

Local Council Birzebbuga
Annual Audit Report
for the year ended 31 December 2013

Prepared by
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**Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2013**

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a 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 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.

This statement was approved by the Council on 24 April 2014 and signed on its behalf by:



Joseph Farrugia
Mayor



Maria Galea
Executive Secretary

Financial Statements for the year ended 31 December 2013

Report of the Local Government auditor to the Auditor General

We have audited the accompanying financial statements of Birzebbuga Local Council which comprise the statement of financial position as at 31 December 2013, 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 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for qualified opinion

1. The council's LES debtors amounting to € 69,051 comprise amounts which are receivable from the Zurrieq Joint Committee. We were not provided with evidence showing that this amount is due to the council and we were unable to satisfy ourselves as to the recoverability of this balance.
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.

Financial Statements for the year ended 31 December 2013

Report of the Local Government auditor to the Auditor General (continued)

Qualified Opinion

In our opinion, except for the matter referred to in paragraph 1 under Basis for qualified opinion paragraph, the financial statements give a true and fair view of the financial position of Birzebbuga Local Council as of 31 December 2013, and of the results of its operations, changes in net assets/equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Because of the matter set out in paragraphs 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.

Emphasis of matter

Without qualifying our opinion, we draw attention to the Council's Statement of Financial Position on page 5 which shows that at 31 December 2013 the Council's current liabilities (excluding deferred Income) exceeded current assets (excluding prepayments) by € 149,289. The significance of this deficiency casts doubt as to whether the council will be able to meet its liabilities as they fall due.

As explained in note 22 to these financial statements, the going concern assumption underlying the preparation of these financial statements is dependent on the Council having sources of funds other than the annual financial allocation it receives from Government, and on the continued support of the Council's creditors. If these assumptions do not materialise the Council will not be able to meet its financial obligations as they fall due without curtailing its future commitments.



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24 April 2014

**Statement of Comprehensive Income
for the year ended 31 December 2013**

		2013	2012
	Notes	€	(Restated) €
Revenue			
Funds received from Central Government	3	704,021	677,453
Income raised under Local Enforcement System	4	4,506	9,564
General Income	6	19,998	116,612
		<u>728,525</u>	<u>803,629</u>
Expenditure			
Personal Emoluments	7	(115,555)	(101,315)
Operations and maintenance	8	(341,898)	(346,718)
Administration and other expenditure	9	(343,615)	(307,433)
		<u>(801,068)</u>	<u>(755,466)</u>
Operating (loss)/profit for the year		(72,543)	48,163
Finance income	5	514	469
		<u>514</u>	<u>469</u>
(Loss)/profit for the year		<u>(72,029)</u>	<u>48,632</u>

The notes on pages 8 to 29 form an integral part of these financial statements.

Statement of Financial Position
as at 31 December 2013

		2013	2012	2011
		€	(Restated) €	(Restated) €
ASSETS				
Non-Current Assets				
Property, plant and equipment	10	1,957,774	1,787,633	1,929,470
		<u>1,957,774</u>	<u>1,787,633</u>	<u>1,929,470</u>
Current Assets				
Receivables	11	205,315	289,481	258,800
Cash and cash equivalents	12	28,587	165,618	93,737
		<u>233,902</u>	<u>455,099</u>	<u>352,537</u>
Total Assets		<u>2,191,676</u>	<u>2,242,732</u>	<u>2,282,007</u>
RESERVES				
Retained earnings		1,255,836	1,327,865	1,279,233
Total reserves		<u>1,255,836</u>	<u>1,327,865</u>	<u>1,279,233</u>
Non-Current Liabilities				
Long-term borrowings	14	214,116	165,948	221,264
Non-current Deferred Income	15	311,401	263,840	260,548
		<u>525,517</u>	<u>429,788</u>	<u>481,812</u>
Current Liabilities				
Trade and other payables	13	194,640	167,867	259,066
Short-term borrowings	14	215,683	317,212	261,896
		<u>410,323</u>	<u>485,079</u>	<u>520,962</u>
Total Liabilities		<u>935,840</u>	<u>914,867</u>	<u>1,002,774</u>
Total reserves and liabilities		<u>2,191,676</u>	<u>2,242,732</u>	<u>2,282,007</u>

These financial statements were approved by the Local Council on 24th April 2014 and signed on its behalf by:



Joseph Farrugia
Mayor



Maria Galea
Executive Secretary

The notes on pages 8 to 29 form an integral part of these financial statements.

**Statement of Changes in Equity
for the year ended 31 December 2013**

	Retained Funds	Total
	€	€
At 1 January 2012		
as previously stated	1,221,814	1,221,814
Prior year adjustment (note 16)	57,419	57,419
At 1 January 2012	1,279,233	1,279,233
Profit for the year	48,632	48,632
At 31 December 2012	1,327,865	1,327,865
At 1 January 2013		
as previously stated	1,305,702	1,305,702
Prior year adjustment (note 16)	22,163	22,163
At 1 January 2013	1,327,865	1,327,865
Loss for the year	(72,029)	(72,029)
At 31 December 2013	1,255,836	1,255,836

Statement of Cash Flows
for the year ended 31 December 2013

	2013		2012
	€	€	€
Cash flow from operating activities			
Net (loss)/Profit for the year	(72,029)		48,632
Reconciliation to cash generated from operations:			
Depreciation	191,908		154,465
Loss on sale of assets	1,917		-
Movement in Provision for Doubtful Debts	26,059		49,035
Provision for guarantees	-		(7,800)
Amount released to Statement of Comprehensive Income	51,574		1,967
Interest receivable	(514)		(469)
Operating surplus before working capital changes	95,767		241,896
(Increase) in receivables	(519)		(4,511)
Decrease/(Increase) in other receivables	58,627		(67,405)
Increase / (Decrease) in payables	13,652		(34,366)
Increase/(Decrease) in other payables	29,418		(52,966)
Government grant released	(27,941)		(32,219)
Cash generated from operating activities		169,004	50,429
Cash flow from investing activities			
Interest received	514		469
Purchase of property, plant & equipment	(363,966)		(12,628)
Grants received	80,090		33,611
Cash (used in)/generated from investing activities		(283,362)	21,452
Cash from financing activities			
New long term third party borrowings	126,377		-
Repayment of short term third party borrowings	(179,738)		-
Cash (used in) financing activities		(53,361)	-
Net Decrease/Increase in cash in the year		(167,719)	71,881
Cash and equivalents at beginning of year		165,618	93,737
Cash and equivalents at end of year		(2,101)	165,618

1. General Information

The Birzebbuga Local Council is the local authority of Malta set up in accordance with the Local Councils Act(1993). The office of the Local Council is situated at Dar Birzebbuga, Triq Santa Marija, Birzebbuga. These financial statements were approved for issue by the Council Members on 24 April 2014. The Local Council's company's presentation as well as functional currency is €.

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.

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).

New and amended standards adopted by the Local Council

In the current year the Council has applied the below new and revised IFRS issued by IASB that is mandatory effective for financial year beginning 1st January 2013.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. There was no significant effect on the Council's financial statements.

IAS 1 – Presentation of Financial Statements : Amendments applicable as from 1 July 2012 requires entity preparing financial statements in accordance with IFRSs to group together items within OCI that may be reclassified to the profit or loss section of the income statement. There was no significant effect on the Council's financial statements.

IAS 1 – Presentation of Financial Statements : Annual Improvements 2009-2011 Cycle - Clarification of the requirements for comparative information. Comparative requirements for the opening statement of financial position when an entity changes accounting policies, or makes retrospective restatements or reclassifications, in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and the requirements for providing comparative information when an entity provides financial statements beyond the minimum comparative information requirements. Applicable to annual periods beginning on or after 1 January 2013. There was no significant effect on the Council's financial statements.

IFRS 7 – Financial Instruments : Disclosures : Amends the disclosure requirements in IFRS 7 Financial Instruments to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 Financial Instruments : Presentation. The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. Applicable to annual periods beginning on or after 1 January 2013. There was no significant effect on the Council's financial statements.

New standards and Interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Local Council.

IAS 32 - IAS 32 Financial Instruments: Presentation – Amendments to clarify certain aspects because of diversity in application of the requirements on offsetting, focusing on four main areas:- the meaning of currently has a legally enforceable right of set-off; the application of simultaneous realisation and settlement; the offsetting of collateral amounts and the unit of account for applying the offsetting requirements. These amendments are applicable to annual periods beginning on or after 1 July 2014.

IAS 36 – Impairment of Assets – Amendments to reduce the circumstance in which the recoverable amount of assets or cash-generating units is required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. Applicable to annual periods beginning on or after 1 January 2014.

IFRS 13 – Fair value measurement : Annual Improvements 2010 – 2012 Cycle - Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only). Applicable to annual periods s periods beginning on or after 1 July 2014.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets : Annual Improvements 2010 – 2012 Cycle – Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistence with a revaluation of the carrying amount. Applicable to annual periods s periods beginning on or after 1 July 2014.

IFRS 9 Financial Instruments (2009) – IFRS 9 introduces new requirements for classifying an measuring financial assets meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortised cost; investments in equity instruments can be designated as 'fair value through other comprehensive income' with only dividends being recognised in profit or loss; all other instruments are measured at fair value with changes recognised in the profit or loss. Standard superseded by IFRS 9 (2010) and IFRS 9 (2013), but all standards remain available for application.

IFRS 9 Financial Instruments (2010) – A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments : Recognition and Measurement. Standard supersedes IFRS 9 (2009) and is supersede by IFRS 9 (2013), but all standards remain available for application.

IFRS 9 Financial Instruments (2013) – A revised version of IFRS 9 which introduces a new chapter to IFRS 9 on hedge accounting; permits an entity to apply only the requirements introduced in IFRS (2010) for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss without applying the other requirements of IFRS 9, meaning the portion of the change in fair value related to changes in the entity's own credit risk can be presented in other comprehensive income rather within profit or loss. It also removes the mandatory effective date of IFRS 9 (2013), IFRS 9 (2010) and IFRS 9 (2009), leaving the effective date open pending the finalisation of the impairment and classification and measurement requirements. Notwithstanding the removal of an effective date, each standard remains available for application.

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 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:

	%
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 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 end of the reporting period. 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 company 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.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard 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 profit or loss as it accrues.

Local Enforcement System

Up till August 2011, the Council used to manage the the Local Enforcement System in its locality and used to receive all the income generated from the fines. As from 1 September 2011, the Council started to form part of the Southern Region, which took over the management of Local Enforcement System and the Council is receiving a 10 % administration fee on every fine paid at the Council.

Government grants

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the profit or loss over the expected lives of the related assets.

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 € at the rates of exchange prevailing at the date of the statement of financial position.

Profits and losses

Only losses 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 equivalents

Cash and Cash Equivalents are carried in the statement of financial position. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and balances held with banks.

Financial instruments

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 expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions 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 risks characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

Financial liabilities

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

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

Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Council, 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.

Capital management policies

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 services and benefits to its local community

The Council sets the amount of capital in proportion to risk. The Council manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The Council monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt ÷ adjusted capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Adjusted capital comprises of retained earnings.

3. Funds received from central government

	2013	2012
	€	€
In terms of section 55 of the Local Councils Act	630,236	642,859
Supplementary Government Income	30,249	-
Other Government Income	43,536	34,594
	<u>704,021</u>	<u>677,453</u>

4. Local Enforcement Income

	2013	2012
	€	(Restated) €
Contraventions and other fines	-	3,027
Income from LES administration fees	4,506	6,537
	<u>4,506</u>	<u>9,564</u>

5. Investment Income

	2013	2012
	€	€
Bank Interest	514	469
	<u>514</u>	<u>469</u>

6. General Income

	2013	2012
		(Restated)
	€	€
Social Events	4,022	8,119
Sponsorships	3,800	-
General Income	1,407	570
Tender Documents/Info.Charges	1,200	1,850
Media Advertising	2,070	630
Payable write off	-	1,304
Donations	1,400	100
Contributions	-	2,050
Guaranteed forfeited	-	95,441
Insurance Claims	-	1,753
Income from Permits	6,099	4,795
	<u>19,998</u>	<u>116,612</u>

7. (Loss)/profit for the year

	2013	2012
		(Restated)
	€	€
(Loss)/profit for the year is stated after charging:		
Staff salaries	115,555	101,315
Depreciation of non-current assets	191,908	154,465
Deficit on disposal of tangible fixed assets	1,917	-
	<u>115,555</u>	<u>101,315</u>

Note

Personal Emoluments

	2013	2012
		(Restated)
	€	€
Mayor's Allowance	10,055	9,808
Councillors' Allowance	8,800	8,800
Executive Secretary Salary and Allowances	36,307	27,471
Employees' Salaries	53,785	48,808
Social Security Contributions	6,608	6,428
	<u>115,555</u>	<u>101,315</u>

In respect of the Executive Secretary salary, the Council received a refund from another government entity amounting to € 12,595 (2012:€ 0).

8. Operations and Maintenance

	2013	2012
	€	€
<i>Repairs and Upkeep:</i>		
Public Property	8,253	4,199
Road/Street Pavements	3,645	424
Signs	2,017	4,135
Road Markings	555	6,874
Road & Street Patching	22,248	24,171
Office Furniture and Equipment	696	266
Plant & Equipment	780	45
Sundry Repairs	40	660
Other repairs and Upkeep	4,637	2,110
	<u>42,871</u>	<u>42,884</u>
<i>Contractual Services:</i>		
Waste Disposal	62,741	61,150
Refuse Collection	92,167	93,781
Bulky Refuse Collection	3,885	5,165
Cleaning Services	-	92
Road & Street Cleaning	29,944	34,145
Cleaning & Maint. Non-Urban	13,421	13,918
Cleaning - Public Conveniences	23,034	22,974
Cleaning - Council Premises	1,162	1,207
Other Contractual Services	14,734	22,262
Clean. & Maint. Parks & Gardens	15,000	13,775
Clean. & Maint. Beaches	225	-
Street Lighting	39,849	34,415
Experts	2,865	950
	<u>299,027</u>	<u>303,834</u>
	<u>341,898</u>	<u>346,718</u>

9. Administration and other expenditure

	2013	2012
	€	(Restated) €
Utilities	13,750	13,137
Uniforms	-	1,320
Other repairs and upkeep	22,904	21,442
Rent	4,098	3,922
Participation fee - Nat. Mtg.	140	282
Membership - Local Organisations	140	-
Office Services	19,544	15,800
Transport	25,021	22,339
Travel	-	1,029
Information Services	3,492	3,245
Lease of Equipment	544	317
Insurance Coverage	1,836	1,877
Bank Charges	150	113
Professional Services	8,730	5,270
Training	60	-
Entertainment	687	925
Other Hospitality Costs	252	700
Annual General Meeting	-	20
Social Events	12,892	4,623
Cultural Events	9,091	7,160
Donations	-	12
Sundry Minor Expenses	400	400
Provision for LES receivables	26,059	49,035
Deficit on disposal of assets	1,917	-
Depreciation	191,908	154,465
	<u>343,615</u>	<u>307,433</u>

**Notes to the Financial Statements
for the year ended 31 December 2013**

10. Property, plant and equipment

	Property	Construction	Assets under construction	New Street Signs	Urban Improvements	Plant, machinery & equipment	Office Furniture & fittings	Special Programmes	Total
	(Restated)			(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Cost	€	€	€	€	€	€	€	€	€
At 1 January 2012	81,692	22,241	-	9,188	615,835	52,016	80,460	3,054,074	3,915,506
Additions	-	-	2,360	-	8,709	1,172	387	-	12,628
At 31 December 2012	81,692	22,241	2,360	9,188	624,544	53,188	80,847	3,054,074	3,928,134
Depreciation & Grants									
At 1 January 2012	8,804	21,971	-	9,188	135,826	36,487	38,929	1,734,831	1,986,036
Charge for the year	726	26	-	-	49,779	2,523	3,017	98,394	154,465
At 31 December 2012	9,530	21,997	-	9,188	185,605	39,010	41,946	1,833,225	2,140,501
Net book values									
At 31 December 2012	72,162	244	2,360	-	438,939	14,178	38,901	1,220,849	1,787,633

**Notes to the Financial Statements
for the year ended 31 December 2013**

10. Property, plant and equipment	Property	Construction	Assets under construction	New Street Signs	Urban Improvements	Plant, machinery & equipment	Office Furniture & fittings	Trees	Special Programmes	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
At 1 January 2013	81,692	22,241	2,360	9,188	624,544	53,188	80,847	-	3,054,074	3,928,134
Additions	-	-	255,659	-	30,229	1,545	-	-	76,532	363,965
Reclassifications	(941)	2,541,940	(2,360)	(1,284)	(350,631)	29,447	(33,484)	1,048	(2,183,735)	-
Disposals	-	-	-	-	(2,825)	(15,742)	(1,115)	-	-	(19,682)
At 31 December 2013	80,751	2,564,181	255,659	7,904	301,317	68,438	46,248	1,048	946,871	4,272,417
Depreciation & Grants										
At 1 January 2013	9,530	21,997	-	9,188	185,605	39,010	41,946	-	1,833,225	2,140,501
Reclassifications	(64)	966,279	-	(1,284)	(2,603)	21,747	(16,043)	-	(968,032)	-
On disposals	-	-	-	-	-	(16,968)	(798)	-	-	(17,766)
Charge for the year	713	157,505	-	-	12,659	10,967	1,611	-	8,453	191,908
At 31 December 2013	10,179	1,145,781	-	7,904	195,661	54,756	26,716	-	873,646	2,314,643
Net book values										
At 31 December 2013	70,572	1,418,400	255,659	-	105,656	13,682	19,532	1,048	73,225	1,957,774

11. Receivables

		2013	2012
		€	€
Receivables	<i>Note</i>	6,198	5,505
LES Debtors	<i>Note</i>	69,051	97,561
Other receivables		7,800	23,274
Accrued income		117,094	153,550
Financial assets		200,143	279,890
Prepayments		5,172	9,591
		<u>205,315</u>	<u>289,481</u>

The carrying value of the above 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 large and unrelated.

Receivables

General receivables are analysed as follows:

	2013	2012
	€	€
Within credit period	418	383
Exceeded credit period but not impaired	5,780	5,122
Impaired and provided for	-	-
	<u>6,198</u>	<u>5,505</u>

LES Debtors

LES debtors are stated after a specific provision for doubtful debts amounting to Eur 111,920 (2012: € 85,861). The amount of € 69,051 (2012: € 97,561) exceeded credit period but is not impaired.

Other receivables

	2013 €	2012 €
Within credit period	7,800	7,800
Exceeded credit period but not impaired	-	15,474
	<u>7,800</u>	<u>23,274</u>

Included in other receivables there is a bank guarantee in favour of third party amounting to Eur 7,800.

The movement in the provision for doubtful debts is as follows:

	2013 €	2012 €
Balance at 1 January	85,861	36,826
Increase in provision for LES debtors	26,059	49,035
Balance at 31 December	<u>111,920</u>	<u>85,861</u>

12. Cash and equivalents

	2013 €	2012 €
Bank Balances	28,472	165,503
Cash in Hand	115	115
Cash and cash equivalents in the statement of financial position	<u>28,587</u>	<u>165,618</u>
Bank balance overdrawn	(30,688)	-
Cash and cash equivalents in the statement of cash flows	<u>(2,101)</u>	<u>165,618</u>

13. Payables

	2013	2012
	€	€
Bank balance overdrawn	30,688	-
Payables	110,177	96,525
Accruals	21,471	43,052
Financial liabilities	162,336	139,577
Deferred income	32,304	28,290
	<u>194,640</u>	<u>167,867</u>

Current financial liabilities are carried at their nominal value which is considered a reasonable approximation of fair value.

14. Borrowings

		2013	2012
		€	€
Non-current			
Third party borrowings	<i>Note</i>	214,116	165,948
Current			
Third party borrowings	<i>Note</i>	215,683	317,212
Third Party Borrowings			
Repayable between one and two years		52,933	27,658
Repayable between two and five years		133,525	82,974
Repayable in five years or more		27,658	55,316
		<u>214,116</u>	<u>165,948</u>

The fair value of long term financial liabilities is not materially different from their carrying amount.

Third party loan

Third party borrowings represent dues to the two public private partnership payables. The Council entered into these agreements to carry out road resurfacing works. These amounts are unsecured, interest free and are repayable within 4- 6 years.

15. Deferred Income	2013	2012
	€	€
Government grants		
Balance at the beginning of the year	292,131	290,164
Increase during year	80,090	34,185
Released during year	(28,516)	(32,219)
	<u>343,705</u>	<u>292,130</u>
Current Deferred Income	<u>32,304</u>	<u>28,290</u>
Non-Current Deferred Income	<u>311,401</u>	<u>263,840</u>
Deferred Government Grants		
Deferred between one and two years	29,631	25,078
Deferred between two and five years	73,010	61,801
Deferred in five years or more	208,760	176,961
	<u>311,401</u>	<u>263,840</u>

16. Prior year adjustment

During 2013, the Council's Fixed Asset Register was reconciled with the nominal ledger and it was noted that property, plant and equipment as at 31 December 2012, were incorrectly stated, due to errors in cost, grants and depreciation recognition.

In view of this, the financial statements for the year ended 31 December 2012 have been restated to reflect the correction of errors. There is no effect on the figures for the period ended 31 December 2013.

	Notes	2012 Originally reported €	Adjustment €	2012 Restated €
Administration and other expenditure	9	329,596	(22,163)	307,433
Property, plant and equipment	12	1,708,051	79,582	1,787,633
Retained earnings		(1,221,814)	(57,419)	(1,279,233)

The effect of the restatement on each financial statement line item affected is summarised below:

	Notes	2012 Originally reported €	Adjustment €	2012 Restated €
Depreciation		176,628	(22,163)	154,465
Property, plant and equipment	11	1,708,051	79,582	1,787,633
Retained earnings		(1,221,814)	(57,419)	(1,279,233)

Further to this, the financial statements for the year ended 31 December 2011 have also been restated to reflect the correction of errors relating to errors in property, plant and equipment. There is no effect on the figures for the period ended 31 December 2013.

	2011 €	Adjustment €	2011 €
Property, plant and equipment	1,872,051	57,419	1,929,470
Retained earnings	(1,237,968)	(68,497)	(1,295,387)

The effect of the restatement on each financial statement line item affected is summarised below:

	2011 Originally €	Adjustment €	2011 Restated €
Property, plant and equipment	1,872,051	57,419	1,929,470
Retained earnings	(1,237,968)	(57,419)	(1,295,387)

17. Capital commitments

	2013 €	2012 €
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	37,710	653,019
Contracted for but not provided in the financial statements	400,265	60,000
These could be analysed as follows:		
<i>(i) Approved but not yet contracted for:</i>		
Urban Improvements	-	-
Office equipment	-	-
Road Resurfacing	37,710	653,019
	37,710	653,019
<i>(ii) Contracted for but not provided in the Financial Statements:</i>		
Road Resurfacing	400,265	60,000

The road resurfacing works which are contracted but not yet provided for amounting to € 400,265 falls under the Public Private Partnership Scheme and against such works the Council is going to receive a grant amounting to € 84,007. Such works are going to be completed by 2014 and the amount is payable over 5 years.

Road resurfacing works which are approved but not yet contracted and amount to € 37,710 falls under the European Agricultural Fund for Rural Development and against such works a grant amounting to € 30,000 was approved in favour of the Council.

18. Contingent liabilities

The Council has a bank guarantee in favour of third parties amounting to € 7,800 (2012: € 7,800).

19. Related party transactions

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Councils	Significant control
Regional Committee (Local Enforcement)	Joint control
Zurrieq Joint Committee (Local Enforcement)	Joint control
Gozo Regional Committee	No control
North Regional Committee	No control
South Eastern Regional Committee	No control
Central Regional Committee	No control
Public General Head Quarters	No control
Local Councils Association	No control
Malta Information Technology Agency	No control
Malta Tourism Authority	No control
Department of Lands	No control
Director of Inland Revenue	No control
Permanent Secretary - Ministry of Education	No control
Permanent Secretary - Ministry for Family & Social Solidarity	No control
Bank of Valletta plc	No control
Arms Limited	No control
Malta Environment & Planning Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Cleansing Services Department	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Ministry for Education and Employment	No control

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

	2013	2012
	€	€
Annual Financial Allocation	630,236	642,859

Key management compensation

Transactions with key management personnel are disclosed in note 7.

20. Financial Risk Management

The exposure to risk and the way risks arise, together with the Local Council's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below.

The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development.

Where applicable, any significant changes in the Local Council's exposure to financial risks or manner in which the council manages and measures these risks are disclosed below.

Where possible, the Local Council aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of the risk exposure associated with financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

<i>Categories of financial instruments</i>	2013	2012 (Restated)
	€	€
<i>Financial assets</i>		
Cash and bank balances	28,587	165,618
Receivables	200,143	279,890
	<u>228,730</u>	<u>445,508</u>
<i>Financial liabilities</i>		
Trade and other payables	162,336	139,577
Borrowings - current	215,683	317,212
Borrowings - long term	214,116	165,948
	<u>592,135</u>	<u>622,737</u>

The Council is exposed 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 flows by minimising the exposure to financial risks.

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

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 period, as summarised below:

	2013	2012 (Restated)
	€	€
Classes of financial assets - carrying amounts		
Receivables	200,143	279,890
Cash and cash equivalents	28,587	165,618
	<u>228,730</u>	<u>445,508</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 only with creditworthy counterparties. Receivables are presented net of provision for doubtful debts. A provision for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

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.

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

Liquid funds are placed with reputable banks with high quality external credit ratings, therefore credit risk is considered negligible.

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 funding to meet the Council's obligations when they become due.

The Council manages its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. At the end of the reporting period, the Local Council's net current liability position amounted to € (176,421) (2012 : € (29,980)). However the Council's liquidity risk is not deemed to be significant in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments.

At 31 December 2013 the Council's financial liabilities have contractual maturities which are summarised below:

	Current		Non- Current	
	<i>Payable within 1 year</i>	<i>Payable within 1 & 2 years</i>	<i>Payable within 2 & 5 years</i>	<i>Payable after more than 5 years</i>
31 December 2013	€	€	€	€
Payables	110,177	-	-	-
Accruals	21,471	-	-	-
Bank balance overdrawn	30,688	-	-	-
Third party borrowings	215,683	52,933	133,525	27,658
	<u>378,019</u>	<u>52,933</u>	<u>133,525</u>	<u>27,658</u>
31 December 2012				
Payables	96,525	-	-	-
Accruals	43,052	-	-	-
Third party borrowings	317,212	27,658	82,974	55,316
	<u>456,789</u>	<u>27,658</u>	<u>82,974</u>	<u>55,316</u>

21. Comparative Figures

Certain amounts have been re-classified to conform with the current year's presentation.

22. Going Concern

The Statement of Financial Position on 5 and the notes thereto, with special reference to capital commitments, suggest that the going concern assumption used in the preparation of these financial statements is dependent on further sources of funds other than the annual financial allocation by Central Government, on the collection of debts due to the Council and on the continued support of the Council's creditors. Any adverse change in either of these assumptions above, would not let the Council able to meet its financial obligations as they fall due without curtailing its future commitments.