

Local Council Birkirkara

Annual Audit Report

for the year ended 31 December 2012

Prepared by 3a



Contents

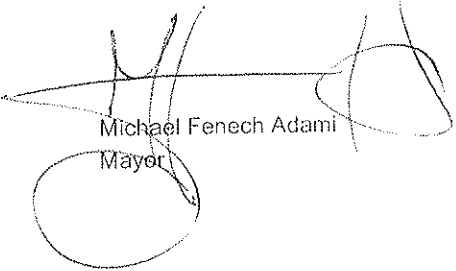
	Page
Statement of Local Council Members' and Executive Secretary's Responsibilities	1
Report of the Local Government Auditor to the Auditor General	2 - 3
Statement of Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 32

Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2012

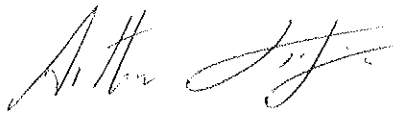
The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's Comprehensive Income for the year, and of the Council's retained funds at the end of year. By virtue of the same regulations 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 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 20 March 2013 and signed on its behalf by:



Michael Fenech Adami
Mayor



Arthur Pizzuto
Deputy Executive Secretary

Financial Statements for the year ended 31 December 2012

Report of the Local Government auditor to the Auditor General

We have audited the accompanying financial statements of Birkirkara Local Council which comprise the statement of financial position as at 31 December 2012, 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.

Auditor's 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. As from 1 January 2000, all income and expenditure from the Local Enforcement System (LES) were centralised through the Birkirkara Joint Committee and LES debtors at that date were transferred to the Joint Committee as well. The Birkirkara Joint Committee ceased operations on 31 August 2011 and LES was centralised through the Central Regional Committee as from 1 September 2011. As shown on page 14 of the financial statement LES income includes an amount of € 27,881 received during the year from Birkirkara Joint Committee. We were unable to determine the amount of further income the Council is entitled to receive from Birkirkara Joint Committee since its audited financial statements for the year ended 31 December 2012 were not made available to us.
2. Included with accrued income in note 13 to these financial statements is an amount of € 130,445 representing amounts which the council considers to be due in terms of an agreement entered into in 2007 with a third party. We were not provided with evidence showing that this amount is due and we were unable to satisfy ourselves as to the recoverability of this balance.
3. The Local Councils (Audit) Procedures, 2006 contain a specimen of the financial statements which Local Councils should adhere to. It further stipulates that in the case where this specimen is not in conformity with International Financial Reporting Standards (IFRSs), the latter should prevail.

The Council's financial statements for the year under review have been prepared in accordance with the specimen referred to above but do not take into consideration all the additional requirements that emerge from the applicable IFRS.

4. 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 2012

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

Qualified Opinion

In our opinion, except for the matters referred to in paragraphs 1, 2 and 3 under Basis for qualified opinion paragraph, the financial statements give a true and fair view of the financial position of Birkirkara Local Council as of 31 December 2012, and of the results of its operations, changes in net assets/equity and its cash flows for the year then ended in accordance with the accounting policies set out on pages 8 to 13.

Because of the matters set out in paragraphs 3 and 4 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 and because of the matter set out in paragraph 3 of these financial statements have not been prepared in accordance with International Financial Reporting Standards.

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 2012 the Council's current liabilities (excluding deferred Income) exceeded current assets (excluding prepayments and inventories) by € 702,280.

Moreover included with liabilities in these financial statements are balances of € 35,630 and € 433,607 due to two capital creditors for construction works. According to the statements issued by the two contractors the amounts due to them are higher by € 12,626 and € 157,134 respectively. The council has included these amounts as contingent liabilities in note 19 on grounds that it is disputing the differences. Should it result that part or all of the amounts currently in dispute have to be paid to the contractors the deficiency reported in the preceding paragraph will increase.

The significance of the deficiency casts doubt as to whether the Council will be able to meet its liabilities as they fall due.

As explained in note 25 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.



Mark Bugeja
f/Grant Thornton
Certified Public Accountants
Grant Thornton
Tower Business Centre, Suite 3
Tower Street
Swatar BKR 4013

20 March 2013

Statement of Comprehensive Income
for the year ended 31 December 2012

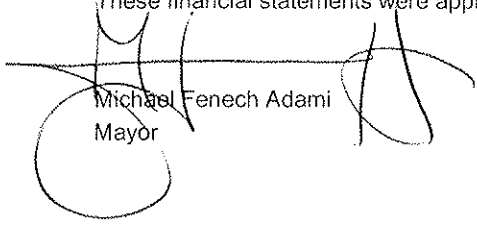
	Notes	2012 €	2011 €
Revenue			
Funds received from Central Government	3	1,343,876	1,176,201
Income raised under Local Council Bye-Laws	4	8,209	33,298
Income raised under Local Enforcement System	5	41,333	117,569
General Income	6	199,816	185,335
		<u>1,593,234</u>	<u>1,512,403</u>
Expenditure			
Personal Emoluments	7	(181,201)	(186,589)
Operations and maintenance	8	(784,032)	(636,186)
Administration and other expenditure	9	(723,838)	(739,882)
		<u>(1,689,071)</u>	<u>(1,562,657)</u>
Operating loss for the year		(95,837)	(50,254)
Finance income	10	294	176
		<u>(95,543)</u>	<u>(50,078)</u>
Asset impairment losses		-	(611)
Loss for the year	7	<u>(95,543)</u>	<u>(50,689)</u>

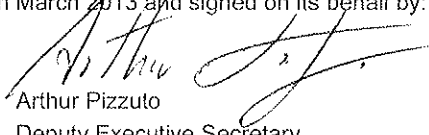
The notes on pages 8 to 32 form an integral part of these financial statements.

Statement of Financial Position
as at 31 December 2012

	Notes	2012 €	2011 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	11	4,132,611	3,535,780
		<u>4,132,611</u>	<u>3,535,780</u>
Current Assets			
Inventories	12	4,118	4,432
Receivables	13	566,039	321,997
Cash and cash equivalents	14	45,306	35,632
		<u>615,463</u>	<u>362,061</u>
Total Assets		<u>4,748,074</u>	<u>3,897,841</u>
RESERVES			
Retained earnings		1,449,055	1,544,598
Total equity		<u>1,449,055</u>	<u>1,544,598</u>
Non-Current Liabilities			
Long-term borrowings	17	302,654	333,225
Deferred income	15	1,587,972	871,240
		<u>1,890,626</u>	<u>1,204,465</u>
Current Liabilities			
Payables	16	1,408,393	1,148,778
		<u>1,408,393</u>	<u>1,148,778</u>
Total Liabilities		<u>3,299,019</u>	<u>2,353,243</u>
Total equity and liabilities		<u>4,748,074</u>	<u>3,897,841</u>

These financial statements were approved by the Local Council on 20th March 2013 and signed on its behalf by:


Michael Fenech Adami
Mayor


Arthur Pizzuto
Deputy Executive Secretary

The notes on pages 8 to 32 form an integral part of these financial statements.

Statement of Changes In Equity
for the year ended 31 December 2012

	Retained Funds	Total
	€	€
At 1 January 2011	1,595,287	1,595,287
Loss for the year	(50,689)	(50,689)
At 31 December 2011	1,544,598	1,544,598
At 1 January 2012	1,544,598	1,544,598
Loss for the year	(95,543)	(95,543)
At 31 December 2012	1,449,055	1,449,055
Equity interests	1,449,055	1,449,055

Statement of Cash Flows
for the year ended 31 December 2012

	2012		2011	
	€	€	€	€
Net loss for the year	(95,543)		(50,689)	
Reconciliation to cash generated from operations:				
Depreciation	350,067		274,128	
Impairment losses	-		611	
Movement in Provision for Doubtful Debts	6,172		52,961	
Interest receivable	(294)		(176)	
Operating profit before working capital changes	260,402		276,835	
Decrease in inventories	314		191	
(Increase) / decrease in receivables	(196,763)		72,235	
(Increase) in other receivables	(53,451)		(28,061)	
Increase in payables	159,154		251,269	
Increase / (decrease) in other payables	34,587		(119,370)	
Government grants released	(98,248)		(62,049)	
Cash generated in operating activities		105,995		391,050
Cash flow from Investing activities				
Interest received	294		176	
Purchase of property, plant & equipment	(946,898)		(1,069,054)	
Grants received	922,617		363,853	
Cash generated from investing activities		(23,987)		(705,025)
Cash from financing activities				
New long term third party debt	-		333,225	
Repayment of short term third party borrowings	(30,571)		-	
Repayment of other short term borrowings	(41,763)		-	
Cash generated from financing activities		(72,334)		333,225
Net Increase in cash in the year		9,674		19,250
Cash and equivalents at beginning of year		35,632		16,382
Cash and equivalents at end of year		45,306		35,632

1. General Information

The Birkirkara Local Council is the local authority of Birkirkara set up in accordance with the Local Councils Act(1993). The office of the Local Council is situated at Civic Centre, 2nd Floor, Tumas Fenech Street, Birkirkara. These financial statements were approved for issue by the Council Members on 20 March 2013. 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.

These financial statements are prepared in conformity with International Financial Reporting Standards as adopted by the EU as well as in compliance with the provision of the Local Councils Act.

New and amended standards adopted by the Local Council

The Council has adopted the following new and amended standards as of 1 January 2012:

On 7 October 2010, the IASB issued amendments to IFRS 7, which amendments are entitled Disclosures - Transfers of Financial Assets. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets. The amendments also require certain additional disclosures. The Amendments are applicable for annual periods beginning on or after 1 July 2011.

New important standards and amendments not yet adopted

The following standards and amendments to existing standards have been published and are mandatory (as applicable) for the Council's accounting periods beginning on or after 1 January 2013 or later periods, but the Council has not early adopted them:

On 16 June 2011, the IASB issued amendments to IAS 1, which amendments are entitled Presentation of Items of Other Comprehensive Income. These Amendments will require entities to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement. These amendments are effective for financial years beginning on or after 1 July 2012.

On 16 June 2011, the IASB issued an amended version of IAS 19 Employee Benefits. This represents the completion of the IASB's project to improve the accounting for pensions and other post-employment benefits. The amended version of IAS 19 comes into effect for financial years beginning on or after 1 January 2013.

On 12 May 2011, the IASB also issued IFRS 13 Fair Value Measurement. This Standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not require fair value measurements in addition to those already required or permitted by other IFRS. The Standard is applicable for annual periods beginning on or after 1 January 2013, with earlier application being permitted.

Disclosures-Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) was issued in December 2011. These amendments require entities to disclose information so that users of its financial statements are able to evaluate the effect or potential effect of netting arrangements and similar agreements on the entity's financial position. It is required to be applied for annual periods beginning on or after 1 January 2013.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) was issued in December 2011. The amendments clarify (a) the meaning of 'currently has a legally enforceable right of set-off'; and (b) that some gross settlement systems would be considered equivalent to net settlement if they eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle. The amendment is required to be applied for annual periods beginning on or after 1 January 2014.

New important standards and amendments not yet adopted by EU

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

IFRS 9 Financial Instruments is applicable for annual periods beginning on or after 1 January 2015. This Standard represents the completion of the classification and measurement part of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This Standard addresses the classification and measurement of certain financial assets and financial liabilities. IFRS 9 requires financial assets that fall within its scope to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Standard requires financial assets to be subsequently measured at amortised cost or at fair value. The new requirements in relation to financial liabilities address the problem of volatility in profit or loss arising from an issuer to measure its own debt at fair value. With the new requirements, any entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss.

Government Loans (Amendments to IFRS 1) was issued in 13 March 2012. The amendments are required to be applied for annual periods beginning on or after 1 January 2014.

Improvements to IFRS 2009-2011 was issued on 17 May 2012 and covers a number of limited improvements to existing IFRS, such as IFRS 1 in relation to repeat application and borrowing costs; IAS 1 in relation to clarification on comparative information; IAS 16 in relation to classification of servicing equipment; IAS 32 in relation to the tax effect on distribution to holders of equity instruments and IAS 34 in relation to interim financial reporting and segment information for total assets and liabilities.

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 Fixed Assets**Computer Software*

Computer software is valued at cost less accumulated depreciation and impairment losses to date. Depreciation to write off the cost is calculated on a monthly basis using the reducing balance method at 25% 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 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 date of Statement of Financial Position. 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 year 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.

Inventories

Inventories are valued at the lower of cost and net realisable value.

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 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 income statement 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 for non compliance are to be disclosed separately with expenses.

Local Enforcement System

The Birkirkara Local Council forms part of the Birkirkara Joint Committee. The amount disclosed in the financial statements under Local Enforcement Income represents the share of profits derived from the Joint Committee after deducting the related expenses from the income.

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 income statement on a straight line basis 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 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 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 IAS 1 (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 concern is still valid and
- that the Council maintains a positive working capital ratio.

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 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 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 for each identified group.

Financial Liabilities

The Council's financial liabilities included 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'.

3. Funds received from central government

	2012	2011
	€	€
In terms of section 55 of the Local Councils Act	1,146,794	1,089,450
EU Funding	9,100	20,662
Other Government Income	187,982	66,089
	<u>1,343,876</u>	<u>1,176,201</u>

4. Income raised from Bye-Laws

	2012	2011
	€	€
Bye-Law - Advertising on Street Furniture	932	1,863
Bye-Law - Use of facilities	208	11,204
Bye-Law - Organisation of Courses	7,069	20,231
	<u>8,209</u>	<u>33,298</u>

5. Local Enforcement System

	2012	2011
	€	€
Administration charge on fines collected	13,452	1,885
Sentenced Cases - Accrued Income	-	47,946
Share of Profit from Joint Committee	27,881	67,738
	<u>41,333</u>	<u>117,569</u>

6. General Income

	2012	2011
	€	€
Cultural Events	4,309	9,203
Sale of books and other merchandise	33	28
Rent Receivable	97,226	101,552
General Income	-	55
Tender Documents/Info. Charges	2,651	1,399
Media Advertising	4,787	2,790
Donations	-	101
Contributions	68,564	38,814
Refund of expenses	5,514	1,447
Insurance Claims	141	-
Income from Permits	16,591	29,946
	<u>199,816</u>	<u>185,335</u>

7. Loss for the year

	2012	2011
	€	€
(Deficit) for the year is stated after charging:		
Staff salaries	181,201	186,589
Depreciation of tangible assets	350,067	274,128
Loss on impairment of property, plant and equipment	-	611
	<u>-</u>	<u>611</u>

Staff salaries

	2012	2011
	€	€
Mayor's Allowance	13,079	15,930
Mayor's and Councillors' Allowance	14,920	14,800
Executive Secretary Salary and Allowances	30,579	28,796
Employees' Salaries	110,590	115,944
Social Security Contributions	12,033	11,119
	<u>181,201</u>	<u>186,589</u>

Average number of employees:

Employees	6	7
Mayor and councillors	13	13
	<u>19</u>	<u>20</u>

8. Operations and Maintenance

	2012	2011
	€	€
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	67,820	12,193
Signs	6,676	862
Road Markings	3,915	16,726
Office Furniture and Equipment	146	-
Civic Centre Expenses	2,986	5,869
Other repairs and Upkeep	77,973	11,852
	<u>159,516</u>	<u>47,502</u>
 <i>Contractual Services:</i>		
Waste Disposal	150,619	150,611
Refuse Collection	209,726	184,377
Bulky Refuse Collection	43,559	44,042
Cleaning Services	7,685	7,401
Road & Street Cleaning	104,500	104,500
Cleaning - Public Conveniences	21,850	22,790
Cleaning - Council Premises	8,475	8,645
Clean. & Maint. Parks & Gardens	59,332	41,383
Street Lighting	18,770	18,861
Studies & Consultations	-	6,074
	<u>624,516</u>	<u>588,684</u>
 Total Operations and Maintenance Costs	<u>784,032</u>	<u>636,186</u>

9. Administration and other expenditure

	2012	2011
	€	€
Utilities	109,533	78,282
Other repairs and upkeep	2,767	3,072
Rent	7,383	8,141
National and International Memberships	15	30
Office Services	34,565	31,649
Transport	15,304	21,335
Information Services	9,789	9,886
Lease of Equipment	5,280	6,167
Insurance Coverage	6,518	6,384
Bank Charges	279	372
Penalties - Department of Local Councils	-	24,839
IT Development Services	2,121	6,881
Architect/Engineering Services	20,301	1,374
Legal Services	9,000	8,298
EU Consultancy Services	6,136	8,024
Accountancy Services	9,480	9,480
Youth Empowerment Services	14,826	43,158
Handyman Service	24,153	18,802
Health inspector services	2,242	26,904
Security/Police Services	10,448	35,994
Project Management Services	17,073	11,524
Permits and Developments	415	468
Training	7,847	15,605
Entertainment	661	408
Conference Expenses	542	742
Visits - Foreign Delegations	-	140
Other Hospitality Costs	11,919	28
Social Events	-	2,036
Cultural Events	22,303	13,584
Community Services	14,067	17,689
Sundry Minor Expenses	2,632	1,497
Provision for Doubtful Debtors	6,172	52,961
Depreciation	350,067	274,128
	723,838	739,882

Local Council Birkirkara

Notes to the Financial Statements
for the year ended 31 December 2012

10. Finance Income

	2012 €	2011 €
Bank Interest Receivable	294	176
	<u>294</u>	<u>176</u>

Notes to the Financial Statements
for the year ended 31 December 2012

11. Property, plant and equipment

	Assets under construction €	New Street Signs €	Urban Improvements & Construction €	Plant, machinery & equipment €	Office Furniture & fittings €	Special Programmes €	Total €
Cost							
At 1 January 2011	938,803	174,653	1,375,215	72,649	49,426	2,765,579	5,376,325
Additions	1,066,512	-	631	1,144	767	-	1,069,054
Assets Capitalised	(791,775)	-	102,165	-	-	689,610	-
Reclassifications	-	-	512	-	-	(512)	-
Impairment	(611)	(282)	-	-	-	-	(893)
At 31 December 2011	1,212,929	174,371	1,478,523	73,793	50,193	3,454,677	6,444,486
Depreciation							
At 1 January 2011	-	174,653	728,029	31,584	18,320	1,251,001	2,203,587
On disposals/Impairment	-	(282)	-	-	-	-	(282)
Charge for the year	-	-	72,532	8,671	2,378	190,547	274,128
At 31 December 2011	-	174,371	800,561	40,255	20,698	1,441,548	2,477,433
Grants							
At 1 January 2011	-	-	141,357	-	-	289,916	431,273
At 31 December 2011	-	-	141,357	-	-	289,916	431,273
Net book values							
At 31 December 2011	1,212,929	-	536,605	33,538	29,495	1,723,213	3,535,780

**Notes to the Financial Statements
for the year ended 31 December 2012**

11. Property, plant and equipment

	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & equipment	Office Furniture & fittings	Special Programmes	Total
Cost	€	€	€	€	€	€	€
At 1 January 2012	1,212,929	174,371	1,478,523	73,793	50,193	3,454,677	6,444,486
Additions	860,637	-	15,996	1,218	-	69,047	946,898
Assets Capitalised	(1,403,242)	-	47,284	141,037	-	1,214,921	-
At 31 December 2012	670,324	174,371	1,541,803	216,048	50,193	4,738,645	7,391,384
Depreciation							
At 1 January 2012	-	174,371	800,561	40,255	20,698	1,441,548	2,477,433
Charge for the year	-	-	65,916	9,502	2,202	272,447	350,067
At 31 December 2012	-	174,371	866,477	49,757	22,900	1,713,995	2,827,500
Grants							
At 1 January 2012	-	-	141,357	-	-	289,916	431,273
At 31 December 2012	-	-	141,357	-	-	289,916	431,273
Net book values							
At 31 December 2012	670,324	-	533,969	166,291	27,293	2,734,734	4,132,611

Notes to the Financial Statements
for the year ended 31 December 2012

12. Inventories

	2012	2011
	€	€
Books and other publications	4,118	4,432
	<u>4,118</u>	<u>4,432</u>

13. Receivables

	2012	2011
	€	€
Receivables	208,360	11,597
Other receivables	3,646	2,662
Prepayments	140,191	96,653
	<u>352,197</u>	<u>110,912</u>
Financial assets		
Accrued income	213,842	211,085
	<u>566,039</u>	<u>321,997</u>

Notes to the Financial Statements
for the year ended 31 December 2012

Receivables

General receivables are analysed as follows:

	2012 €	2011 €
Within credit period	99,210	5,638
Exceeded credit period but not impaired	109,150	5,959
Impaired and provided for	12,640	5,015
Provision for doubtful debts	(12,640)	(5,015)
	<u>208,360</u>	<u>11,597</u>

Included in the receivables are debtors with a carrying amount of € 109,150 (2011: € 5,959) which are past due at the reporting date, for which the Council has not provided as there has not been significant change in the credit quality and the amounts are still considered recoverable. The age of financial assets past due but not impaired is as follows:

	2012 €	2011 €
Not more than 3 months	23,243	183
More than 3 months but not more than 6 months	73,644	1,105
More than 6 months	12,263	4,671
	<u>109,150</u>	<u>5,959</u>

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

	2012 €	2011 €
Balance as at 1 January	72,053	19,092
(Decrease) / increase in provision for LES debtors	(1,453)	47,946
Increase in provision for general receivables	7,625	5,015
Balance at 31 December	<u>78,225</u>	<u>72,053</u>

Local Enforcement System (LES) Debtors

LES Debtors are stated after a specific provision for doubtful debts amounting to € 65,585 (2011: € 67,038)

General Receivables

General receivables are stated after a specific provision for doubtful debts amounting to € 12,640 (2011: € 5,015)

14. Notes to the Statement of Cash Flows*Cash & cash equivalents*

Cash and cash equivalents included in the Statement of Cash Flows comprise the following amounts in the Statement of Financial Position:

	2012	2011
	€	€
Bank Balances	45,027	35,579
Cash in Hand	279	53
	<u>45,306</u>	<u>35,632</u>

15. Deferred Income	2012 €	2011 €
Government grants		
At 1 January 2012	871,240	611,199
Increase in year	922,617	363,853
	<u>1,793,857</u>	<u>975,052</u>
Released in year	(98,248)	(62,049)
At 31 December 2012	<u>1,695,609</u>	<u>913,003</u>
Current Deferred Income	<u>107,637</u>	<u>41,763</u>
Non-Current Deferred Income	<u>1,587,972</u>	<u>871,240</u>
Deferred Government Grants		
Deferred between one and two years	96,834	79,238
Deferred between two and five years	235,830	92,951
Deferred in five years or more	1,255,308	699,051
	<u>1,587,972</u>	<u>871,240</u>
Deferred after five years or more:		
Government Grants	<u>1,255,308</u>	<u>699,051</u>

Note

Included in grants carried forward to next year is the amount of € 378,985 representing Structural Funds and Cohesion Fund 2007-2013 for the Project Leaders - Local Councils. This grant is financing a regeneration of heritage route project promoted by the Birkirkara Local Council. There is also another grant financing an energy generation and conservation project promoted by the Birkirkara Local Council amounting to € 96,979.

16. Payables

	2012	2011
	€	€
Payables	1,085,891	926,737
Other taxes and social security costs	7,095	6,699
Other payables	-	4,050
Accruals	116,338	152,888
	<u>1,209,324</u>	<u>1,090,374</u>
Financial liabilities		
Deferred income	199,069	58,404
	<u>1,408,393</u>	<u>1,148,778</u>

17. Borrowings

	2012	2011
	€	€
Non-current		
Third party borrowings	<i>Note</i> <u>302,654</u>	<u>333,225</u>
Borrowings		
Repayable between one and two years	(54,837)	(124,959)
Repayable between two and five years	(144,735)	(124,959)
Repayable in five years or more	(103,082)	(83,307)
	<u>(302,654)</u>	<u>(333,225)</u>

Third party loan

Amount is payable to a supplier under the Public Private Partnership Scheme as per Memo 45/2010. It is repayable under contractual obligations over a six year period ending 2019.

18. Capital commitments

	2012 €	2011 €
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	56,000	8,000
(i) Approved but not yet contracted for:		
Office Furniture and Fittings	2,000	2,000
Urban Improvements	5,000	5,000
Office Equipment & Computer Equipment	4,000	1,000
CCTV Cameras	45,000	-
	56,000	8,000
(ii) Contracted for but not provided in the Financial Statements:		
	-	-

19. Contingent liabilities

The Council is contesting the following:

- a) Claim made by one of its service providers (Polidano Brothers) regarding amounts payable for construction services. The value of the claim amounts to €12,626 (2011: €129,670).
- b) Claim made by one of its service providers (V & C Contractors) regarding amounts payable for construction services. The value of the claim amounts to € 155,370
- c) Claim made by one of its service providers (Environmental Landscapes Consortium) regarding amounts payable for the maintenance of public gardens. The value of the claim amounts to € 12,669 (2011: € 12,669)
- d) Claim made by Wasteserv Malta Limited with respect to tipping fees. This dispute is arising following a directive issued to all Local Councils in Malta by the Association of Local Councils (Malta) not to pay for any tipping fee claims in excess of what has been allocated to them by Central Government.
- e) A Court case against it by Ms. Helen Sammut Alessi regarding alleged damages sustained by works performed by the Council at St. Helen Square. The amount could not be quantified.
- f) Claim made by one of its service providers (TCTC) regarding amounts payable for courses fees. The value of the claim amounts to € 35,000.

20. 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
Birkirkara Joint Committee (Local Enforcement)	Joint Control
Central Regional Committee	Joint Control
Gozo Regional Committee	No control
South Regional Committee	No control
North Regional Committee	No control
South East Regional Committee	No control
Malta Environment and Planning Authority	No control
Malta Tourism Authority	No control
Maltapost plc	No control
Malta Communications Authority	No control
MEUSAC	No control
Foundation for Educational Services	No control
Bank of Valletta plc	No control
Police General Headquarters	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Department of Public Cleansing	No control
Department of Information	No control
Department of Lands	No control
Commissioner of Data Protection	No control
Department of Health	No control
Department of Civil Protection	No control
Ministry for the Elderly	No control
Ministry for Information Technology and Communications	No control
Ministry for Resources and Rural Affairs	No control
Minsitry for Social Policy	No control
Department for Public libraries	No control
Wasteserv Malta Limited	No control
Msida Local Council	No Control

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

	2012	2011
	€	€
Annual Financial Allocation	1,146,794	1,089,450

Key management compensation

Transactions with key management personnel are disclosed in note 7.

Ultimate controlling party

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

21. 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 debtors. 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 sales of products are made to customers with appropriate credit history. In this respect, credit risk with respect to debtors 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 Council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period and is summarised as follows:

	2012 €	2011 €
Classes of financial assets - carrying amounts:		
Trade and other receivables	352,197	110,912
Cash and cash equivalents	45,306	35,632
	<u>397,503</u>	<u>146,544</u>

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 tries to monitor and manage its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. As at year end, the Council has cash and cash equivalents amounting to € 45,306. The Council also maintains a positive net asset position of € 1,449,055.

At 31 December 2012, the council's financial liabilities had contractual maturities which are summarised below:

	Current within 1 year €	Non - Current 1 to 5 years €	Non-Current later than 5 years €
Payables	1,085,891	-	-
Other taxes and social security costs	7,095	-	-
Accruals	<u>116,338</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements
for the year ended 31 December 2012

This compares to the maturity of the Council's financial liabilities in the previous reporting period as follows:

	Current within 1 year €	Non - Current 1 to 5 years €	Non-Current later than 5 years €
Payables	926,737	-	-
Other taxes and social security costs	6,699	-	-
Other creditors	4,050	-	-
Accruals	152,888	-	-

Foreign currency risk

Foreign currency transactions arise when the Council buys or sells goods whose price 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 maximizing the net interest income and expense.

22. Summary of financial assets and liabilities

The carrying amounts of the council's financial assets and liabilities as recognised at the reporting dates under review are categorised as follows.

	2012 €	2011 €
Current assets		
Loans and receivables:		
Trade and other receivables	352,197	110,912
Cash and cash equivalents	45,306	35,632
	<u>397,503</u>	<u>146,544</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	1,085,891	926,737
Other taxes and social security costs	7,095	6,699
Other creditors	-	4,050
Accruals	116,338	152,888
	<u>1,209,324</u>	<u>1,090,374</u>

23. 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.

24. Comparative Figures

Certain comparative figures were reclassified to compare with current year figures.

25. Going Concern

The statement of financial position on page 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.