


Our Ref.: NAO 107/2010/5

Your Ref.:

8<sup>th</sup> May 2014

The Mayor and Executive Secretary  
Bormla Local Council  
Bormla

<b>RECEIVED</b>
9 MAY 2014
Reg: 05/112/11/4/1
<b>CONFIRMED SEEN</b>
MAYOR:
EXEC. SEC.: 
OTHER:

Dear Sir/Madam,

**AUDIT REPORT and FINANCIAL STATEMENTS  
YEAR ENDING 31 DECEMBER 2013**

In terms of Section P2.06 (c.02) of the Local Councils (Audit) Procedures 2006, I am forwarding a copy of the Audit Report and Financial Statements, together with the Management Letter for the financial year ending 31 December 2013.

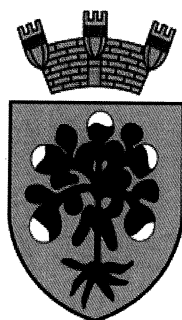
After seeking the Council's approval, you are kindly requested to submit your response to the Director (Local Government), the Local Government Auditor, and to this Office as stipulated in Section P2.06 (d) of the same Procedures, by not later than six weeks following receipt of this letter.

Yours faithfully,



**Tanya Mercieca**  
Asst. Auditor General

Encls.



LOCAL COUNCIL BORMLA  
Report and Financial Statements  
for the year ended 31 December 2013

**REGISTRY**

- 6 MAY 2014

NATIONAL AUDIT OFFICE

# **BORMLA LOCAL COUNCIL**

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# **BORMLA LOCAL COUNCIL**

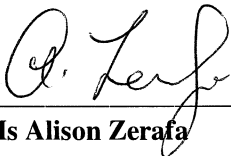
## **Statement of Council Members' and Executive Secretary's Responsibilities** for the year ended 31 December 2013

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The Local Councils (Financial) Regulations 1993 require the Secretary to prepare a detailed Annual Administrative Report which includes a statement of the Council's income and expenditure for the year and of the Council's retained funds at the end of the year. By virtue of the same regulations it is the duty of the Council and the Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with accounting policies applicable to Local Councils, the income and expenditure of the Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, 1993, and the Local Council (Financial) Procedures, 1996 issued in terms of the said Act.

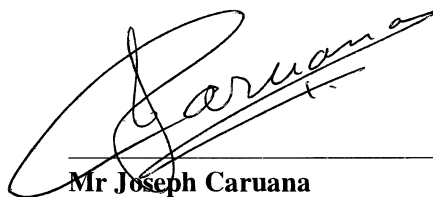
This entails, inter alia, responsibility for ensuring that an appropriate system of internal control is in operation to provide them with reasonable assurance that the assets of the Council are properly safeguarded, that fraud and other irregularities will be detected and that the operations of the Council are properly conducted in accordance with the Local Councils Act, 1993, the Local Council (Financial) Regulations, 1993, and the policies, systems and time scales referred to in the Local Council (Financial) Procedures, 1996.

The financial statements were approved by the Council on 24/04/2014 and signed on its behalf by:



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**Ms Alison Zerafa**  
**Mayor**



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**Mr Joseph Caruana**  
**Executive Secretary**

# BORMLA LOCAL COUNCIL

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

	Notes	2013 €	2012 €
<b>Revenue</b>			
Funds received from Central Government	5	430,293	429,483
Income raised from Council Bye-Laws	6	2,610	2,671
Income from Law Enforcement System	7	2,931	3,592
Investment income	8	394	331
General income	9	47,070	79,643
		<u>483,298</u>	<u>515,720</u>
<b>Expenditure</b>			
Personal emoluments	10	106,514	104,426
Operations and maintenance	11	237,510	291,071
Administrative and other expenditure	12	136,069	151,905
		<u>480,093</u>	<u>547,402</u>
<b>Net Profit/(Loss) for the year</b>		<u>3,205</u>	<u>(31,682)</u>

The notes on pages 6 to 22 form an integral part of these financial statements.

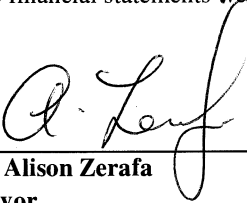
# BORMLA LOCAL COUNCIL

## Statement of Financial Position

at 31 December 2013

	Notes	2013 €	2012 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	13	287	383
Property, plant and equipment	14	426,032	392,800
		<u>426,319</u>	<u>393,183</u>
<b>Current assets</b>			
Trade and other receivables	15	30,706	180,689
Cash at bank and in hand	16	50,185	59,628
		<u>80,891</u>	<u>240,317</u>
<b>Total assets</b>		<u>507,210</u>	<u>633,500</u>
<b>RESERVES AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Retained earnings		298,938	295,733
<b>Total Reserves</b>		<u>298,938</u>	<u>295,733</u>
<b>Non-current liabilities</b>			
Deferred income	18	103,636	38,049
<b>Current liabilities</b>			
Overdrawn bank balance	17	193	17,540
Trade and other payables	19	104,443	282,178
		<u>104,636</u>	<u>299,718</u>
<b>Total liabilities</b>		<u>208,272</u>	<u>337,767</u>
<b>Total Reserves and liabilities</b>		<u>507,210</u>	<u>633,500</u>

The financial statements were approved by the Council on 24/04/2014 and signed on its behalf by:

  
Ms Alison Zerafa  
Mayor

  
Mr Joseph Caruana  
Executive Secretary

The notes on pages 6 to 22 form an integral part of these financial statements.

# **BORMLA LOCAL COUNCIL**

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

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	<b>Retained earnings €</b>
<b>At 1 January 2012</b>	327,415
Net deficit for the year	(31,682)
<b>At 31 December 2012</b>	<u>295,733</u>
Net surplus for the year	3,205
<b>At 31 December 2013</b>	<u><u>298,938</u></u>

# BORMLA LOCAL COUNCIL

## Statement of Cash Flows

for the year ended 31 December 2013

	Notes	2013 €	2012 €
<b>Cash flows from operating activities</b>			
Surplus/(Deficit) for the year		3,205	(31,682)
Adjustments for:			
Depreciation		41,177	38,562
Amortisation		96	127
Interest received		(394)	(331)
Interest paid		-	-
		<u>44,084</u>	<u>6,676</u>
Working capital changes:			
Decrease in trade and other receivables		149,983	69,877
Increase in deferred income		69,884	38,049
(Decrease) in trade and other payables		(177,735)	(41,996)
Net cash flows from operating activities		<u>86,216</u>	<u>72,606</u>
<b>Cash flows from investing activities</b>			
Acquisition of intangible assets		-	(510)
Proceeds from disposal of intangible assets		7,969	1,838
Acquisition of property, plant and equipment		(82,379)	(32,017)
Interest received		394	331
Net cash flows from investing activities		<u>(74,016)</u>	<u>(30,358)</u>
<b>Cash flows from financing activities</b>			
(Decrease) in deferred income		(4,297)	(11,984)
Net cash flows from financing activities		<u>(4,297)</u>	<u>(11,984)</u>
<b>Movement in cash and cash equivalents</b>		<u>7,903</u>	<u>30,264</u>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Movement in cash and cash equivalents		7,903	30,264
Cash and cash equivalents at start of year		42,089	11,825
Cash and cash equivalents at end of year		<u>49,992</u>	<u>42,089</u>
<b>Cash and cash equivalents</b>			
Cash at bank and in hand	16	50,185	59,629
Bank balance overdrawn	17	(193)	(17,540)
		<u>49,992</u>	<u>42,089</u>



# BORMLA LOCAL COUNCIL

## Notes to the Financial Statements

for the year ended 31 December 2013

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### 1. General information

The Bormla Local Council is a local government set up by the Local Council Act, 1993. Its ultimate controlling party is the Local Councils Department within the Office of the Prime Minister.

### 2. Accounting policies

#### *Accounting convention and basis of preparation*

These financial statements are presented using the Euro, being the currency that reflects the economic substance of the underlying events and circumstances relevant to the company. They are prepared under the historical cost convention as modified by the fair valuation convention where required by International Financial Reporting Standards, and the requirements of International Financial Reporting Standards as adopted by the EU. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies (see Note 3 - Critical accounting estimates and judgements).

#### *Standards and amendments to existing standards effective 1 January 2011*

The amendment to IAS 24, 'Related party disclosures', clarifies the definitions of a related party. The new definition clarifies in which circumstances persons and key management personnel affect related party relationships of an entity. The amendment also introduces an exemption from the general related-party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity.

IFRS 7 (amendment) 'Financial instruments: Disclosures'. This amendment was part of the IASB's annual improvement project published in May 2010. The amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments.

There are no other standards, interpretations or amendments to existing standards that are effective that would be expected to have a significant impact on the Council.

#### *New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted*

IFRS 12, 'Disclosures of interests in other entities', effective for annual periods beginning on or after 1 January 2013, includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The new standard is not expected to have any impact on the Council's financial position or performance.

# BORMLA LOCAL COUNCIL

## Notes to the Financial Statements

for the year ended 31 December 2013

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IFRS 9, 'Financial instruments', effective for annual periods beginning on or after 1 January 2015, specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. The application of the new standard will not have a significant impact on amounts reported in the Council's financial assets and liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Council.

### *Intangible assets*

Intangible assets are initially recorded at cost. They are subsequently stated at cost less accumulated amortisation and impairment losses. Intangible assets are amortised at 25% per annum, using the straight line method.

### *Property, plant and equipment*

Land and buildings held for use in the production or supply of goods or services, or for administration purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

A revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reserves a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserves relating to a previous revaluation of that asset.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Furniture and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

# BORMLA LOCAL COUNCIL

## Notes to the Financial Statements

for the year ended 31 December 2013

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Freehold land is not depreciated.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the reducing balance method. The estimated useful lives, residual values and depreciation method are renewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

### *Impairment of property, plant and equipment*

At the end of each reporting period, the Council reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Council estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

# BORMLA LOCAL COUNCIL

## Notes to the Financial Statements

for the year ended 31 December 2013

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Property, plant and equipment are stated at cost less accumulated depreciation and grants received for specific projects. Depreciation is calculated on a monthly basis using the reducing balance method at rates estimated to write down the cost of all tangible fixed assets, other than land and trees over their expected useful lives as follows:

Trees	0%
Motor Vehicles	- 20%
Office Equipment	- 10%
Urban improvements (street furniture)	- 10%
Plant and machinery	- 20%
Furniture and fittings	- 7.5%
New street signs	- 100%
Construction works	- 10%
Assets not yet capitalised	- 0%

Certain depreciation rates such as those of plants, litter bins, playground equipment, street lighting and street signs had their depreciation rate changed from 10% to 100% in October 2002 by virtue of Legal Notice 323 of 2002.

### *Provisions*

Provisions are recognised when the Council has a present obligation (legal or constructive) as a result of a past event, it is probable that the Council will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### *Foreign currencies*

In preparing the financial statements of the Council, transactions in currencies other than the Council's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical costs in a foreign currency are not retranslated.

# BORMLA LOCAL COUNCIL

## Notes to the Financial Statements

for the year ended 31 December 2013

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### *Income recognition*

Income in general is stated when there is reasonable certainty that the income would be receivable and thus can be accrued for. Other income such as that derived from the organisation of courses, cultural, sporting and social activities is only recognised on a cash basis.

Income from investment activities is recognised when the rights of receipt have been established.

Interest income from financial assets is recognised when it is probable that the economic benefits will flow to the Council and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### *Cash and cash equivalents*

Cash and cash equivalents consist of cash in hand and balances with banks less bank overdrafts. Bank overdrafts that are repayable on demand and form part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

## 3. 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.

### *Critical judgements in applying accounting policies*

The following are the critical judgements, apart from those involving estimations (see below), that the Members have made in the process of applying the Council's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

### Revenue recognition

In making their judgement, the Council Members considered the detailed criteria for the recognition of revenue from the Law Enforcement System.

### *Key sources of estimation uncertainty*

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### Useful lives of property, plant and equipment

The useful lives of property, plant and equipment is determined by the Local Government Department, within the Office of the Prime Minister and the Council reviews the fixed assets register items at the end of each accounting period with a view to identify any obsolete items.

# BORMLA LOCAL COUNCIL

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

### 4. Going concern

The statement of financial position suggests that the going concern assumption used in the preparation of these financial statements is dependent on further sources of funds. This factor indicates that the Council may be unable to continue as a going concern, unless with the continued support of its related parties.

### 5. Funds received from Central Government

	2013 €	2012 €
In terms of section 55 of the Local Councils Act, 1993	415,645	429,483
Supplementary Government Income - Waste Serv alloc	13,488	-
	<u>429,133</u>	<u>429,483</u>

### 6. Income raised from Council Bye-Laws

	2013 €	2012 €
Permits related to construction	<u>2,610</u>	<u>2,671</u>

### 7. Income from Law Enforcement System

	2013 €	2012 €
Contraventions received	822	6,292
Contraventions accrued	(985)	(6,387)
LES commissions	3,094	3,687
	<u>2,931</u>	<u>3,592</u>

With effect from 1st September 2011, income related to contraventions was allocated directly to regional committees.

# BORMLA LOCAL COUNCIL

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

### 8. Investment income

	2013 €	2012 €
Bank interest	394	331

### 9. General income

	2013 €	2012 €
Cultural activities	-	1,590
Sponsorships	-	-
Contributions	9,714	13,303
Tender document fees	2,150	210
Receivables - water and electricity	4,648	7,765
Amortisation of Government Grants	30,558	56,775
Income from council magazines	1,160	-
	48,230	-

### 10. Personal emoluments

	2013 €	2012 €
Personal emoluments include, inter alia:		
Mayor's honoraria and allowance	10,117	9,726
Council members' allowance	8,800	8,822
Executive salary and allowance	30,194	25,929
Employees' salaries	51,789	53,673
Social security costs	5,614	6,276
	106,514	104,426

# BORMLA LOCAL COUNCIL

## Notes to the Financial Statements

for the year ended 31 December 2013

### 11. Operations and maintenance

	2013 €	2012 €
<b>Repairs and upkeep</b>		
Road and street pavements	575	934
Patching	648	538
Office furniture and equipment	421	75
Public Property	26,919	40,754
Plant and equipment	-	165
Street signs	752	871
Other repairs and upkeep	2,757	4,724
Street markings	811	1,391
	<u>32,883</u>	<u>49,452</u>
<b>Contractual services</b>		
Refuse collection	84,899	82,438
Bulky refuse collection	13,093	14,373
Hire of open skips	165	401
Tipping fees	37,754	40,900
Cleaning services	106	1,057
Road and street cleaning	35,400	35,500
Cleaning and maintenance - Public Conveniences	12	922
Cleaning council premises	5,153	4,846
Cleaning and maintenance Soft areas	21,276	38,574
Street lighting	6,769	22,608
Law enforcement system	-	-
	<u>204,627</u>	<u>241,619</u>
<b>Total operations and maintenance expenses</b>	<u>237,510</u>	<u>291,071</u>



# BORMLA LOCAL COUNCIL

## Notes to the Financial Statements

for the year ended 31 December 2013

### 12. Administrative and other expenses

	2013 €	2012 €
Utilities	6,972	663
Operating materials and supplies	4,327	2,129
Cleaning materials and supplies	413	258
Uniforms	1,637	464
Rents	2,268	2,232
Participation fee national meetings	849	247
Printing	862	271
Stationery	2,075	2,467
Postages	282	164
Equipment Rental	986	1,330
Library expenses	-	1,804
Telephone charges	2,009	2,158
Maintenance of vehicles	803	1,105
Fuel	948	1,141
Transport to Gozo/Malta	-	250
E-government and web space rental	361	446
Advertising	392	805
Publications and newsletters	3,677	7,720
Bank charges	186	183
Librarian Services	2,531	2,595
IT Development services	1,885	2,081
Town planning consultancy	600	3,320
Accountancy services	3,939	3,995
Re-imbursement to council staff	256	547
Subscriptions	5	2,679
Balance brought forward to next page	38,263	41,054

# BORMLA LOCAL COUNCIL

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

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### 12. Administrative and other expenses

	2013 €	2012 €
Balance brought forward from previous page	31,363	41,054
Other hospitality costs	2,927	2,562
Legal Services	1,101	3,202
Contract Works	3,477	2,306
Insurance coverage	2,114	-
Jum il-Kunsill	2,584	2,563
Cultural events	12,677	14,890
Sundry minor expenses	2,384	3,488
Provision for bad debts	31,083	43,151
Amortisation - IT Development Costs	96	127
Depreciation	39,363	38,562
	<u>129,169</u>	<u>151,905</u>

# BORMLA LOCAL COUNCIL

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

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### 13. Intangible assets

	Development costs €
<b>Cost</b>	
Additions	510
At 31 December 2012	<u>510</u>
At 1 January 2013 / At 31 December 2013	<u>510</u>
<b>Amortisation</b>	
Charge for the year	127
At 31 December 2012	<u>127</u>
At 1 January 2013	127
Charge for the year	96
At 31 December 2013	<u>223</u>
<b>Net book value</b>	
At 31 December 2013	<u><u>287</u></u>
At 31 December 2012	<u><u>383</u></u>

# BORMLA LOCAL COUNCIL

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

### 14. Property, plant and equipment

	Trees €	Motor vehicles €	Office equipment €	Urban improvements €	Plant and machinery €	Furniture and fittings €	New street signs €	Construction works €	Assets not yet capitalised €	Total €
<b>Cost</b>										
At 1 January 2013	13,609	8,269	26,635	194,230	5,530	60,441	21,693	719,802	9,609	1,059,818
Additions	-	-	195	4,258	429	-	-	77,497	(7,969)	82,379
Disposals	-	-	-	-	-	-	-	-	-	-
At 31 December 2013	13,609	8,269	26,830	198,488	5,959	60,441	21,693	797,299	1,640	1,134,228
<b>Government grants</b>										
At 1 January 2013	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
At 31 December 2013	-	-	-	-	-	-	-	-	-	-
<b>Depreciation</b>										
At 1 January 2013	-	6,068	18,912	152,712	4,127	27,576	21,693	435,931	-	667,019
Charge for the year	-	440	1,763	5,425	323	2,465	-	30,761	-	41,177
At 31 December 2013	-	6,508	20,675	158,137	4,450	30,041	21,693	466,692	-	708,196
<b>Net book value</b>										
At 31 December 2013	13,609	1,761	6,155	40,351	1,509	30,400	-	330,607	1,640	426,032

# BORMLA LOCAL COUNCIL

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

### 14. Property, plant and equipment

	Trees €	Motor vehicles €	Office equipment €	Urban improvements €	Plant and machinery €	Furniture and fittings €	New street signs €	Construction works €	Assets not yet capitalised €	Total €
<b>Cost</b>										
At 1 January 2012	13,019	8,269	26,635	192,267	5,408	60,441	21,693	690,460	11,447	1,029,639
Additions	590	-	-	1,963	122	-	-	29,342	-	32,017
Disposals	-	-	-	-	-	-	-	-	(1,838)	(1,838)
At 31 December 2012	13,609	8,269	26,635	194,230	5,530	60,441	21,693	719,802	9,609	1,059,818
<b>Government grants</b>										
At 1 January/31 December 2010	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
<b>Depreciation</b>										
At 1 January 2012	-	5,518	16,630	148,304	3,775	24,911	21,693	407,626	-	628,457
Revaluation	-	-	-	-	-	-	-	-	-	-
Charge for the year	-	550	2,282	4,408	351	2,665	-	28,305	-	38,561
At 31 December 2012	-	6,068	18,912	152,712	4,126	27,576	21,693	435,931	-	667,018
<b>Net book value</b>										
At 31 December 2012	13,609	2,201	7,723	41,518	1,404	32,865	-	283,871	9,609	392,800
At 31 December 2011	13,019	2,751	10,005	43,963	1,633	35,530	-	282,834	11,447	106,901

# BORMLA LOCAL COUNCIL

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

### 15. Trade and other receivables

	2013 €	2012 €
Trade receivables	26,727	15,151
Provision for doubtful debts	(9,686)	(6,276)
Law enforcement system	328,741	330,144
Provision for LES doubtful debts	(328,741)	(301,068)
Other receivables	-	1,500
Prepayments and accrued income	13,665	141,238
	<u>30,706</u>	<u>180,689</u>

### 16. Cash at bank and in hand

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents in the cash flow statement comprise the following amounts in the Council's Statement of Affairs.

	€	€
Cash in hand	3,100	5,870
Petty cash	207	141
Bank balances: current	32,038	11,350
Bank balances: savings	14,840	42,267
	<u>50,185</u>	<u>59,628</u>

### 17. Borrowings

	2013 €	2012 €
Bank balance overdrawn	<u>193</u>	<u>17,540</u>

# BORMLA LOCAL COUNCIL

## Notes to the Financial Statements

for the year ended 31 December 2013

### 18. Deferred income

	2013 €	2012 €
At 1 January 2013	38,049	11,984
Increase	69,884	38,049
Release to income statement	(4,297)	(11,984)
At 31 December 2013	<u>103,636</u>	<u>38,049</u>

Deferred Income represents agreements signed with the Malta Environment and Planning Authority up to the end of the year under review. The funds are released to income in line with the depreciation charge on the projects that were capitalised up the end of the year under review.

### 19. Trade and other payables

	2013 €	2012 €
Trade payables	75,917	131,297
Law enforcement unidentified deposits	291	291
Amounts owed to other councils	2,514	-
Amounts owed to related parties	Note -	122,516
Amounts owed to other related parties	-	-
Other payables	-	(1,071)
Accruals and deferred income	25,721	29,145
	<u>104,443</u>	<u>282,178</u>

#### *Amounts owed to related parties*

The amount refers to an advancement of cash by the Ministry of Justice and Internal Affairs on the 17 December 2007 for the sole purpose of financing the eMed-IT project. The Council is to refund the amount when it receives the re-inbursement of expenses from the EU.

### 20. Events after the reporting date

There were no particular important events affecting the company which occurred since the end of the reporting period.

# BORMLA LOCAL COUNCIL

## Notes to the Financial Statements

for the year ended 31 December 2013

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### 21. Risk management objectives and policies

The council is exposed to credit risk, liquidity risk and market risk through its use of financial instruments which result from its operating and investing activities. The company's risk management is coordinated by the council members and focuses on actively securing the council's short to medium term cash flows by minimising the exposure to financial risks.

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

#### *Credit risk*

The council's credit risk is limited to the carrying amount of financial assets recognised at the date of the Statement of Financial Position, which are disclosed in Notes 15 and 16.

The company continuously monitors defaults of customers and other counterparts, and incorporates this information into its credit risk controls. The company's policy is to deal only with creditworthy counterparties.

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

The credit risk for liquid funds is considered to be negligible, since the counterparties are reputable institutions with high quality external credit ratings.

#### *Liquidity risk*

The council's exposure to liquidity risk arises from its obligations to meet financial liabilities, which comprise borrowings and trade and other payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funding to meet the council's obligations when they become due.

At 31 December 2013 and 31 December 2012, there were no contractual maturities on the financial liabilities of the council. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the Statement of Financial Position.

#### *Foreign currency risk*

Most of the council's transactions are carried out in Euro. Exposure to currency exchange rates arises from the council's transactions in foreign currencies.

The company's financial assets face minimal foreign currency risk since all sales are made receivable in Euro.

#### *Interest rate risk*

The council's exposure to interest rate risk is limited as it does not have any borrowings bearing variable interest rates.



# BORMLA LOCAL COUNCIL

## Notes to the Financial Statements

for the year ended 31 December 2013

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### 22. Related parties

The Central Government, all the Authorities set up by Government and all the entities which are Government owned are considered to be related parties to Local Council Bormla . The Joint Committee, to which the Local Council Bormla is a member, falls also to be a related party.

#### *Transactions and balances with related parties :*

Purchases	-	49,245
Invoiced to WSC for re-instatement of roads	-	9,000

The related parties exercise control on the Council as follows:

The Executive Management team (Council Members and Executive Secretary)	Total control
The Local Councils' Department	Significant control
The Fgura joint committee	Joint control
Other government departments	No control

### 23. Comparatives

Certain comparatives have been restated in order to conform to the current year's presentation.

### 24. Capital management policies and procedures

The Council manages its capital to ensure that it will be able to continue as going concerns while maximising the return through the optimisation of the debt and equity balance. The Council's overall strategy remains unchanged from 2010.

## **LOCAL COUNCIL BORMLA**

### **Report of the Local Government Auditors to the Auditor General**

We have audited the accompanying financial statements of LOCAL COUNCIL BORMLA, which comprise the statement of financial position on page 3 as of 31<sup>st</sup> December 2013, and 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.

#### ***Council's Responsibility for the Financial Statements***

The Council Members and the Executive Secretary are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***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 from 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 Members and the Executive Secretary, 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 qualified audit opinion.

#### **Basis for Qualified Opinion**

The Council maintains a fixed asset register to record fixed assets acquired by it and to calculate and post depreciation directly to the nominal ledger. However a number of assets have been incorrectly categorized with the consequence that an incorrect depreciation rate has been applied and recognised in the financial statements. Whilst we are of the opinion that there are material misstatements in the depreciation provision and charge for the year, there were no practicable procedures to arrive to the amount of misstatement in the depreciation provision and depreciation charge for the year.

The Council has failed to recognise an investment in Joint Venture in line with IAS 31– Interests in Joint Ventures. In the absence of an audited annual report as at 31<sup>st</sup> December 2013 of this joint venture, we could not rely on the financial information as provided by the Council to obtain reasonable assurance on the amount of assets and liabilities applicable to this joint venture.

International Financial Reporting Standards require that all applicable standards and their disclosure requirements are complied with in the preparation of financial statements. These financial statements lack certain disclosure requirements arising from IAS 24- Related Party Disclosures, IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors; IAS 36-Impairment of Assets, IAS 1-Presentation of Financial Statements, IFRS 7- Financial Instruments: Disclosures and IAS 37-Provisions, Contingent Liabilities and Contingent Assets.

### **Qualified Opinion**

In our opinion, except for the effect on the financial statements of the matters referred to in the Basis for Qualified Opinion paragraphs, the financial statements give a true and fair view of the financial position of the Council as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 4 in the financial statements which indicates 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 received 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 would not allow the Council to be able to meet its financial obligations as they fall due without curtailing its future commitments. The Council made a surplus of €3,205, during the year ended 31<sup>st</sup> December 2013 and, as of that date the Council's current liabilities exceeded its current assets by €23,745. These conditions indicate the existence of a material uncertainty that may cast significant doubts on the Council's ability to continue as a going concern without curtailing its commitments.

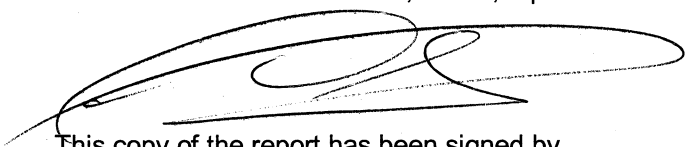
### **Opinion on Other Legal and Regulatory Requirements**

These financial statements do not comply fully with the Local Council (Financial) Procedures, 1996.

According to the Financial Procedures supplementing the Financial Regulations issued in terms with the Local Councils Act 1993, the financial statements should include the budget for the year. In line with Local Councils' generally accepted reporting procedures, the budget has been excluded from these financial statements.

The Local Council (Financial) Procedures, 1996, require that the financial statements should be prepared in accordance with the International Financial Reporting Standards. In view of the matters set out in paragraph three under the basis for qualified opinion above, these financial statements have not been prepared in line with the requirements of International Financial Reporting Standards.

The Council's statement of financial position shows a net current liability position of €23,745, when the Council should have a positive working capital balance. According to Memo 37/2002, Legal Notices 323 & 324 of 2002, the Council should have a positive net current asset value of not less than 10% of the annual financial allocation, that is, a positive net current asset value of at least € 41,565.



This copy of the report has been signed by  
Neville Cutajar (Partner) on its behalf

**3a**

Certified Public Accountants

Level 2

Palazzo Ca' Brugnera

Valley Road

Birkirkara BKR9024

**Date: 24<sup>th</sup> April 2014**