

**HAL GHARGHUR LOCAL COUNCIL**

**Audited Report and Financial**

**Statements for the year ended**

**31 December 2012**

*Prepared by: DConsulta Ltd,  
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Independence Avenue  
Mosta MST9928*

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## HAL GHARGHUR LOCAL COUNCIL

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## **HAL GHARGHUR LOCAL COUNCIL**

### **STATEMENT OF COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S RESPONSIBILITIES for the year ended 31 December 2012**

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

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

This statement was approved by the Council on 29th April 2013 and signed on its behalf by:

**Mario Gauci**  
Mayor

**Kurt Guillaumier**  
Acting Executive Secretary

## HAL GHARGHUR LOCAL COUNCIL

### STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2012

	Notes	Year Ended 2012 €	Year Ended 2011 €
<b>Income</b>			
Funds received from Central Government	4	240,158	233,389
Income from Law Enforcement System	5	3,532	435
General Income	6	10,054	16,181
		<u>253,744</u>	<u>250,005</u>
<b>Expenditure</b>			
Personal emoluments	7	56,426	69,323
Operations and maintenance	8	87,821	84,200
Administrative and other expenditure	9	96,165	108,300
		<u>240,412</u>	<u>261,823</u>
<b>Net Operating Surplus for the year</b>		<b>13,332</b>	<b>(11,818)</b>
<b>Finance income</b>	<b>10</b>	<b>163</b>	<b>261</b>
		<u>163</u>	<u>261</u>
<b>Net Surplus for the year</b>		<b>13,495</b>	<b>(11,557)</b>

*The notes on pages 6 to 31 form an integral part of these financial statements.*

# HAL GHARGHUR LOCAL COUNCIL

## STATEMENT OF FINANCIAL POSITION As at 31 December 2012

	Notes	Year Ended 2012 €	Year Ended 2011 €
<b>Assets</b>			
<u>Non-current assets</u>			
Property, plant and equipment	11	682,093	703,038
<b>Total non-current assets</b>		<b>682,093</b>	<b>703,038</b>
<u>Current assets</u>			
Trade and other Receivables	12	20,465	26,586
Cash and cash equivalent	13	91,011	91,279
<b>Total current assets</b>		<b>111,476</b>	<b>117,865</b>
<b>Total assets</b>		<b>793,569</b>	<b>820,903</b>
<b>Reserves and liabilities</b>			
<u>Reserves</u>			
Retained Earnings		510,336	496,842
<b>Total Reserves</b>		<b>510,336</b>	<b>496,842</b>
<u>Non-current liabilities</u>			
Deferred Income	14	163,488	231,476
<b>Total non-current liabilities</b>		<b>163,488</b>	<b>231,476</b>
<u>Current liabilities</u>			
Payables	14	119,745	92,585
<b>Total current liabilities</b>		<b>119,745</b>	<b>92,585</b>
<b>Total liabilities</b>		<b>283,233</b>	<b>324,061</b>
<b>Total reserves and liabilities</b>		<b>793,569</b>	<b>820,903</b>

The financial statements were approved by the Council on 29th April 2013 and signed on its behalf by:

**Mario Gauci**  
Mayor

**Kurt Guillaumier**  
Acting Executive Secretary

*The notes on pages 6 to 31 form an integral part of these financial statements.*

## HAL GHARGHUR LOCAL COUNCIL

### STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Retained Earnings €	Total Earnings €
At 1 January 2011	508,399	508,399
Total Comprehensive Loss for the year	(11,557)	(11,557)
At 31 December 2011	496,842	496,842
At 1 January 2012	496,841	496,841
Total Comprehensive Surplus for the year	13,495	13,495
At 31 December 2012	510,336	510,336

*The notes on pages 6 to 31 form an integral part of these financial statements.*

# **HAL GHARGHUR LOCAL COUNCIL**

## **STATEMENT OF CASHFLOWS**

**For the year ended 31 December 2012**

	Notes	2012 €	2011 €
<b>Cash flows from operating activities</b>			
Surplus/(Loss) for the year		13,495	(11,556)
<u>Adjustments for:</u>			
Depreciation		61,985	63,844
Bad Debts written off		151	-
Interest receivable			(261)
Operating Surplus before working capital changes		75,631	52,027
<u>Movements in working capital:</u>			
Decrease/(Increase) in receivables		6,121	2,834
Increase / (Decrease) in payables		(40,829)	45,954
<b>Net cash generated by operating activities</b>		40,923	48,788
 <b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(32,069)	(108,933)
Payments to PPP creditors previously accrued		-	-
Payments on new PPP contracts		-	-
Grants transferred to Special Programmes		-	-
Interest received		163	261
<b>Net cash generated from/used in investing activities</b>		(31,906)	(108,672)
 <b>Net movement in cash and cash equivalents in the year</b>		(268)	22,613
 Cash and cash equivalents at beginning of year		91,279	68,666
 Cash and equivalents at end of year	13	91,011	91,279

*The notes on pages 6 to 31 form an integral part of these financial statements.*

## **HAL GHARGHUR LOCAL COUNCIL**

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

#### **1. General Information**

The Hal Gharghur Local Council is a local authority of Malta set up in accordance with the Local Councils Act (1993). The office of the Local Council is situated at Triq San Nikola, Hal Gharghur, GHR 1162, Malta. These financial statements were approved for issue by the Council Member on the 29th April 2013.

The Local Council's presentations as well as functional currency are denominated in Euro (€). Its ultimate controlling party is the Department for Local Government within the Office of the Prime Minister.

## HAL GHARGHUR LOCAL COUNCIL

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

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#### 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, 1993 (Chap. 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, 1993 (Cap 363).

##### *New and amended standards adopted by the Local Council*

Certain new standards, amendments and interpretations to existing standards have been published and effective for the current period, however these changes are not expected to have a material effect on the Local Council's financial statements.

- IAS 1 (amendment) - Presentation of financial statements (effective from 1 January 2010).
- IAS 7 (amendment) - Statement of Cash Flows. Amendments to reflect changes in other standards.
- IAS 17 (amendment) - Leases - Amendments to reflect changes in other standards.
- IAS 27 (revised) - Consolidated and separate financial statements (effective from 1 July 2009).
- IAS 36 (impairment of assets) - Amendments to reflect changes in other standards.
- IAS 38 (amendment) - Intangible Assets (effective from 1 July 2009).
- IAS 39 (amendment) - Financial Instruments: Recognition and measurement (effective from 1 January 2010).
- IFRS 2 (amendment) - Group Cash-Settled and Share-Based payment transactions (effective from 1 January 2010).
- IFRS 3 (revised) - Business Combinations (effective from 1 July 2009).
- IFRS 5 (amendment) - Measurement of Non-Current assets (or disposal groups classified as held-for-sale (effective from 1 January 2010).
- IFRIC 9 (amendment) and IAS 39 - Embedded derivatives (effective from 1 July 2009). Amendments to reflect changes in other standards.
- IFRIC 17 - Distribution of Non-Current Assets to owners (effective on or after 1 July 2009).
- IFRIC 18 - Transfer of Assets from customers (effective from 1 July 2009).
- IAS 24 - Related party disclosures (effective 1 January 2011)

## HAL GHARGHUR LOCAL COUNCIL

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

..... continued

#### *New Relevant Standards and not yet adopted/not yet early 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 2011 or later periods and the Local Council has not yet early adopted them:

- IAS 32 (amendment) Financial Instruments: Presentation (effective from 1 February 2010).
- IAS 27 Consolidated and separate financial statements (effective from 1 July 2010).
- IAS 34 Interim Financial Reporting (effective from 1 January 2011).
- IFRS 3 (amendments) Business Combinations (effective from 1 January 2011).
- IFRS 7 (amendments) Financial Instruments (effective from 1 January 2011).
- IFRIC 13 Customer loyalty programmes (effective from 1 January 2011).
- IAS 12 (amendment) Income Taxes - IAS 12 (effective from 1 January 2012).
- IAS 1 (amendments) Presentation of Financial Statements (effective from 1 January 2013).
- IFRS 9 Financial Instruments (effective from 1 January 2013).

## HAL GHARGHUR LOCAL COUNCIL

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

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#### *Property, plant and equipment*

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

	Rates in %
Land	0
Trees	0
Buildings	1
Office Furniture & Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Programmes (Projects)	10
Office Equipment and Computer Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Road/Street Signs	100
Litter Bins	100
Playground Equipment	100
Street Lighting	100
Street Mirrors	100
Plants	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 surplus. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each year end. 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 Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Comprehensive Income Statement during the financial year in which they are incurred.

## HAL GHARGHUR LOCAL COUNCIL

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

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

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

#### *Impairment of financial assets other than inventories*

At the end of each reporting period, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

In the case of financial assets that are carried at amortised cost, objective evidence of impairment includes observable data about the following loss events - significant difficulty of the issuer (or counterparty) and/or breach of contract.

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

## HAL GHARGHUR LOCAL COUNCIL

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

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For loans, and receivables or, if there is objective evidence that an impairment loss has been incurred, the loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

In the case of other assets tested for impairment, the recoverable amount is the higher of fair value less costs to sell (which is the amount obtainable from sale at arm's length transaction between knowledgeable, willing parties, less the costs of disposal) and value in use (which is the present value of the future cash flows expected to be derived, discounted using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Impairment losses are recognised immediately in the statement of comprehensive income, unless the asset is carried at a revalued amount, in which case, the impairment loss is recognised directly against the asset's revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for the asset.

For loans and receivables, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly.

In the case of assets tested for impairment, an impairment loss recognised in a prior period is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but in a manner that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

Impairment reversals are recognised immediately in the comprehensive income statement, unless the asset is carried at a revalued amount, in which case, the impairment reversal is recognised directly in reserves, unless an impairment loss on the same asset was previously recognised in the comprehensive income statement.

## HAL GHARGHUR LOCAL COUNCIL

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

..... continued

#### *Cash and cash equivalents*

Cash and cash equivalents are carried in the Statement of Financial Position at face value. For the purpose of the Cash Flow Statement, cash and cash equivalents comprise cash in hand and balances held banks.

#### *Receivables*

Receivables are recognised initially at the transaction price, less provision for impairment. A provision for impairment of general receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

A provision for impairment is established when there is objective evidence that the Council will not be able to collect all amounts receivable. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount to be received is impaired. Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

#### *Related Parties*

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

#### *Income recognition*

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

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

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

## HAL GHARGHUR LOCAL COUNCIL

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

..... continued

#### *Government grants*

Government grants are not recognised until there is reasonable assurance that the Council will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Council recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Council should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Council with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a Central Government loan at a below-market rate of interest is treated as a government grant, measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

#### *Foreign currencies*

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

#### *Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for the intended use or sale.

Investment income on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in Total Comprehensive Income for the period in which they are incurred.

## HAL GHARGHUR LOCAL COUNCIL

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

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#### *General Payables*

Payables and accrued expenditure are recognised initially at the transaction price and subsequently measured at amortised cost. The difference between the proceeds and the amount payable is recognised over the period of the payable using the effective interest method.

#### *Judgements in applying accounting policies and key sources of estimating uncertainty*

In the process of applying the Council's accounting policies, the Council Members have made no judgements which can significantly affect the amounts recognised in the financial statements.

At the end of the reporting period, except as disclosed in note 22, there were no key assumptions concerning the future, or any other key sources of estimating uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### *Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

#### *Provisions*

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

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

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

# **HAL GHARGHUR LOCAL COUNCIL**

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

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### **3. Surplus(Loss) for the year**

	Notes	2012 €	2011 €
Personal Emoluments	7	56,426	69,322
Depreciation on property, plant and equipment	11	61,985	63,844
		<u>118,411</u>	<u>133,166</u>

### **4. Funds Received from Central Government**

	2012 €	2011 €
In terms of section 55 of the Local Councils Act, 1993	220,694	211,907
Supplementary Income	19,464	21,482
	<u>240,158</u>	<u>233,389</u>

### **5. Income raised under Law Enforcement System**

	2012 €	2011 €
LES Share of Joint Committee Results	1,560	435
Income from Regional Committees	1,972	-
	<u>3,532</u>	<u>435</u>

## HAL GHARGHUR LOCAL COUNCIL

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

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#### 6. General Income

	2012	2011
	€	€
Cultural activities	2,807	-
Income from Community services	14	97
Permits	-	4,683
Tender Documents	-	1,050
Refunds – Green MT	4,462	1,560
General	(4,462)	5,334
Other general income	7,175	-
Insurance Claims	58	-
	<u>10,054</u>	<u>12,724</u>

#### 7. Personnel emoluments

	2012	2011
	€	€
Personnel emoluments include, inter alia:		
Mayor's Honoraria & Allowance	6,479	3,830
Council Members' Allowance	6,400	6,400
Executive Salary and Allowance	9,126	21,748
Employees' Salaries & Allowances	31,407	32,992
Social Security Contributions - Employer's Share	<u>3,014</u>	<u>4,352</u>
	<u>56,426</u>	<u>69,322</u>

## HAL GHARGHUR LOCAL COUNCIL

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

..... continued

#### 8. Operations and Maintenance

	2012	2011
	€	€
Operations and maintenance includes, inter alia:		
<b>Repairs and Upkeep:</b>		
Road and Street Pavements (patching works)	976	832
Road Markings & Signs	6,536	6,129
Other repairs	2,294	3,606
	<u>9,913</u>	<u>10,567</u>
<b>CONTRACTUAL SERVICES</b>		
Operating materials and supplies	1,329	-
Street lightning	4,342	4,416
e-government services	2,017	-
Bank charges	43	-
Insurance coverage	1,504	1,709
Refuse collection	29,920	26,144
Bulky refuse collection	2,601	2,783
Bring in sites/tipping fees	16,629	-
Roads and street cleaning	10,971	9,265
Cleaning and maintenance public conveniences	2,875	2,806
Cleaning and maintenance council premises	-	384
Cleaning and maintenance parks and gardens	2,361	2,271
LES expenditure	106	-
PPP contracts	1,800	-
Other contractual services	1,410	1,514
	<u>77,908</u>	<u>51,292</u>
<b>TOTAL OPERATIONS AND MAINTENANCE</b>	<u>87,821</u>	<u>61,859</u>

## HAL GHARGHUR LOCAL COUNCIL

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

..... continued

#### 9. Administration and Other Expenses

	2012	2011
	€	€
Utilities	7,332	6,779
Materials & Supplies	-	4,800
Uniforms	99	-
Rent	3,531	2,812
National and International Memberships	-	2,579
Advertising and public relations expenses	3,690	-
Printing, stationery, postages & office services	1,429	1,478
ICT expenses	800	-
Conference and participation expenses	100	-
Participation fees	562	-
Other minor expenses	36	-
Transport and travel	70	-
Information services	1,662	3,721
Office services	155	-
Professional services	233	3,701
Training Courses	1,086	-
Community and Hospitality	11,458	13,129
Management and operation services	886	-
Depreciation	61,985	63,844
Movement in Provisions on Bad Debts	900	-
Bad debts written off	151	-
	<u>96,165</u>	<u>102,843</u>

#### 10. Investment income

	2012	2011
	€	€
Bank - interest receivable	163	261
	<u>163</u>	<u>261</u>

# HAL GHARGHUR LOCAL COUNCIL

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

..... continued

11. Property, plant and equipment	Council Admin Offices	Construction	Office Furniture & Fittings	New Street Signs	Urban Improve.	Office & Computer Equip.	Plant & machinery	Special Programmes	Assets Under Construction	Total
	Buildings €	Works €	€	€	€	€	€	€	€	€
Depreciation rate	1%	10%	7.5%	100%	10%	20%	20%	10%	Nil	
Cost										
At 1 January 2012	107,992	151,674	28,655	14,908	108,791	17,782	31,062	1,166,075	-	1,626,939
Additions	-	23,155	533	-	215	206	562	7,399	8,150	41,044
Disposals	-	-	-	-	-	-	-	-	-	-
At 31 December 2012	107,992	174,829	29,188	14,908	109,006	17,988	31,624	1,173,474	8,150	1,667,983
Government Grants										
At 1 January 2012								(479,906)		(479,906)
Movement	-	-	-	-	-	-	-	-	-	-
At 31 December 2012	-	-	-	-	-	-	-	(479,906)		(479,906)
Depreciation										
At 1 January 2012	6,363	84,405	13,856	14,908	49,341	12,119	12,409	250,594		443,995
Current charge	1,014	7,350	1,078	-	6,128	1,392	3,407	41,616		61,985
At 31 December 2012	(7,377)	(91,755)	(14,934)	(14,908)	(55,469)	(13,511)	(15,816)	(292,210)		(505,980)
	100,610								8,150	
N.B.V. at 31 December 2012		83,074	14,254	-	53,538	5,302	15,808	401,358		682,098
	101,629									
N.B.V. at 31 December 2011		67,269	14,799		59,450	5,663	18,653	435,575		703,038

# **HAL GHARGHUR LOCAL COUNCIL**

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

..... continued

## **11. Property, plant and equipment**

	Council Admin Offices Buildings €	Construction Works €	Office Furniture & Fittings €	New Street Signs €	Urban Improve. €	Office & Computer Equip. €	Plant & machinery €	Special Programme €	Total €
Depreciation rate	1%	10%	7.5%	100%	10%	20%	20%	10%	
Cost									
At 1 January 2011	112,225	301,780	28,656	14,475	109,652	15,218	18,247	896,796	1,497,049
Additions	-	11,118	-	-	8,864	1,732	442	269,279	291,435
Disposals	-	-	-	(996)	-	-	-	-	(996)
Reclassifications	(4,233)	(161,224)	(1)	1,429	(9,725)	431	12,373	160,950	-
At 31 December 2011	107,992	151,674	28,655	14,908	108,791	17,381	31,062	1,166,075	1,626,938
Government Grants									
At 1 January & 31 December 2011	-	-	-	-	-	-	-	(479,906)	(479,906)
Depreciation									
At 1 January 2011	(4,908)	333,484	(12,656)	(14,637)	(40,075)	(10,130)	(7,279)	(623,949)	(380,150)
Current charge	(1,026)	(10,252)	(1,200)	43	(6,278)	(1,159)	(3,424)	(40,548)	(63,844)
Reclassification	(429)	(407,637)	-	(313)	(2,988)	(830)	(1,706)	413,903	0
At 31 December 2011	(6,363)	(84,405)	(13,856)	(14,908)	(49,341)	10,459	(12,409)	(250,594)	(443,994)
N.B.V. at 31 December 2011	101,629	67,269	14,799	0	59,450	5,663	18,653	435,575	703,038

## HAL GHARGHUR LOCAL COUNCIL

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

..... continued

#### 12. Trade and other Receivables

	Notes	2012	2011
		€	€
<b>Falling due within One Year:</b>			
Trade and other Receivables		6,269	5,751
Prepayments, accrued income and deferred expenditure		15,096	20,835
Provision for doubtful Debts-B/S		(900)	
		<hr/>	<hr/>
		20,465	26,586

#### 13. Cash and Cash Equivalents

Cash and cash equivalents in the cash flow statement comprise the following amounts in the Council's Statement of Affairs.

	2012	2011
	€	€
Cash in hand	233	233
Bank – Current Accounts	34,106	575
Bank – Savings Accounts	56,650	60,791
Bank – Fixed Term Deposits	22	29,680
	<hr/>	<hr/>
Cash at bank and in hand	91,011	91,279

# **HAL GHARGHUR LOCAL COUNCIL**

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

..... continued

## **14. PAYABLES**

	2012 €
<b>Current Liabilities</b>	
Trade creditors	39,192
Creditors- Local Councils Department (i)	-
Amounts owed to Joint Committee	-
Other related undertakings	-
Accruals	21,101
<b>Deferred Income</b>	
Other creditors	21,937
Deferred income- Grant UIF	16,155
Deferred income- Accessibility Fund/Public convenience	6,930
Deferred income- Embellishment Pjazza	3,610
Deferred income- Photovoltaic Panels	5,356
Deferred income- PPP Resurfacing Projects	(7,627)
Deferred income- Lanciritka Project	13,325
Deferred income- Restoration paintings	816
Creditors- Photovoltaic Panels	568
Creditors- PPP Scheme	8,998
UIF Funds- Short term	1,661
Creditors-Photovoltaic Gnien il-Paci	2,636
Creditors- Public Convenience St John	382
Creditors- Lancitrika	(1,273)
Reclassification of to non-current liabilities	(14,022)
	<hr/> 119,745 <hr/>
<b>Non-Current Liabilities</b>	
Long Term Borrowings	74,881
Deferred income- Grant	88,606
	<hr/> 163,487 <hr/>

## HAL GHARGHUR LOCAL COUNCIL

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

..... continued

#### 18. Capital commitments

	2012	2011
	€	€
Details of capital commitments at the accounting date are as follows:		
<i>Road Resurfacing PPP 1 – 2012 to 2019</i>		-
Road Resurfacing PPP 1 – 2012	25,143	50,285
Road Resurfacing PPP 1 – 2013 to 2019	88,606	113,749
Road Resurfacing PPP 2 – 2012	-	35,245
Road Resurfacing PPP 2 – 2013 to 2021	-	39,138
	<u>113,749</u>	<u>238,417</u>

The above represents commitments which the council had for 2011 and 2012. No account for capital commitments relating to PPP2 has been taken into consideration in these financial statements.

#### 19. Contingent liabilities

The council forms part of a Local Enforcement Pooling System, profits and losses generated from which system cannot be quantified at year end and have been excluded from these financial statements.

#### 20. Related party transactions

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.

The Council also receives revenue from other Government entities such as the Water Services Corporation for trenching works carried out in the locality, and for the re-instatement of roads as a result of the trenching works.

## HAL GHARGHUR LOCAL COUNCIL

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

..... continued

#### 21. Financial Risk Management

The Council's activities expose it to a variety of financial risks, that include market risks, credit risk, liquidity risk and interest 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.

Where applicable, any significant changes in the Council's exposure to financial risks or manner in which the Council manages and measures these risks are disclosed below.

Where possible, the Council aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of risk exposure associated with the financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

With respect to credit risk, the receivables are monitored continuously for recoverability. Receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidences of a reduction in the recoverability of the cash flows. Known bad debts are therefore maintained to the lowest possible, thereby lowering as much as possible the concentration of credit risk.

##### *Liquidity risk*

The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and plans projects accordingly. The Council Members and Executive Secretary do not consider that it is significantly exposed to liquidity risk.

##### *Interest Rate risk*

The Council's interest rate risk arises from the borrowings issued at variable rates expose the Council to cash flow interest rate risk. In general, the Council Members and Executive Secretary the Council's exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows are not deemed to be substantial in view of the nature of the assets and liabilities.

## HAL GHARGHUR LOCAL COUNCIL

### *Financial Risk Management continued*

#### *Credit risk*

Financial assets which potentially subject the Council to concentration of credit risk consist primarily 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 financial credit history. In this respect, credit 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.

Included in the Council's receivables balance are the following receivables which are past due at the end of the reporting period net of an allowance for doubtful debts and excluding related party receivables. The credit period allowed by the Council to its debtors is 30 days.

#### *Credit risk*

	2012
	€
30 - 60 days	-
61 - 90 days	-
over 91 days	6,269
	<hr/>
	6,269
	<hr/>

## 22. Post Balance Sheet events

There were no particular important events affecting the Council which occurred since the end of the accounting period.

## LOCAL COUNCIL GHARGHUR

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

We have audited the accompanying financial statements of LOCAL COUNCIL GHARGHUR, which comprise the statement of financial position on page 3 as of 31<sup>st</sup> December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

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

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council Members and the Executive Secretary, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

#### ***Basis for qualified opinion***

In accordance with the Local Enforcement System (LES) issued by the Ministry by virtue of article 72 of the Local Councils Act (Cap. 363), the income relating to contraventions was delegated to the local councils through Legal Notice 32 of 2000. The Council entered into a pooling agreement with a number of local councils within the Local Enforcement System and formed a Joint Committee to manage and administer this function up to September 2011, when this was delegated to Regional Committees. Due to the fact that no proper audited financial statements have been prepared by the Joint Committee, we could not obtain reasonable assurance on the completeness of the share of income or expenditure that could have been recorded in the financial statements as well as on any accrued income or liabilities present as at end of the current financial year.

International Financial Reporting Standards require that all applicable standards and their disclosure requirements are complied with in the preparation of financial statements. These financial statements lack certain disclosure requirements arising from IAS 1 – Presentation of Financial Statements; IAS 2 – Inventories; IAS 7 – Statement of Cash Flows; IAS 16 – Property, Plant and Equipment; IAS 20 – Accounting for Government grants and disclosures; IAS 24 – Related Party Disclosures; IAS 37 – Provisions, Contingent Liabilities and Contingent Assets; IAS 39 – Financial Instruments: Recognition and Measurement and IFRS 7: Financial Instruments Disclosure.

### ***Qualified Opinion***

In our opinion, except for the effect on the financial statements of the matters referred to in the Basis for Qualified Opinion paragraphs, the financial statements give a true and fair view of the financial position of Local Council Gharghur as at 31<sup>st</sup> December, 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

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

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



This copy of the report has been signed by  
Christian Vella (Partner) on its behalf

**3a**

Certified Public Accountants  
Level 2  
Palazzo Ca' Brugnara  
Valley Road  
Birkirkara BKR9024  
Malta

**Date 29<sup>th</sup> April 2013**