

Floriana Local Council

Annual Report and Financial Statements  
31 December 2013

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**Statement of Local Council Members' and Executive Secretary's Responsibilities**

The Local Councils (Financial) Regulations 1993 require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's comprehensive income for the period and of the Council's retained funds at the end of the period. 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, 1993 and the Local Council (Financial) Procedures, 1996.

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 1993, and the Local Council (Financial) Procedures 1996. 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.

Nigel Holland  
Mayor

Svetlick J Flores  
Executive Secretary

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



**Statement of Comprehensive Income**

	Notes	2013 €	2012 €
<b>Income</b>			
Funds received from central government	6	368,777	338,380
Income raised under Local Enforcement System	7	4,001	4,844
Investment Income	8	179	610
General Income	9	51,667	73,206
		<b>424,624</b>	<b>417,040</b>
<b>Expenditure</b>			
Personal emoluments	10	100,192	91,913
Operations and Maintenance	11	157,424	189,503
Administrative and other Expenditure	12	232,902	251,874
		<b>490,518</b>	<b>533,290</b>
<b>Loss for the year</b>		<b>(65,894)</b>	<b>(116,250)</b>

**Statement of Financial Position**

	Notes	2013 €	2012 € (as re-stated)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible asset	14	238	317
Tangible asset			
Property, plant and equipment	15	803,632	791,715
<b>Current assets</b>			
Inventories	16	13,799	15,997
Receivables	17	161,525	142,700
Cash and cash equivalents	18	35,354	74,232
		210,678	232,929
<b>Total Assets</b>		<b>1,014,548</b>	<b>1,024,961</b>
<b>Reserves</b>			
Retained Earnings		840,207	906,101
<b>Non - current Liabilities</b>			
Deferred income	19	66,911	5,065
<b>Current Liabilities</b>			
Payables	20	107,430	113,795
<b>Total Liabilities</b>		<b>174,341</b>	<b>118,860</b>
<b>Total Reserves and Liabilities</b>		<b>1,014,548</b>	<b>1,024,961</b>

These financial statements were approved by the Local Council on \_\_\_\_\_ and are signed on its behalf by:

Nigel Holland  
Mayor

Svetlick J Flores  
Executive Secretary

**Statement of Changes in Equity**

	Note	<b>Retained Funds €</b>	<b>Total €</b>
Balance at 1 January 2012		957,128	957,128
Prior year adjustment	13	20,550	20,550
<b>Restated Balance at 1 January 2012</b>		<b>977,678</b>	<b>977,678</b>
Balance at 1 January 2012		977,678	977,678
Loss for the year		(116,250)	(116,250)
<b>Balance at 31 December 2012</b>		<b>861,428</b>	<b>861,428</b>
Balance at 1 January 2013		861,428	861,428
Prior year adjustment	13	44,673	44,673
<b>Restated Balance at 1 January 2013</b>		<b>906,101</b>	<b>906,101</b>
Balance at 1 January 2013		906,101	906,101
Loss for the year		(65,894)	(65,894)
<b>Balance at 31 December 2013</b>		<b>840,207</b>	<b>840,207</b>



**Statement of Cash Flows**

	Note	2013 €	2012 €
<b>Cash flows used in operating activities</b>			
<b>Loss for the year</b>		<b>(65,894)</b>	<b>(116,250)</b>
Adjustments for:			
Increase/(decrease) in provision for doubtful debtors		15,426	(84,775)
Depreciation		86,562	102,313
Amortisation charge		79	105
Loss on disposal of property, plant and equipment		706	-
Investment income receivable		(179)	(610)
<b>Surplus/(deficit) for the period before working capital movements</b>		<b>36,700</b>	<b>(99,217)</b>
Movement in inventories		2,198	(2,600)
Movement in receivables		(34,251)	32,808
Movement in payables		(9,095)	(2,092)
<b>Net cash used in operating activities</b>		<b>(4,448)</b>	<b>(71,101)</b>
<b>Cash flows used in investing activities</b>			
Investment income receivable		179	610
Payment to acquire property, plant and equipment		(100,236)	(188,603)
Proceeds from disposal of property, plant and equipment		1,051	-
<b>Net cash used in investing activities</b>		<b>(99,006)</b>	<b>(187,993)</b>
<b>Cash flows generated from/(used in) financing activities</b>			
Government grants		64,576	(849)
<b>Movement in cash and cash equivalents</b>		<b>(38,878)</b>	<b>(259,943)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>74,232</b>	<b>334,175</b>
<b>Cash and cash equivalents at the end of the year</b>	18	<b>35,354</b>	<b>74,232</b>

## **Notes to the Financial Statements**

### **For the year ended 31 December 2013**

#### **1. Statutory Information**

Floriana Local Council is the local authority of Floriana setup in accordance with the Local Councils Act. The Office of the Local Council is situated at 15, E.S. Tonna Square, Floriana

#### **2. Basis of accounting**

These financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap 363). The financial statements are prepared under the historical cost convention, in accordance to the requirements of International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and comply with the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

#### **3. Functional and presentation currency**

The Local Council's financial statements are presented in Euro, which is the Local Council's functional currency.

#### **4. Use of Judgements and Estimates**

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'.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the council's accounting policies.

#### **5. Accounting policies and reporting procedures**

##### **a. Revenue recognition**

Revenue is recognised upon transfer of funds from the Central Government when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the income statement as it accrued.

**5. Accounting policies and reporting procedures - continued****b. Local Enforcement System**

The amount disclosed in the financial statements under Local Enforcement Income represents a percentage income received or receivable from Administrative Fee for the amount of contraventions paid at the Floriana Local Council.

**c. Government Grants**

Government grants are accounted for on a systematic basis in the Statement of Comprehensive Income over the periods necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related cost, then the grant is accounted for when it becomes receivable.

**d. Intangible assets**

Intangible assets comprise computer software.

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful live of 25% using the reducing balance method. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Where an indication of impairment exists, in that the carrying amount of an intangible asset is greater than its estimated recoverable amount, a charge is made to write down the value of the asset to its estimated recoverable amount (Accounting policy f).

**e. Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated on a monthly basis using the reducing balance method to allocate the cost of the assets to their residual values over their estimated useful lives as follows:

• Land	0%
• Trees	0%
• Buildings	1%
• Office furniture and fittings	7.5%
• Construction works	10%
• Urban Improvements (Street Furniture)	10%
• Office Equipment	20%
• Motor Vehicles	20%
• Plant and Machinery	20%
• Computer Equipment	25%
• Special Projects	10%
• Plants	100%

**5. Accounting policies and reporting procedures - continued**

- |                        |      |
|------------------------|------|
| • Playground Furniture | 100% |
| • Street lights        | 100% |

Other plant and equipment, litter bins, traffic signs, road signs and street mirrors are listed on a replacement basis.

**f. Impairment of assets**

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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

**g. Inventories**

Inventories are stated at the lower of cost and net realisable value. The cost of finished goods comprises raw materials, other direct costs and related production overheads. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

**h. Amounts receivable**

Amounts receivable are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Amounts receivable are carried at original invoice amount less provisions made for impairment of these receivables. A provision for impairment of amount receivables is established when there is objective evidence that the Local Council will not be able to collect all amounts due according to the set original terms. The amount of provision is recognised in the Statement of Comprehensive Income. Bad debts are written off during the year in which they are identified.

**i. Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at face value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdrafts.

**j. Profits and losses**

Only profits that were realized at the date of the Statement of Financial Position are recognized 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.

**5. Accounting policies and reporting procedures - continued****k. Payables**

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

**l. Provisions**

Provisions are recognised when the Local Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

**m. Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months from the end of the reporting period.

**o. 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'). 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.

**p. 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.

**5. Accounting policies and reporting procedures - continued**

Financial assets and financial liabilities are measured initially at fair value plus transaction costs. They are measured subsequently as described below.

**q. 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 as 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 rate 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 considerable 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

**6. Funds Received from Central Government**

	2013 €	2012 €
In terms of Section 55 of the Local Councils Act (Cap 363)	326,756	327,106
Other Government Income	42,021	11,274
	<u>368,777</u>	<u>338,380</u>

**7. Local Enforcement income**

	2013 €	2012 €
Administrative Fee	4,001	4,844

**8. Investment income**

	2013 €	2012 €
Bank interest receivable	179	610

**9. General Income**

	2013 €	2012 €
Income from tender documents	-	1,825
Income from permits	24,746	11,605
Income from Bye-Law	13,530	4,127
Sponsorships	4,350	2,650
Contributions and donations	9,041	20,384
EU funds	-	32,615
	<b>51,667</b>	<b>73,206</b>

**10. Personal Emoluments**

	2013 €	2012 €
Mayor's remuneration	6,340	4,521
Executive Secretary and allowances	28,170	24,740
Employees' salaries	53,392	50,824
Social Security Contributions	5,043	6,184
Councillors' allowance	7,247	5,644
	<b>100,192</b>	<b>91,913</b>

**11. Operations and Maintenance**

	2013 €	2012 €
<b>Repairs and Upkeep:</b>		
Road and street pavements (Patching works)	6,089	10,329
Public property	183	5,517
Street signs	639	6,207
Road Markings	2,847	2,445
Street Lighting	4,322	5,612
Other Repairs and Upkeep	3,835	6,383
	<b>17,915</b>	<b>36,493</b>
	2013 €	2012 €
<b>Contractual Services:</b>		
Refuse collection (including bins on wheels)	47,769	50,912
Bulky refuse collection (including open skips)	3,442	6,340
Road and street cleaning (mechanical and manual)	33,820	29,159
Waste disposal	20,925	16,779
Cleaning Council Premises	706	939
Cleaning and Maintenance of Public Conveniences	2,569	2,371
Cleaning and Maintenance of Parks and Gardens	21,036	21,700
Other contractual services	5,590	8,551
Leasing equipment contract	783	2,739
Local Enforcement Expenses	2,869	13,520
	<b>139,509</b>	<b>153,010</b>
<b>Total</b>	<b>157,424</b>	<b>189,503</b>



**12. Administrative and other expenditure**

	2013 €	2012 €
Utilities	20,288	25,943
Other repairs and upkeeps	1,371	2,477
Rent	3,283	2,896
Office services	7,096	8,441
Uniforms	81	1,111
Transport	2,033	2,804
Information services	3,470	8,997
Other contractual services	3,392	4,135
Professional services	12,133	20,110
Insurance	2,381	3,434
Community and hospitality	51,588	99,663
Bank charges	411	412
Increase/(decrease) in provision for doubtful LES debtors	15,426	(84,775)
Depreciation	86,562	102,313
Amortisation charge	79	105
Asset disposal	706	-
Gardmed project expenses	22,602	53,808
	<b>232,902</b>	<b>251,874</b>

**13. Prior Year Adjustment**

During the year under review, the Local Council has issued an invoice amounting to €3,300 to Water Services Corporation in respect of financial year 2011 but which have not been accrued for in the previous year. In addition to this, the rent from gabbana recorded as advance payments for the amount of €6,000 was not reversed in 2012. Moreover, it was also noted that supplier's invoices amounting to €35,737 were to be reversed in previous years as these were not due. The above changes are disclosed as prior year adjustment in the retained funds.

	<b>2013</b> <b>€</b>
At the beginning of the year as previously stated	861,428
Prior year adjustment – Income received from Central Government	44,673
<b>At the beginning of the year as restated</b>	<u>906,101</u>

**14. Intangible assets**

	<b>Computer Software €</b>
<b>At 31 December 2011</b>	
Cost	749
Accumulated amortisation	(327)
Net book amount	<u>422</u>
<b>Movements for the year ended 31 December 2012</b>	
Opening net book amount	422
Amortisation charge	(105)
Closing net book amount	<u>317</u>
<b>At 31 December 2012</b>	
Cost	749
Accumulated amortisation	(432)
Net book amount	<u>317</u>
<b>Movements for the year ended 31 December 2013</b>	
Opening net book amount	317
Amortisation charge	(79)
Closing net book amount	<u>238</u>
<b>At 31 December 2013</b>	
Cost	749
Accumulated amortisation	(511)
Net book amount	<u>238</u>

Amortisation of €79 (2012: €105) is included in administrative expenses.

**15a. Property, plant and equipment**

**15b. Property, plant and equipment**

**16. Inventories**

	2013 €	2012 €
Books and publications	<u>13,799</u>	<u>15,997</u>

**17. Receivables**

	2013 €	2012 €
Local enforcement receivables	76,120	113,640
Prepayments and accrued income	60,764	6,645
Other receivables	24,641	22,415
	<u>161,525</u>	<u>142,700</u>

**Receivables are stated net of impairment charges as follows:**

Local enforcement receivables	<u>76,120</u>	<u>113,640</u>
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The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables. As at 31 December 2013, local enforcement receivables of €76,120 (2012: €113,640) were past due but not impaired.

Receivables are stated net of a provision for doubtful debts of €137,100 (2012: €121,674).

**18. Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following amounts in the Local Council Statement of Financial Position:

	2013 €	2012 €
Ordinary funds	35,242	99,172
Special Needs funds	-	2,028
Cash in hand	127	127
Bank balance overdrawn	(15)	(27,095)
	<u>35,354</u>	<u>74,232</u>

**19. Long term liabilities**

	2013 €	2012 €
Government grant and deferred Income	32,039	5,065
Deferred Income	34,872	-
	<u>66,911</u>	<u>5,065</u>

Government grants falling due after more than one year:

	2013 €	2012 €
Between 1 and 2 years	3,333	3,767
Between 2 and 5 years	7,899	1,298
Over 5 years	20,806	-
	<u>32,039</u>	<u>5,065</u>

**20. Payables**

	2013 €	2012 € (re-stated)
Payables	80,603	10,946
Accruals and deferred income	19,416	101,812
Government Grants	3,767	1,037
Deferred Income	3,644	-
	<u>107,430</u>	<u>113,795</u>

**21. Contingent assets**

At 31 December 2013, the Floriana Local Council has a contingent asset amounting to €15,000 from a third party.

**22. Related party transactions**

During the year, the Local Council had effected transactions with related parties resulting mainly in connection with income and administrative transactions are disclosed in notes 6, 7 and 11 to these financial statements. The following were the related parties:

<b>Name of Entity</b>	<b>Nature of relationship</b>
Department of Local Councils	Significant Control
Gozo Regional Committee	No Control
Central Regional Committee	Joint Control
North Regional Committee	No Control
South Regional Committee	No Control
South Eastern Regional Committee	No Control
Police General Head Quarters	No Control
Malta Environment and Planning Authority	No Control
Water Services Corporation	No Control
Enemalta Corporation	No Control
Cleaninsing Directorate	No Control
Department of Lands	No Control
Wasteserv Malta Limited	No Control
Bank of Valletta plc	No Control

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

	<b>2013</b>	<b>2012</b>
	<b>€</b>	<b>€</b>
<b>(a) Funds received from Local Government</b>	<b>368,777</b>	<b>338,380</b>

**23. Financial risk management****Overview**

The Local Council has an exposure to the following risks arising from the use of financial instruments within its activities:

- Credit risk

This note presents information about the Local Council's exposure to each of the above risks, policies and processes for measuring and managing risk, and the Local Council's management of capital. Further quantitative disclosures are included in these financial statements.

The responsibility for the management of risk is vested in the Executive Secretary. Accordingly, it is



**23. Financial risk management - continued****Overview - continued**

the Executive Secretary who has the overall responsibility for establishing an appropriate risk management framework.

**Credit risk**

Credit risk is the risk of financial loss to the Local Council if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Local Council's receivables and bank balances.

The Local Council's cash is placed with prime financial institutions.

Receivables are presented net of impairment charges for bad and doubtful debts. The Local Council has no concentration of credit risk that could materially impact on the sustainability of its operations.

**Capital management**

It is the policy of the Executive Secretary to maintain an adequate capital base in order to sustain the future development of the Local Council and safeguard the ability of the Local Council to continue as a going concern. In this respect, the Executive Secretary monitors the operations and results of the Local Council.

**Fair values**

At 31 December 2013 and 2012 the carrying amounts of cash at bank, receivables, payables and accrued expenses and short-term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments and/or the relatively short period of time between the origination of the instruments and their expected realisation. The fair values of long-term borrowings are not materially different from their carrying amounts.

**24. Capital commitments****Capital expenditure**

Commitments for capital expenditure not provided for in these financial statements are as follows:

	2013 €	2012 €
Authorised but not contracted	<b>64,727</b>	112,860



