	Office furniture & fittings	Plant and Machinery	Office equipment	Urban improvements	New street signs	Construction works	Assets in the course of construction	Total
	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur
Cost - as at 1st January 2012	16,849	3,986	32,302	109,672	36,595	709,551	34,652	943,607
Additions new this year	0	0	4,215	0	3,712	80,609	(34,652)	53,884
Cost - as at 31st December 2012	16,849	3,986	36,517	109,672	40,307	790,160	0	997,491
Grants - as at 1st January 2012	0	0	2,644	0	7,687	147,580	0	157,911
Transferred during this year	0	0	0	0	0	0	0	0
Prior year adjustment	0	0	0	0	0	(60,645)	0	(60,645)
Grants - as at 31st December 2012	0	0	2,644	0	7,687	86,935	0	97,266
Acc.depreciation - as at 1st January 2012	10,531	3,843	23,313	55,894	28,908	273,983	0	396,472
Charge for the year	517	29	1,377	5,344	3,712	39,043	0	50,022
Prior year adjustment	0	0	0	0	0	6,065	0	6,065
Acc.depreciation - as at 31st December 2012	11,048	3,872	24,690	61,238	32,620	319,091	0	452,559
Net book value - as at 31st December 2012	5,801	114	9,183	48,434	0	384,134	0	447,666

Hal Lija Local Council

Notes to the financial statements for the year ended 31st December 2012

Note

8b <u>Property, Plant and Equipment</u>	Office furniture & fittings	Plant and Machinery	Office equipment	Urban improvements	New street signs	Construction works	Assets in the course of construction	Total
	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur
Cost - as at 1st January 2011	16,749	3,986	31,788	109,672	36,595	709,551	0	908,341
Additions new this year	100	0	514	0	0	0	34,652	35,266
Cost - as at 31st December 2011	16,849	3,986	32,302	109,672	36,595	709,551	34,652	943,607
Grants - as at 1st January 2011	0	0	2,644	0	7,687	147,580	0	157,911
Transferred during this year	0	0	0	0	0	0	0	0
Grants - as at 31st December 2011	0	0	2,644	0	7,687	147,580	0	157,911
Acc.depreciation - as at 1st January 2011	9,401	3,807	22,361	49,858	28,908	241,136	0	355,471
Charge for the year	1,130	36	952	6,036	0	32,847	0	41,001
Acc.depreciation - as at 31st December 2011	10,531	3,843	23,313	55,894	28,908	273,983	0	396,472
Net book value - as at 31st December 2011	6,318	143	6,345	53,778	0	287,988	34,652	389,224

Hal Lija Local Council

Notes to the financial statements for the year ended 31st December 2012

Note

9 <u>Amounts receivable</u>	2012	2011
	Eur	Eur
Current		
Amounts owed by Central Government (Note 13)	29,600	27,183
Amounts owed by Councilors	0	2,560
Prepayments and accrued income	13,854	7,525
	<u>43,454</u>	<u>37,268</u>

10 <u>Cash and bank balances</u>	2012	2011
	Eur	Eur

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

Cash in hand	65	5
Bank balances :		
Current accounts	11	11
Savings accounts	88,147	54,060
Fixed account	17,889	17,577
	<u>106,112</u>	<u>71,653</u>

11 <u>Trade and other payables</u>	2012	2011
	Eur	Eur
Current		
Overdrawn bank balances	33,454	26,252
Creditors	32,283	43,652
Accruals and deferred income	83,186	79,871
	<u>148,923</u>	<u>149,775</u>
Non-Current		
Accruals and deferred income	<u>186,904</u>	<u>60,642</u>

Creditors include an amount of €7,060 (2011: €7,060) 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 2012

Note

12 Cash and cash equivalents	2012	2011
	Eur	Eur
Cash in hand	65	5
Bank balances :		
Current accounts	(33,443)	(26,241)
Savings accounts	88,147	54,060
Fixed account	17,889	17,577
	<u>72,658</u>	<u>45,401</u>
	<u><u>72,658</u></u>	<u><u>45,401</u></u>
13 Capital commitments	2012	2011
	Eur	Eur
Authorised and contracted for (i)	0	80,000
Authorised but not contracted for (ii)	12,000	0
	<u>12,000</u>	<u>80,000</u>
	<u><u>12,000</u></u>	<u><u>80,000</u></u>
Analysed as follows:		
(i) Authorised and contracted for		
Road resurfacing	0	80,000
	<u>0</u>	<u>80,000</u>
	<u><u>0</u></u>	<u><u>80,000</u></u>
(ii) Authorised but not contracted for		
Centru rekrejtiv	12,000	0
	<u>12,000</u>	<u>0</u>
	<u><u>12,000</u></u>	<u><u>0</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 2011 the Local Council received Eur235,698 (2011: Eur 230,813) in funding from Central Government. Payments to Central Government for services received amounted to Eur 120 (2009: Eur 867).

15 Financial risk management

15.1 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 2012

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:

	2012	2011
	Eur	Eur
Amounts receivable	42,247	36,061
Cash and bank balances	72,658	45,401
	<u>114,905</u>	<u>81,462</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:

	2012	2011
	Eur	Eur
Creditors	32,283	43,652
Accruals	83,186	79,871
	<u>115,469</u>	<u>123,523</u>

15.2 Fair values of financial instruments

At 31 December 2012 and 2011, 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.