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**Local Council Birkirkara**  
**Annual Audit Report**  
**for the year ended 31 December 2011**

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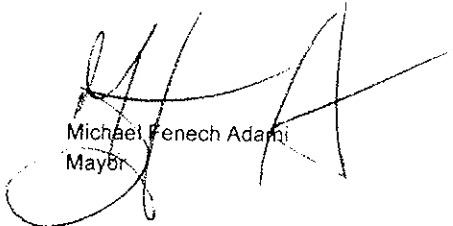
**Local Council Birkirkara**

**Statement of Local Council Members' and Executive Secretary's Responsibilities  
for the year ended 31 December 2011**

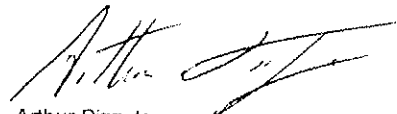
The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's Comprehensive Income for the year, and of the Council's retained funds at the end of year. By virtue of the same regulations 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 30 April 2012 and signed on its behalf by:



Michael Fenech Adami  
Mayor



Arthur Pizzuto  
Deputy Executive Secretary

## **Local Council Birkirkara**

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### **Financial Statements for the year ended 31 December 2011**

#### **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 2011, 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. 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 € 67,738 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 2011 were not made available to us.
2. The council has awarded a number of construction contracts to one particular supplier. The financial statements show that at balance sheet date the supplier was overpaid an amount of € 3,759. However on the basis of the invoices issued by the supplier, the latter is claiming an additional sum of € 129,670. The council has not reconciled the amount shown in its accounting records with that claimed by the supplier and has disclosed the additional amount claimed as a contingent liability in note 19. In view of this we were unable to satisfy ourselves as to the existence of the amount of € 3,759 shown as due to the council and as to the completeness of the additions to fixed assets recognised in these financial statements.
3. 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.
4. 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.

**Local Council Birkirkara**

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**Financial Statements for the year ended 31 December 2011**

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

5. 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.

Excluded from these financial statements are the budgeted figures for the year. This is not in accordance with the Local Councils (Financial) Procedures, 1996

***Qualified Opinion***

Except for the matters referred to in paragraphs 1, 2 and 3 under basis of qualified opinion paragraph, the financial statements give a true and fair view of the financial position of Birkirkara Local Council as of 31 December 2011, 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 matter set out in paragraphs 4 and 5 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 4 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 2011 the Council's current liabilities (excluding deferred Income and other creditors) exceeded current assets (excluding prepayments and inventories) by € 742,960. 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 24 to these financial statements, the going concern assumption underlying 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  
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Certified Public Accountants  
Grant Thornton  
Tower Business Centre, Suite 3  
Tower Street  
Swatar BKR 4013

30 April 2012

Local Council Birkirkara

Statement of Comprehensive Income  
for the year ended 31 December 2011

	Notes	2011 €	2010 €
<b>Revenue</b>			
Funds received from Central Government	3	1,176,201	1,152,822
Income raised under Local Council Bye-Laws	4	33,298	11,206
Income raised under Local Enforcement System	5	117,569	24,700
General Income	6	185,335	251,223
		<u>1,512,403</u>	<u>1,439,951</u>
<b>Expenditure</b>			
Personal Emoluments	7	(186,589)	(171,416)
Operations and maintenance	8	(636,186)	(639,780)
Administration and other expenditure	9	(739,882)	(645,563)
		<u>(1,562,657)</u>	<u>(1,456,759)</u>
<b>Operating loss for the year</b>		(50,254)	(16,808)
Finance income	10	176	221
		<u>(50,078)</u>	<u>(16,587)</u>
Asset impairment losses		(611)	-
<b>Loss for the year</b>	7	<u>(50,689)</u>	<u>(16,587)</u>

The notes on pages 8 to 28 form an integral part of these financial statements

Local Council Birkirkara

Statement of Financial Position  
as at 31 December 2011

	Notes	2011 31 December €	2010 31 December €
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	11	3,535,780	2,741,465
		<u>3,535,780</u>	<u>2,741,465</u>
<b>Current Assets</b>			
Inventories	12	4,432	4,623
Receivables	13	321,997	419,132
Cash and cash equivalents	14	35,632	16,382
		<u>362,061</u>	<u>440,137</u>
<b>Total Assets</b>		<u><b>3,897,841</b></u>	<u><b>3,181,602</b></u>
<b>EQUITY</b>			
<b>Reserves</b>			
Retained earnings		1,544,598	1,595,287
<b>Total equity</b>		<u><b>1,544,598</b></u>	<u><b>1,595,287</b></u>
<b>Non-Current Liabilities</b>			
Long-term borrowings	17	333,225	-
Deferred income	15	871,240	596,916
		<u>1,204,465</u>	<u>596,916</u>
<b>Current Liabilities</b>			
Payables	16	1,148,778	989,399
		<u>1,148,778</u>	<u>989,399</u>
<b>Total Liabilities</b>		<u><b>2,353,243</b></u>	<u><b>1,586,315</b></u>
<b>Total equity and liabilities</b>		<u><b>3,897,841</b></u>	<u><b>3,181,602</b></u>

These financial statements were approved by the Local Council on 30th April 2012 and signed on its behalf by:

Michael Fenech Adami  
Mayor

Arthur Pizzuto  
Deputy Executive Secretary

The notes on pages 8 to 28 form an integral part of these financial statements.

**Local Council Birkirkara**

**Statement of Changes in Equity  
for the year ended 31 December 2011**

	<b>Retained Funds</b>	<b>Total</b>
	<b>€</b>	<b>€</b>
<b>At 1 January 2010</b>	1,611,874	1,611,874
Loss for the period	(16,587)	(16,587)
<b>At 31 December 2010</b>	1,595,287	1,595,287
<b>At 1 January 2011</b>	1,595,287	1,595,287
Loss for the year	(50,689)	(50,689)
<b>At 31 December 2011</b>	1,544,598	1,544,598
Equity interests	1,544,598	1,544,598



**Local Council Birkirkara**

**Statement of Cash Flows  
for the year ended 31 December 2011**

	<b>2011</b>		<b>2010</b>	
	€	€	€	€
<b>Net loss for the year</b>	(50,689)		(16,587)	
Reconciliation to cash generated from operations:				
Depreciation	274,128		191,748	
Impairment losses	611		-	
Movement in Provision for Doubtful Debts	52,961		19,092	
Interest receivable	(176)		(221)	
Operating profit before working capital changes	276,835		194,032	
Decrease in inventories	191		2,704	
Decrease / (increase) in receivables	72,235		(36,301)	
(Increase) in other receivables	(28,061)		(146,984)	
Increase in payables	251,269		97,266	
(Decrease) / increase in other payables	(119,370)		182,573	
Government grants released	(62,049)		(15,241)	
<b>Cash generated in operating activities</b>		<b>391,050</b>		<b>278,049</b>
<b>Cash flow from investing activities</b>				
Interest received	176		221	
Purchase of property, plant & equipment	(1,069,054)		(559,048)	
Grants received	363,853		282,843	
<b>Cash generated from investing activities</b>		<b>(705,025)</b>		<b>(275,984)</b>
<b>Cash from financing activities</b>				
New long term third party debt	333,225		-	
<b>Cash generated from financing activities</b>		<b>333,225</b>		<b>-</b>
<b>Net Decrease in cash in the year</b>		<b>19,250</b>		<b>2,065</b>
Cash and equivalents at beginning of year		16,382		14,317
<b>Cash and equivalents at end of year</b>		<b>35,632</b>		<b>16,382</b>

**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 30 April 2012. 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 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*

The Council has adopted the following new and amended standards as of 1 January 2011:

On 6 May 2010, the IASB completed its annual improvements project, entitled Improvements to IFRS. This project incorporates amendments to a number of IFRSs, including IFRS 7 Financial Instruments: Disclosures, IAS 1 Presentation of Financial Statements and IAS 34 Interim Financial Reporting. The IFRS 7 Amendment addresses a perceived lack of clarity in the intended interaction between the qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments and clarifies the required level of disclosure in connection with credit risk. The IAS 1 Amendment clarifies that entities may present the required reconciliations for each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The IAS 34 Amendment emphasises the principle in IAS 34 that the disclosure about significant events and transactions in interim periods should update the relevant information presented in the most recent annual financial report and clarifies how to apply this principle in respect of financial instruments and their fair value. The Amendments, which have been endorsed by the European Union, are applicable for annual periods beginning on or after 1 January 2011, with earlier application being permitted:

- IAS 24 - Related party disclosures (effective 1 January 2011) Amendments simplified the definition of a related party, clarified its intended meaning and eliminating inconsistencies from the definition. It also provided for a partial exemption from the disclosure requirements for government-related entities.

*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 Local Council's accounting periods beginning on or after 1 January 2012 or later periods, but the Local Council has not early adopted them:

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 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 2013, with earlier application being permitted. 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. This Standard had not yet been adopted by the EU at the date of authorisation of these financial statements

- 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. IFRS 13 has not yet been endorsed by the European Union at the date of authorisation of these financial statements

- 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 Local Councils to group together items within other comprehensive income that may be reclassified to the profit or loss section of the Statement of Comprehensive Income. These amendments are effective for financial years beginning on or after 1 July 2012. The Amendments have not yet been endorsed by the European Union at the date of authorisation of these financial statements

The Councillors and Executive Secretary are 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 Councillors and Executive Secretary anticipate 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 Statement of Comprehensive Income 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.

During the year under review the Local Council has opted to early adopt the partial exemptions as provided by IAS 24, effective from periods starting 1 January 2011. The paragraphs adopted from IAS 24 are paragraphs 25 - 27, being amendments to government related entities' disclosures

**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.

**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.

As from 1 September 2011, the Central Regional Committee has taken over the Local Enforcement System function and the Council receives 10% administrative reimbursement on fines collected.

**Government grants**

Government grants relating to costs are deferred and recognised in the Statement of Comprehensive Income 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.

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

**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 positive 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 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 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 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'.

**3. Funds received from central government**

	2011 €	2010 €
In terms of section 55 of the Local Councils Act	1,089,450	1,081,144
Supplementary Government Income	-	20,000
EU Funding	20,662	29,605
Other Government Income	66,089	22,073
	<b>1,176,201</b>	<b>1,152,822</b>

**Notes to the Financial Statements  
for the year ended 31 December 2011**

**4. Income raised from Bye-Laws**

	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
Bye-Law - Advertising on Street Furniture	1,863	6,197
Bye-Law - Use of facilities	11,204	4,484
Bye-Law - Organisation of Courses	20,231	525
	<u>33,298</u>	<u>11,206</u>

**5. Local Enforcement System**

	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
Administration charge on fines collected	1,885	-
Sentenced Cases - Accrued Income	47,946	-
Share of Profit from Joint Committee	67,738	24,700
	<u>117,569</u>	<u>24,700</u>

**6. General Income**

	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
Cultural Events	9,203	9,114
Sale of books and other merchandise	28	3
Rent Receivable	101,552	86,482
General Income	55	27
Tender Documents/Info Charges	1,399	5,597
Media Advertising	2,790	-
Donations	101	264
Contributions	38,814	130,028
Refund of expenses	1,447	1,303
Income from Permits	29,946	18,405
	<u>185,335</u>	<u>251,223</u>



**Local Council Birkirkara**

**Notes to the Financial Statements  
for the year ended 31 December 2011**

**7. Loss for the year**

		<b>2011</b>	<b>2010</b>
		<b>€</b>	<b>€</b>
(Deficit) for the year is stated after charging:			
Staff salaries	<i>Note</i>	186,589	171,416
Depreciation of tangible assets		274,128	191,748
Loss on impairment of property, plant and equipment		611	-
		<u>461,328</u>	<u>363,164</u>

**Staff salaries**

	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
Mayor's Allowance	15,930	9,546
Councillors' Allowance	14,800	15,300
Executive Secretary Salary and Allowances	28,796	29,657
Employees' Salaries	115,944	106,244
Social Security Contributions	11,119	10,669
	<u>186,589</u>	<u>171,416</u>

**8. Operations and Maintenance**

	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
<i>Repairs and Upkeep.</i>		
Road/Street Pavements	12,193	2,692
Signs	862	4,830
Road Markings	16,726	7,580
Civic Centre Expenses	5,869	1,381
Plant & Equipment	-	2,489
Sundry Repairs	-	54
Other repairs and Upkeep	11,852	10,358
	<u>47,502</u>	<u>29,384</u>

**Local Council Birkirkara**

**Notes to the Financial Statements  
for the year ended 31 December 2011**

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<i>Contractual Services:</i>			
Waste Disposal	150,611	139,022	
Refuse Collection	184,377	168,764	
Bulky Refuse Collection	44,042	44,053	
Collection of Separation Bins		5,028	
Cleaning Services	7,401	3,573	
Road & Street Cleaning	104,500	104,695	
Cleaning - Public Conveniences	22,790	21,850	
Cleaning - Council Premises	8,645	8,433	
Clean. & Maint. Parks & Gardens	41,383	68,681	
Street Lighting	18,861	14,456	
Studies & Consultations	6,074	31,841	
	<u>588,684</u>	<u>610,396</u>	
Total Operations and Maintenance Costs	<u>636,186</u>	<u>639,780</u>	

**9. Administration and other expenditure**

	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
Utilities	78,282	82,070
Other repairs and upkeep	3,072	1,885
Rent	8,141	7,675
National and International Memberships	30	12
Office Services	31,649	31,777
Transport	21,335	16,061
Information Services	9,886	8,647
Lease of Equipment	6,167	8,258
Insurance Coverage	6,384	6,919
Bank Charges	372	149
Penalties - Department of Local Councils	24,839	-
IT Development Services	6,881	9,537
Architect/Engineering Services	1,374	30,636
Legal Services	8,298	8,265
EU Consultancy Services	8,024	1,672
Accountancy Services	9,480	9,472
Youth Empowerment Services	43,158	27,548
Handyman Service	18,802	49,671
Health Inspector services	26,904	15,694
Security/Police Services	35,994	38,889
Project Management Services	11,524	15,341
Permits and Developments	468	757
Training	15,605	1,512
Entertainment	408	36
Conference Expenses	742	1,140
Visits - Foreign Delegations	140	-
Other Hospitality Costs	28	-
Social Events	2,036	1,255
Cultural Events	13,584	34,727
Community Services	17,689	20,563
Sundry Minor Expenses	1,497	4,555
Provision for Doubtful Debtors	52,961	19,092
Depreciation	274,128	191,748
	<b>739,882</b>	<b>645,563</b>

10. Finance Income

	2011 €	2010 €
Bank Interest Receivable	176	221
	<u>176</u>	<u>221</u>

Notes to the Financial Statements  
for the year ended 31 December 2011

11. Property, plant and equipment

	Assets under construction €	New Street Signs €	Urban Improvements & Construction €	Plant, machinery & equipment €	Office Furniture & fittings €	Special Programmes €	Total €
<b>Cost</b>							
At 1 January 2010	420,652	174,653	1,365,319	43,471	47,603	2,765,579	4,817,277
Additions	518,151	-	9,896	29,178	1,823	-	559,048
At 31 December 2010	938,803	174,653	1,375,215	72,649	49,426	2,765,579	5,376,325
<b>Depreciation</b>							
At 1 January 2010	-	174,653	668,818	24,417	16,053	1,126,970	2,010,911
Reclassification	-	-	928	-	-	-	928
Charge for the year	-	-	58,283	7,167	2,267	124,031	191,748
At 31 December 2010	-	174,653	728,029	31,584	18,320	1,251,001	2,203,587
<b>Grants</b>							
At 1 January 2010	-	-	141,357	-	-	290,844	432,201
Reclassification	-	-	-	-	-	(928)	(928)
At 31 December 2010	-	-	141,357	-	-	289,916	431,273
<b>Net book values</b>							
At 31 December 2010	938,803	-	505,829	41,065	31,106	1,224,662	2,741,465

Notes to the Financial Statements  
for the year ended 31 December 2011

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	1,477,499	73,793	50,193	3,455,701	6,444,486
<b>Depreciation</b>							
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
<b>Grants</b>							
At 1 January 2011	-	-	141,357	-	-	289,916	431,273
At 31 December 2011	-	-	141,357	-	-	289,916	431,273
<b>Net book values</b>							
At 31 December 2011	1,212,929	-	535,561	33,538	29,495	1,724,237	3,535,780

**12. Inventories**

	2011 €	2010 €
Books and other publications	4,432	4,623
	<u>4,432</u>	<u>4,623</u>

**13. Receivables**

	2011 €	2010 €
Receivables	11,597	83,832
Other receivables	2,662	1,774
Accrued income	293,473	322,402
<b>Financial assets</b>	<b>307,732</b>	<b>408,008</b>
Prepayments	14,265	11,124
	<u>321,997</u>	<u>419,132</u>

*Receivables*

General receivables are analysed as follows:

	2011 €	2010 €
Within credit period	5,638	57,996
Exceeded credit period but not impaired	5,959	25,836
Impaired and provided for	5,015	-
Provision for doubtful debts	(5,015)	-
	<u>11,597</u>	<u>83,832</u>

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:

	2011 €	2010 €
Bank Balances	35,579	16,009
Cash in Hand	53	373
	<u>35,632</u>	<u>16,382</u>



**Notes to the Financial Statements  
for the year ended 31 December 2011**

<b>15. Deferred income</b>	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
<b>Government grants</b>		
At 1 January 2011	611,199	343,597
Increase in year	363,853	282,843
	<u>975,052</u>	<u>626,440</u>
Released in year	(62,049)	(15,241)
At 31 December 2011	<u>913,003</u>	<u>611,199</u>
<b>Current Deferred income</b>	<u>41,763</u>	<u>14,283</u>
<b>Non-Current Deferred income</b>	<u>871,240</u>	<u>596,916</u>
	<i>Note</i>	
<b>Deferred Government Grants</b>		
Deferred between one and two years	79,238	26,999
Deferred between two and five years	92,951	31,513
Deferred in five years or more	740,814	552,687
	<u>913,003</u>	<u>611,199</u>
<b>Deferred after five years or more:</b>		
Government Grants	<u>740,814</u>	<u>552,687</u>

**Note**

Included in grants carried forward to next year is the amount of € 32,734 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.

<b>16. Payables</b>	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
Payables	926,737	675,468
Other taxes and social security costs	6,699	8,348
Other creditors	4,050	101
Accruals	152,888	188,323
<b>Financial liabilities</b>	<u>1,090,374</u>	<u>872,240</u>
<b>Deferred Income</b>	<u>58,404</u>	<u>117,159</u>
	<u>1,148,778</u>	<u>989,399</u>

**Notes to the Financial Statements  
for the year ended 31 December 2011**

**17. Borrowings**

		<b>2011</b>	<b>2010</b>
		<b>€</b>	<b>€</b>
<b>Non-current</b>			
Third party borrowings	<i>Note</i>	333,225	-
<b>Borrowings</b>			
Repayable between one and two years		(124,959)	-
Repayable between two and five years		(124,959)	-
Repayable in five years or more		(83,307)	-
		<b>(333,225)</b>	<b>-</b>

*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 seven year period ending 2019.

**18. Capital commitments**

	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	8,000	30,000
Contracted for but not provided in the financial statements	-	209,000

(i) Approved but not yet contracted for:

New Street Signs	-	15,000
Office Furniture and Fittings	2,000	5,000
Urban Improvements	5,000	5,000
Office Equipment & Computer Equipment	1,000	5,000
	8,000	30,000

(ii) Contracted for but not provided in the Financial Statements:

Paving & Road Resurfacing	-	209,000
	-	209,000

#### 19. Contingent liabilities

The Council is contesting the following:

- a) Claim made by one of its service providers regarding amounts payable for construction services. The value of the claim amounts to €129,670 (2010: €102,178).
- b) Claim made by its architect on professional fees amounting to €24,476 (2010: €24,476).
- c) 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.
- d) 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.

**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

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

	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
Annual Financial Allocation	1,089,450	1,081,144

**Key management compensation**

Transactions with key management personnel are disclosed in note 7.

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

	€
- Receivables from Related Parties	4,332

### *Liquidity risk*

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact, at year end, the Council has as cash and cash equivalents the amount of € 35,632. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net asset position of € 1,544,598 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

### *Foreign currency risk*

Foreign currency transactions arise when the Council buys or sells goods whose 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. 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.

**23. Comparative Figures**

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

**24. 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.