

Local Council Ghajnsielem

Annual Report and Financial Statements

for the year ended 31 December 2012



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

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's statement of 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 Councils (Financial) Regulations, and the Local Councils (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 Councils (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 22 April 2013 and signed on its behalf by:



Francis Cauchi
Mayor



Amanda Abela
Executive Secretary

Statement of Comprehensive Income
for the year ended 31 December 2012


		2012	2011
	Notes	€	€
Revenue			
Funds received from Central Government	3	308,453	310,709
Income raised under Local Enforcement System	4	1,590	262
General Income	5	8,409	33,107
EU Funding	6	18,405	-
		<u>336,857</u>	<u>344,078</u>
Expenditure			
Personal Emoluments	7	(63,867)	(63,910)
Operations and maintenance	8	(96,911)	(100,191)
Administration and other expenditure	9	(142,042)	(181,621)
		<u>(302,820)</u>	<u>(345,722)</u>
Operating profit /(loss) for the year		34,037	(1,644)
Finance income	10	1,943	2,212
		<u>35,980</u>	<u>568</u>
Total Comprehensive Income for the year	7	<u><u>35,980</u></u>	<u><u>568</u></u>

The notes on pages 6 to 27 form an integral part of these financial statements.

Statement of Financial Position
as at 31 December 2012

		2012	2011	2011
	Notes	€	as Restated €	as Previously Stated €
ASSETS				
Non-Current Assets				
Property, plant and equipment	12	574,545	482,656	536,242
Intangible assets	11	810	778	-
		<u>575,355</u>	<u>483,434</u>	<u>536,242</u>
Current Assets				
Receivables	13	77,462	77,205	77,205
Cash and cash equivalents	14	170,348	215,508	215,508
		<u>247,810</u>	<u>292,713</u>	<u>292,713</u>
Total Assets		<u>823,165</u>	<u>776,147</u>	<u>828,955</u>
RESERVES AND LIABILITIES				
Reserves				
Retained earnings		639,566	603,586	656,394
Total reserves		<u>639,566</u>	<u>603,586</u>	<u>656,394</u>
Non-Current Liabilities				
Deferred income	16	103,902	47,249	47,249
		<u>103,902</u>	<u>47,249</u>	<u>47,249</u>
Current Liabilities				
Payables	15	79,697	125,312	125,312
		<u>79,697</u>	<u>125,312</u>	<u>125,312</u>
Total Liabilities		<u>183,599</u>	<u>172,561</u>	<u>172,561</u>
Total reserves and liabilities		<u>823,165</u>	<u>776,147</u>	<u>828,955</u>

These financial statements were approved by the Local Council on 22nd April 2013 and signed on its behalf by:


Francis Cauchi
Mayor


Amanda Abela
Executive Secretary

The notes on pages 6 to 27 form an integral part of these financial statements.

**Statement of Changes in Reserves
for the year ended 31 December 2012**

	Retained Funds	Total
	€	€
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
Profit for the year	568	568
At 31 December 2011	603,586	603,586
 At 31 December 2011		
as previously stated	656,394	656,394
Prior year adjustment	(52,808)	(52,808)
At 1 January 2012	603,586	603,586
Profit for the year	35,980	35,980
At 31 December 2012	639,566	639,566

Statement of Cash Flows
for the year ended 31 December 2012

	2012		2011
	€	€	€
Cash flow from operating activities			
Net profit for the year	35,980		568
Reconciliation to cash generated from operations:			
Depreciation	49,322		11,915
Amortisation	202		-
Prior Year Adjustment	-		52,808
Interest receivable	(1,943)		(2,212)
Operating profit before working capital changes	83,561		63,079
(Increase) in receivables	(2,914)		(1,000)
(Increase)/Decrease in other receivables	2,657		11,332
(Decrease) /increase in payables	(37,973)		27,790
(Decrease) in other payables	(14,648)		(12,668)
Government grant released	(7,258)		(23,653)
Cash generated from operating activities	23,425		64,880
Cash flow from investing activities			
Interest received	1,943		2,212
Purchase of intangible fixed assets	(234)		-
Purchase of property, plant & equipment	(141,211)		(157,818)
Receipt of grant	70,000		10,000
Cash (used in) from investing activities	(69,502)		(145,606)
Net Decrease in cash in the year	(46,077)		(80,726)
Cash and equivalents at beginning of year	209,724		290,450
Cash and equivalents at end of year	163,647		209,724

1. General Information

The Local Council Ghajnsielem is the local authority of Ghajnsielem set up in accordance with the Local Councils Act(1993). The office of the Local Council is situated at J.F. De Chambray, Ghajnsielem, Gozo. As from September 2011, the Local Council started forming part of the Gozo Regional Committee. These financial statements were approved for issue by the Council Members on 22 April 2013. The Local Council's presentation as well as functional currency are denominated in €.

2. Accounting Policies and Reporting Procedures

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Accounting convention

These financial statements are prepared under the historical cost convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards as adopted by the EU.

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 2012:

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

New important standards and amendments not yet adopted

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

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

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

On 12 May 2011, the International Accounting Standards Board (IASB) issued IFRS 11 Joint Arrangements. At the same time, the IASB issued a revised version of IAS 28 Investments in Associates and Joint Ventures. The new and revised Standards are applicable for annual periods beginning on or after 1 January 2013, with earlier application being permitted. However, when endorsing these Standards the European Union has allowed that these become applicable for annual periods beginning on or after 1 January 2014, with earlier application being permitted.

IFRS 11 Joint Arrangements classifies joint arrangements on the basis of their substance by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case in terms of IAS 31 Interests in Joint Ventures). Under IFRS 11, joint arrangements are classified as joint ventures or as joint operations. Joint ventures are accounted for using the equity method of consolidation since the use of proportionate consolidation for such arrangements has been eliminated. Joint operations are accounted for in a manner that is similar to the current accounting treatment applicable for jointly controlled assets and jointly controlled operations. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities-Non-monetary Contributions by Venturers.

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

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

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

New important standards and amendments not yet adopted by EU

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

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

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

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

The Council is assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Council anticipates that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

Intangible Asset

Computer Software

Computer software is valued at cost less accumulated depreciation and impairment losses to date. Depreciation to write off the cost is calculated on a monthly basis using the reducing balance method at 20% per annum.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses to date. Depreciation is calculated on a monthly basis using the reducing balance method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

	%
Land	0
Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	Replacement Basis
Playground Furniture	100
Traffic Signs	Replacement Basis
Road Signs	Replacement Basis
Street Mirrors	Replacement Basis
Street Lights	100

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each 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 Comprehensive Income.

Amounts receivable

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Comprehensive Income.

Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard No. 24.

Revenue

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the 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 statement of comprehensive income 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

	2012	2011
	€	€
In terms of section 55 of the Local Councils Act	301,195	290,442
Other Government Income	7,258	20,267
	<u>308,453</u>	<u>310,709</u>

4. Income raised under Local Enforcement System

	2012	2011
	€	€
Administration Income from Contraventions	1,590	262
	<u>1,590</u>	<u>262</u>

5. General Income

	2012	2011
	€	€
Cultural Events	-	18,051
General Income	784	2,328
Tender Documents/Info. Charges	496	1,290
Twinnings Income	-	4,740
Impairment Gain	1,000	-
Donations	-	320
Contributions	2,057	1,545
Profit on Disposal of Plant & equipment	465	-
Discounts Received	989	582
Insurance Claims	-	1,481
Income from Permits	2,618	2,770
	<u>8,409</u>	<u>33,107</u>

6. EU Funding

	2012	2011
	€	€
Funds from EU Projects	18,405	-
	<u>18,405</u>	<u>-</u>

7. Profit for the year

	2012	2011
	€	€
Profit for the year is stated after charging:		
Staff salaries	Note 63,867	63,910
Amortisation of intangible assets	202	-
Depreciation of property, plant and equipment	49,322	11,915
	<u></u>	<u></u>

Staff salaries

	2012	2011
	€	€
Mayor's Remuneration	6,539	6,364
Councillors' Allowances	6,400	6,400
Executive Secretary Salary and Allowances	25,644	24,834
Employees' Salaries	21,474	22,481
Social Security Contributions	3,810	3,831
	<u>63,867</u>	<u>63,910</u>

Average number of persons employed

Employees	2	2
Mayor and Councillors	<u>5</u>	<u>5</u>

8. Operations and Maintenance

	2012	2011
	€	€
<i>Repairs and Upkeep:</i>		
Public Property	289	660
Road/Street Pavements	773	5,200
Signs	1,280	1,814
Road Markings	940	418
Office Furniture and Equipment	-	537
Sundry Repairs	-	901
Other repairs and Upkeep	-	6,488
	<u>3,282</u>	<u>16,018</u>

Contractual Services:

Waste Disposal	17,833	17,833
Refuse Collection	28,685	27,776
Bulky Refuse Collection	440	2,146
Road & Street Cleaning	20,978	19,582
Cleaning - Public Conveniences	11,230	8,994
Cleaning - Council Premises	1,406	1,947
Other Contractual Services	100	-
Clean. & Maint. Parks & Gardens	3,147	2,651
Clean. & Maint. Soft Areas	1,658	297
Clean. & Maint. Beaches	500	-
Street Lighting	7,198	2,547
Local Enforcement Expenses	454	400
	<u>93,629</u>	<u>84,173</u>
 Total Operations and Maintenance Costs	 <u>96,911</u>	 <u>100,191</u>

9. Administration and other expenditure

	2012	2011
	€	€
Utilities	7,966	5,779
Other repairs and upkeep	5,540	3,688
Rent	7,817	10,608
National and International Memberships	385	203
Office Services	5,848	2,810
Transport	2,530	2,471
Travel	11,456	3,204
Information Services	724	2,393
Lease of Equipment	4,599	5,268
Insurance Coverage	1,465	696
Bank Charges	34	35
Penalties - Department of Local Councils	-	1,191
Professional Services	26,873	30,662
Training	1,255	-
Entertainment	-	348
Visits - Foreign Delegations	-	10,692
Other Hospitality Costs	-	2,243
Social Events	12,510	8,882
Cultural Events	3,399	22,883
Community Services	-	1,203
Donations	-	320
Sundry Minor Expenses	117	319
Provision for Impairment	-	1,000
Depreciation	49,322	11,915
Amortisation	202	-
Impairment	-	52,808
	<u>142,042</u>	<u>181,621</u>

10. Finance Income

	2012	2011
	€	€
Bank Interest Receivable	1,943	2,212
	<u>1,943</u>	<u>2,212</u>

11. Intangible fixed assets

	Computer Software	Total
	€	€
Cost		
At 1 January 2012	1,108	1,108
Additions	234	234
At 31 December 2012	1,342	1,342
Provision for diminution in value		
At 1 January 2012	330	330
Charge for year	202	202
At 31 December 2012	532	532
Net book values		
At 31 December 2012	810	810
At 31 December 2011	778	778

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

12. Property, plant and equipment									
	Assets under construction	New Street Signs	Urban Improvements & Outside furniture	Computer & Office equipment	Office Furniture & fittings	Special Programmes & Construction	Total		
Cost	€	€	€	€	€	€	€		
At 1 January 2011	-	29,228	137,164	19,412	15,228	687,804	888,836		
Additions	144,029	-	3,679	1,888	5,980	2,242	157,818		
Reclassifications	-	-	75,365	29,235	-	(104,600)	-		
Transfer to Intangible Assets	-	-	-	(1,108)	-	-	(1,108)		
Impairment & Disposals	-	(15,982)	-	-	(13,733)	(126,514)	(156,229)		
At 31 December 2011	144,029	13,246	216,208	49,427	7,475	458,932	889,317		
Depreciation									
At 1 January 2011	-	29,228	39,261	12,476	6,786	365,134	452,885		
Reclassifications	-	-	69,796	-	-	(69,796)	-		
Transfer to Intangible Assets	-	-	-	(330)	-	-	(330)		
On disposals/impairment	-	(15,982)	-	(9,009)	(6,263)	(72,167)	(103,421)		
Charge for the year	-	-	9,626	1,640	612	37	11,915		
At 31 December 2011	-	13,246	118,683	4,777	1,135	223,208	361,049		
Grants									
At 1 January 2011	-	-	-	-	-	-	-		
At 31 December 2011	-	-	-	-	-	45,612	45,612		
Net book values									
At 31 December 2011	144,029	-	97,525	44,650	6,340	190,112	482,656		

Prepared by 3a

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

12. Property, plant and equipment

	Assets under construction	Buildings	New Street Signs	Urban Improvements & Outside Furniture	Computer & Office equipment	Office Furniture & fittings	Motor Vehicle	Special Programmes & Construction	Total
Cost	€	€	€	€	€	€	€	€	€
At 1 January 2012	144,029	-	13,246	216,208	49,427	7,475	-	458,932	889,317
Additions	28,059	64,242	-	2,413	1,723	20,348	24,426	-	141,211
Reclassifications	-	33,168	-	-	-	-	-	(33,168)	-
Assets Capitalised	(144,029)	144,029	-	-	-	-	-	-	-
Disposals	-	-	-	-	(100)	(1,080)	-	-	(1,180)
At 31 December 2012	28,059	241,439	13,246	218,621	51,050	26,743	24,426	425,764	1,029,348
Depreciation									
At 1 January 2012	-	-	13,246	118,683	4,777	1,135	-	223,208	361,049
Depreciation on disposal	-	-	-	-	(100)	(1,080)	-	-	(1,180)
Charge for the year	-	2,414	-	10,290	9,475	2,002	4,885	20,256	49,322
At 31 December 2012	-	2,414	13,246	128,973	14,152	2,057	4,885	243,464	409,191
Grants									
At 1 January 2012	-	-	-	-	-	-	-	-	-
At 31 December 2012	-	-	-	-	-	-	-	45,612	45,612
Net book values									
At 31 December 2012	28,059	239,025	-	89,648	36,898	24,686	19,541	136,688	574,545

13. Receivables

	2012	2011
	€	€
Amounts Receivable	4,087	1,173
Other receivables	-	250
Accrued income	72,823	74,073
	<u>76,910</u>	<u>75,496</u>
Financial Asset		
Prepayments	552	1,709
	<u>77,462</u>	<u>77,205</u>

Amounts Receivable

General receivables are analysed as follows:

	2012	2011
	€	€
Within credit period	3,088	262
Exceeded credit period but not impaired	999	911
	<u>4,087</u>	<u>1,173</u>

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

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

	2012	2011
	€	€
Bank Balances	170,253	215,476
Cash in Hand	95	32
Overdrafts	(6,701)	(5,784)
Cash at bank and in hand	163,647	209,724
Transfer to payables	6,701	5,784
	<u>170,348</u>	<u>215,508</u>

15. Payables

	2012	2011
	€	€
Amounts Payable	44,643	82,616
Accruals and deferred income	28,353	36,912
Bank overdrawn balance	6,701	5,784
	<u>79,697</u>	<u>125,312</u>

16. Deferred income	2012 €	2011 €
Government grants		
At 1 January 2012	54,122	76,851
Increase in year	70,000	10,000
Reversal of unspent funds	(391)	(9,076)
	<u>123,731</u>	<u>77,775</u>
Released in year	(7,258)	(23,653)
At 31 December 2012	<u>116,473</u>	<u>54,122</u>
Current Deferred Income	<u>12,571</u>	<u>6,873</u>
Non-Current Deferred Income	<u>103,902</u>	<u>47,249</u>
Deferred Government Grants		
Deferred between one and two years	12,820	5,905
Deferred between two and five years	28,960	13,284
Deferred in five years or more	62,122	28,060
	<u>103,902</u>	<u>47,249</u>
Deferred after five years or more:		
Government Grants	<u>62,122</u>	<u>28,060</u>

17. Prior year adjustment

The prior year adjustment amounting to Eur 52,808 relates to the reconstruction of the fixed asset register.

In view of this, the Financial Statements for the year ended 31 December 2011 have been restated to reflect this correction. There is no effect on the figures for the year ended 31 December 2012.

	2011 Originally Reported	Reallocation (Impairment)	Adjustment	2011 Restated
	€		€	€
Administrative and other expenditure	127,813	1,000	52,808	181,621
Non-Current Assets	536,242	-	(52,808)	483,434

The effect of the restatement on each financial statement line is summarised below:

	2011 Originally Reported	Adjustment	2011 Restated
	€	€	€
Comprehensive Income for the year	53,376	(52,808)	568
Non-Current Assets	536,242	(52,808)	483,434

18. Capital commitments

	2012	2011
	€	€
Total Capital Commitments	<u>223,000</u>	<u>177,000</u>
(i) Approved but not yet contracted for:		
Office Furniture and Fittings	-	20,000
Urban Improvements	130,000	64,000
New Motor Vehicle	-	25,000
Office Equipment (incl. computer & cctv equipment)	-	18,000
Resurfacing	40,000	-
	<u>170,000</u>	<u>127,000</u>
(ii) Contracted for but not provided in the Financial Statements:		
Urban Improvements	53,000	-
Construction of new council premises	-	50,000
	<u>53,000</u>	<u>50,000</u>

19. 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
South 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
Department of Inland Revenue	No Control
Airmalta plc	No control
Bank of Valletta plc	No control
Wasteserv Malta Limited	No control
Kunsill Malti għall-iSports	No control
Mitts Limited	No control

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

	2012	2011
	€	€
Annual Financial Allocation	301,195	290,442

Key management compensation

Transactions with key management personnel are disclosed in note 6.

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.

20. 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 receivables is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

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

	€
- Receivables from Related parties	4,087

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 € 170,348. 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 € 644,470 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.

21. 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.

22. 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 27, which comprise the statement of financial position as at 31st December 2012, 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.

Basis for Qualified Opinion

As indicated in the statement of changes in reserves on page 4 and further explained in note 17 to the financial statements, a prior year adjustment amounting to Euro 52,808 was passed during the year under review. This adjustment resulted following an exercise that was carried out on the fixed assets register of the Local Council. After the exercise was finalized, Euro 156,229 was written off from the costs of property, plant and equipment and Euro 103,421 was written off from the accumulated depreciation of these assets. We were unable to obtain sufficient audit evidence to confirm the correctness of such adjustments. Furthermore, we were not satisfied by the procedure that was followed while carrying out the exercise of rebuilding the fixed assets register as it could have easily resulted in assets not being included in the new register, in assets capitalized using the wrong cost amounts and in depreciation being started on incorrect dates.

In note 17 to the financial statements kindly note that the corresponding reclassification of the Euro 1,000 made to the administration and other expenditure was made against the general income, as this is not mentioned in the note.

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 2012 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
Conrad Borg FCCA FIA DipIFR CPA (Partner) for and on behalf of
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Certified Public Accountants
Members of PrimeGlobal
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22/04/13