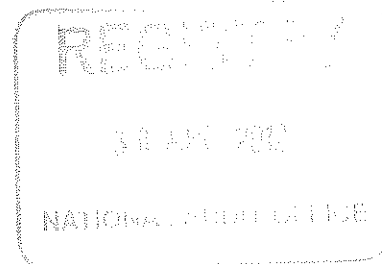


Local Council Ghajnsielem

Annual Audit Report

for the year ended 31 December 2011



Contents

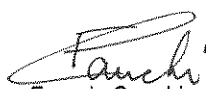
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**Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2011**

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 Local 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 27th April 2012 and signed on its behalf by:


Francis Cauchi
Mayor


Amanda Abela
Executive Secretary

Statement of Comprehensive Income
for the year ended 31 December 2011

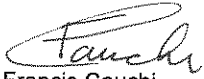
		2011	2010
	Notes	€	As Restated €
Revenue			
Funds received from Central Government	3	310,709	303,711
Income raised under Local Council Bye-Laws	4	-	574
Income raised under Local Enforcement System	5	262	-
General Income	6	32,107	20,093
		<u>343,078</u>	<u>324,378</u>
Expenditure			
Personal Emoluments	7	(63,910)	(59,064)
Operations and maintenance	8	(100,191)	(107,967)
Administration and other expenditure	9	(127,813)	(152,838)
		<u>(291,914)</u>	<u>(319,869)</u>
Operating profit for the year		51,164	4,509
Finance income	10	2,212	2,246
		<u>53,376</u>	<u>6,755</u>
Comprehensive Income for the year	7	<u>53,376</u>	<u>6,755</u>


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

Statement of Financial Position
as at 31 December 2011

		2011	2010	2010
	Notes	€	<i>As Restated</i> €	€
ASSETS				
Non-Current Assets				
Property, plant and equipment	11	536,242	390,339	390,339
		<u>536,242</u>	<u>390,339</u>	<u>390,339</u>
Current Assets				
Receivables	12	77,205	87,537	87,537
Cash and cash equivalents	13	215,508	290,450	290,450
		<u>292,713</u>	<u>377,987</u>	<u>377,987</u>
Total Assets		<u>828,955</u>	<u>768,326</u>	<u>768,326</u>
RESERVES AND LIABILITIES				
Reserves				
Retained earnings		656,394	603,018	599,869
Total reserves		<u>656,394</u>	<u>603,018</u>	<u>599,869</u>
Non-Current Liabilities				
Deferred income	15	47,249	53,198	-
		<u>47,249</u>	<u>53,198</u>	<u>-</u>
Current Liabilities				
Payables	14	125,312	112,110	168,457
		<u>125,312</u>	<u>112,110</u>	<u>168,457</u>
Total Liabilities		<u>172,561</u>	<u>165,308</u>	<u>168,457</u>
Total reserves and liabilities		<u>828,955</u>	<u>768,326</u>	<u>768,326</u>

These financial statements were approved by the Local Council on 12th Apr 2012 and signed on its behalf by:


Francis Cauchi
Mayor


Amanda Abela
Executive Secretary

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

**Statement of Changes In Reserves
for the year ended 31 December 2011**

	Retained Funds	Total
	€	€
At 31 December 2009		
as previously stated	560,334	560,334
Prior year adjustment	35,929	35,929
At 1 January 2010	596,263	596,263
Total comprehensive income for the year	3,606	3,606
At 31 December 2010	599,869	599,869
At 31 December 2010		
as previously stated	599,869	599,869
Prior year Adjustment	3,149	3,149
At 1 January 2011	603,018	603,018
Total comprehensive income for the year	53,376	53,376
At 31 December 2011	656,394	656,394

Statement of Cash Flows
for the year ended 31 December 2011

	2011		2010
	€	€	€
Net profit for the year	53,376		6,755
Reconciliation to cash generated from operations:			
Depreciation	11,915		59,878
Interest receivable	(2,212)		(2,246)
Operating profit before working capital changes	63,079		64,387
Decrease/(Increase) in receivables	(1,000)		281
Decrease/(Increase) in other receivables	11,332		(71,578)
Increase in payables	27,790		33,897
(Decrease) /Increase in other payables	(6,884)		11,011
Government grant released	(23,653)		(3,149)
Cash generated from operating activities	70,664		34,849
Cash flow from Investing activities			
Interest received	2,212		2,246
Purchase of property, plant & equipment	(157,818)		(130,095)
Receipt of grant	10,000		75,000
Cash used in investing activities	(145,606)		(52,849)
Net Decrease in cash in the year	(74,942)		(18,000)
Cash and equivalents at beginning of year	290,450		308,450
Cash and equivalents at end of year	215,508		290,450

1. General Information

The Ghajnsielem Local Council is the local authority of Malta set up in accordance with the Local Councils Act(1993). The office of the Local Council is situated at 11, Bernardina House, Pjazza Tad-dehra, Ghajnsielem, Gozo. These financial statements were approved for issue by the Council Members on 13 February 2012. As from September 2011 the Local Council started forming part of the Gozo Regional Committee. 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 income statement. 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.

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

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 Statement of Financial Position date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Income and Expenditure.

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 Income and Expenditure.

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 statement of comprehensive income as it accrues.

Income from central government is not recognised until there is reasonable assurance that the Council will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross and any deductions made for non compliance are to be disclosed separately with expenses.

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 over the expected lives of the related assets.

Foreign currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the Local Council operates. These financial statements are presented in €, which is the Council's functional and presentation currency.

Transactions denominated in foreign currencies are translated into € at the rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into € at the rates of exchange prevailing at the date of the Statement of Financial Position.

Profits and losses

Only profits that were realised at the date of the Statement of Financial Position are recognised in these financial statements. All foreseeable liabilities and potential losses arising up to the said date are accounted for even if they become apparent between the said date and the date on which the financial statements are approved.

Cash and equivalents

Cash and Cash Equivalents are carried in the Statement of Financial Position at face value. For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash in hand and balances held with banks.

Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and based on historic experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Executive Secretary, the accounting estimates and judgements made in the preparation of the Financial Statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS 1 (revised) - 'Presentation of Financial Statement'.

Capital Management

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objectives are to ensure:

- that the Council's ability to continue as a going concern is still valid and
- that the Council maintains a positive working capital ratio.

To achieve the above, the Council carries out a quarterly review of the working capital ratio ('Financial Situation Indicator'). This ratio was 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 transaction costs. They are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets of the Council are classified into loans and receivables upon initial recognition.

Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to loans and receivables are presented within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administration and other expenditure'

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Council's other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

Financial Liabilities

The Council's financial liabilities included other payables. These are stated at their nominal account 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	290,442	290,596
Other Government Income	20,267	13,115
	<u>310,709</u>	<u>303,711</u>

4. Income raised from Bye-Laws

	2011	2010
	€	€
Income raised under Local Council Bye-Laws	-	574
	<u>-</u>	<u>574</u>

5. Local Enforcement System

	2011	2010
	€	€
Administration Income from Contraventions	262	-
	<u>262</u>	<u>-</u>

6. General Income

	2011	2010
	€	€
Cultural Events	18,051	3,891
Sponsorships	-	2,300
General Income	2,328	-
Tender Documents/Info. Charges	1,290	-
Twinnings Income	4,740	-
Donations	320	-
Contributions	545	11,894
Discounts Received	582	-
Insurance Claims	1,481	-
Income from Permits	2,770	2,008
	<u>32,107</u>	<u>20,093</u>

7. Profit for the year

	2011	2010
	€	€
Profit for the year is stated after charging:		
Staff salaries	<i>Note</i> 63,910	59,064
Depreciation of tangible assets	<u>11,915</u>	<u>59,878</u>

Staff salaries

	2011	2010
	€	€
Mayor's Remuneration	7,964	7,964
Councillors' Allowances	4,800	4,800
Executive Secretary Salary and Allowances	24,834	22,127
Employees' Salaries	22,481	20,770
Social Security Contributions	3,831	3,403
	<u>63,910</u>	<u>59,064</u>

8. Operations and Maintenance

	2011 €	2010 €
<i>Repairs and Upkeep:</i>		
Public Property	660	550
Road/Street Pavements	5,200	3,097
Signs	1,814	4,368
Road Markings	418	2,720
Office Furniture and Equipment	537	750
Plant & Equipment	-	39
Sundry Repairs	901	84
Other repairs and Upkeep	6,488	995
Council Property	-	175
	<u>16,018</u>	<u>12,778</u>
 <i>Contractual Services:</i>		
Waste Disposal	17,833	17,404
Refuse Collection	27,776	27,198
Bulky Refuse Collection	2,146	244
Cleaning Services	533	-
Road & Street Cleaning	19,582	20,178
Cleaning - Public Conveniences	8,994	6,361
Cleaning - Council Premises	1,414	-
Other Contractual Services	-	2,348
Clean. & Maint. Parks & Gardens	2,651	7,146
Clean. & Maint. Soft Areas	297	-
Street Lighting	2,547	14,094
Local Enforcement Expenses	400	216
	<u>84,173</u>	<u>95,189</u>
 Total Operations and Maintenance Costs	<u>100,191</u>	<u>107,967</u>

9. Administration and other expenditure

	2011	2010
	€	€
Utilities	5,779	4,578
Other repairs and upkeep	3,688	3,530
Rent	10,608	9,107
National and International Memberships	203	1,580
Office Services	2,810	4,714
Transport	2,471	2,084
Travel	3,204	2,225
Information Services	2,393	1,995
Lease of Equipment	5,268	-
Insurance Coverage	696	-
Bank Charges	35	-
Penalties - Department of Local Councils	1,191	-
Professional Services	30,662	24,711
Training	-	447
Entertainment	348	-
Visits - Foreign Delegations	10,692	-
Other Hospitality Costs	2,243	2,135
Social Events	8,882	3,299
Cultural Events	22,883	30,742
Community Services	1,203	1,682
Donations	320	-
Sundry Minor Expenses	319	131
Depreciation	11,915	59,878
	<u>127,813</u>	<u>152,838</u>

10. Finance Income

	2011	2010
	€	€
Bank Interest Receivable	2,212	2,246
	<u>2,212</u>	<u>2,246</u>

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

11. Property, plant and equipment								
	New Street Signs	Urban Improvements	Computer & Office equipment	Office Furniture & fittings	Outside Furniture	Special Programmes & Construction	Total	
Cost	€	€	€	€	€	€	€	
At 1 January 2010	5,793	64,513	16,365	19,307	37,629	575,301	718,908	
Additions	-	16,415	12,220	415	26,777	74,268	130,095	
Adjustments	23,435	6,934	(9,173)	(4,494)	(15,104)	38,235	39,833	
At 31 December 2010	29,228	87,862	19,412	15,228	49,302	687,804	888,836	
Depreciation								
At 1 January 2010	5,793	50,525	10,314	10,744	27,242	284,485	389,103	
Adjustments	23,435	(46,724)	427	(4,640)	(16,093)	47,499	3,904	
Charge for the year	-	6,524	1,735	682	17,787	33,150	59,878	
At 31 December 2010	29,228	10,325	12,476	6,786	28,936	365,134	452,885	
Grants								
At 1 January 2010	-	-	-	-	-	45,612	45,612	
At 31 December 2010	-	-	-	-	-	-	-	
Net book values								
At 31 December 2010	-	77,537	6,936	8,442	20,366	277,058	390,339	

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 €	Computer & Office equipment €	Office Furniture & fittings €	Outside Furniture €	Special Programmes & Construction €	Total €
Cost								
At 1 January 2011	-	29,228	87,862	19,412	15,228	49,302	687,804	888,836
Additions	144,029	-	3,679	1,888	5,980	-	2,242	157,818
At 31 December 2011	144,029	29,228	91,541	21,300	21,208	49,302	690,046	1,046,654
Depreciation								
At 1 January 2011	-	29,228	10,325	12,476	6,786	28,936	365,134	452,885
Charge for the year	-	-	7,680	1,640	612	1,946	37	11,915
At 31 December 2011	-	29,228	18,005	14,116	7,398	30,882	365,171	464,800
Grants								
At 1 January 2011	-	-	-	-	-	-	-	-
At 31 December 2011	-	-	-	-	-	-	45,612	45,612
Net book values								
At 31 December 2011	144,029	-	73,536	7,184	13,810	18,420	279,263	536,242

12. Receivables

	2011	2010
	€	€
Receivables	1,173	173
Other receivables	250	-
Accrued income	74,073	81,854
Financial Asset	<u>75,496</u>	<u>82,027</u>
Prepayments	1,709	5,510
	<u>77,205</u>	<u>87,537</u>

Receivables

General receivables are analysed as follows:

	2011	2010
	€	€
Within credit period	262	173
Exceeded credit period but not impaired	911	-
	<u>1,173</u>	<u>173</u>

13. Notes to the statement of cashflows**Cash & cash equivalents**

Cash and cash equivalents included in the statement of cashflows comprise the following statement of financial position amounts:

	2011	2010
	€	€
Bank Balances	215,476	288,043
Cash in Hand	32	2,407
Overdrawn Balances	(5,783)	(10,260)
Cash at bank and in hand	<u>209,725</u>	<u>280,190</u>
Transfer to payables	5,783	10,260
	<u>215,508</u>	<u>290,450</u>

14. Payables

	2011	2010
	€	€
Payables	82,616	54,826
Overdrawn Balances	5,784	10,260
Other payables	-	119
Accruals and deferred income	36,912	46,905
	<u>125,312</u>	<u>112,110</u>

15. Deferred income

	2011	2010
	€	€
Government grants		
At 1 January 2011	76,851	5,000
Increase in year	10,000	75,000
Reversal of unspent funds	(9,076)	-
	<u>77,775</u>	<u>80,000</u>
Released in year	(23,653)	(3,149)
At 31 December 2011	<u>54,122</u>	<u>76,851</u>
Current Deferred Income	<u>6,873</u>	<u>23,653</u>
Non-Current Deferred Income	<u>47,249</u>	<u>53,198</u>
Deferred Government Grants		
Deferred between one and two years	5,905	6,873
Deferred between two and five years	13,284	5,386
Deferred in five years or more	28,060	40,939
	<u>47,249</u>	<u>53,198</u>
Deferred after five years or more:		
Government Grants	<u>28,060</u>	<u>40,939</u>

16. Prior year adjustment

The Financial Statements for the year ended 31 December 2010 have been restated to reflect the changes in the accounting policies. The effect of the restatement on each financial statement line item affected is summarised below:

	Notes	2010 € <i>Originally</i>	Adjustment €	2010 € <i>Restated</i>
Other Government Income	3	9,966	3,149	13,115
Deferred Income	15	56,347	3,149	53,198

17. Capital commitments

	2011 €	2010 €
Contracted for but not provided in the financial statements	<u>177,000</u>	<u>229,000</u>
(i) Approved but not yet contracted for:		
Office Furniture and Fittings	20,000	-
Urban Improvements	64,000	14,000
New Motor Vehicle	25,000	-
Office Equipment (incl. computer & cctv equipment)	18,000	8,000
	<u>127,000</u>	<u>22,000</u>
(ii) Contracted for but not provided in the Financial Statements:		
Road Resurfacing	-	20,000
Construction of new council premises	50,000	187,000
	<u>50,000</u>	<u>207,000</u>

18. 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
Gozo Regional Committee	Joint Control
Central Regional Committee	No control
North 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
Department of Agriculture	No control
Director General - Works Division	No control
Department of Lands	No control
Airmalta plc	No control
Bank of Valletta plc	No control
Wasteserv Malta Limited	No control

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

	2011	2010
	€	€
Annual Financial Allocation	290,442	290,596

Key management compensation

Transactions with key management personnel are disclosed in note 7.

Ultimate controlling party

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

19. 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 receivables. 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	€ 911
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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 € 215,508. 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 € 828,955 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.

20. 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.

20. Comparative Figures

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



Spiteri Bailey & Co.

Accountancy Audit Advisory

LOCAL COUNCIL GHAJNSIELEM

Report of the Local Government Auditor to the Auditor General

We have audited the accompanying financial statements of Local Council Ghajnsielem set out on pages 2 to 22, which comprise the statement of financial position as at 31st December 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows of the Local Council for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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Council Responsibilities for the Financial Statements

As described on page 1, the Executive Secretary and the Council are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU and for such internal control as the Council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Local Government Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free 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 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, the auditor considers internal control relevant to the 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 internal control of the Local Council. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of the accounting estimates made by the Executive Secretary and 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 qualified audit opinion.



Spiteri Bailey & Co.

Accountancy Audit Advisory

Basis for Qualified Opinion

The amounts of cash and cash equivalents at the end of the year as shown in the statement of cash flows (2011: Euro 215,508 and 2010: Euro 290,450), do not reflect the bank temporary overdrawn balances that are presented under the current liabilities (refer to Note 14) as required by paragraph 8 of IAS 7. These bank temporary overdrawn balances amounted to Euro 5,783 in 2011 and Euro 10,260 in 2010. The corresponding movements are being shown in the statement of cash flows as part of the movements in other payables.

Qualified opinion

In our opinion, except for the matter mentioned in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of the Council as of 31 December 2011 and of the Council's financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

In our opinion, except as set out in the preceding paragraph, the financial statements have been properly prepared in accordance with the Local Councils Act, (CAP 363); the Financial Regulations issued in terms of the said Act; and the Local Councils (Financial) Procedures.

**This copy of the audit report has been signed by
William Spiteri Bailey FIA MIM CSA CPA (Partner) for and on behalf of
Spiteri Bailey & Co.**

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27/04/12