

HAMRUN Local Council

Annual Administrative Report

2012

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ADMINISTRATIVE YEAR 1ST JANUARY 2012 - 31ST DECEMBER 2012

2012 was the first year of the 6th Hamrun Local Council mandate. During this year, Council has continued to shoulder its responsibilities outlined in Act XV of 1993 along with other new-delegated functions.

COUNCIL HUMAN RESOURCES

Council is operating with full staff complement together with contracted professional services of Contract Manager, Architect and Lawyer. Furthermore, 1 ex-Dockyard worker and 3 ETC Community Scheme Workers are assigned with Council to carry out minor civil works.

COUNCIL FINANCIAL RESOURCES

The Government financial allocation for 2012 was €606,343.00

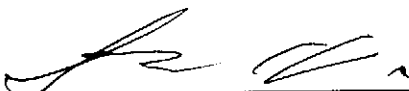
The Local Enforcement System has generated an additional gross income of €51,623.00 from Contraventions. Local Enforcement related expenses were that of €7,482.00.

COUNCIL OPERATIONS

During financial year 2012, the Council continued its maintenance programme on various pavewalks in the locality and has carried out an extensive patching exercise.

Council has operated from new Council Administrative Offices whilst new car park is now fully operational.

Considering the difficulties and restrictions encountered, as well as the limited resources, the Council's performance during this first year of mandate is considered as successful.



Mr. Vincent Bonello
Mayor

2.0 The Council

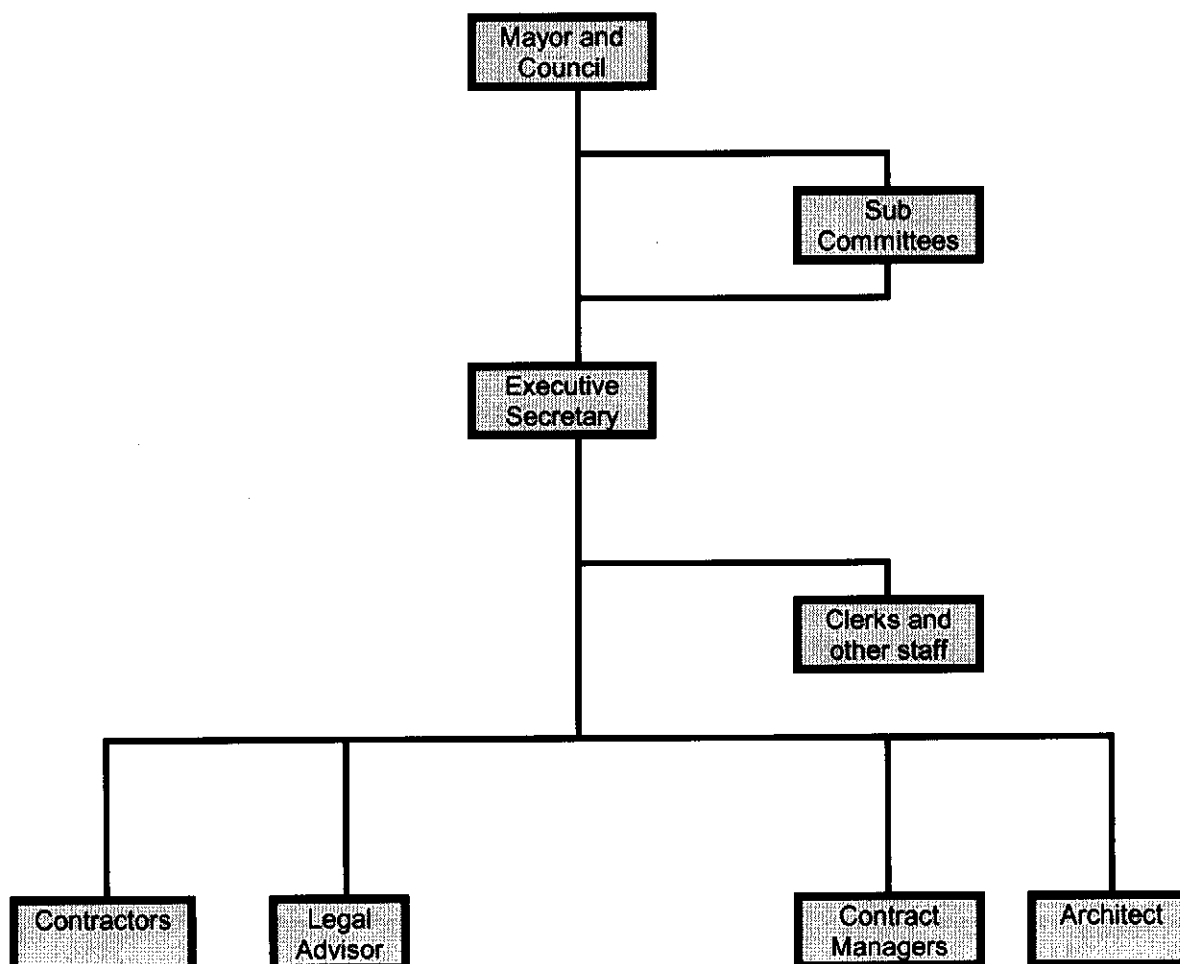
2.1 The Council**18 Council Meetings held between 1st January 2012 and 31st December 2012**

	Excused	Absent
Mayor		
Mr Vincent Bonello	1	---
Councillors		
Mr Johnaton Abela (up to 31.03.12)	---	---
Mr Carmen Borg	5	---
Ms Judith B. Bugeja (up to 31.03.12)	---	---
Mr Mario Caruana	1	---
Dr. Paula Mifsud Bonnici LL.D	5	---
Mr Christian Sammut	3	---
Mr Cedric Valletta Minst SMM (UK), MCIM (UK), M.B.A. (Maastricht)	5	---
Mr. Arthur Ellul (up to 31.03.12)	---	---
Mr. Gaetano Cuschieri (as from 01.04.12)	---	---

Employees

Mr Philip Massa	Executive Secretary
Ms Maronia Psaila	Clerk
Ms. Tiziana Bajada	Clerk
Ms. Fiorella Scicluna	Clerk
Ms. Abigail Calleja	Clerk w.e.f 01.12.11

3.0 Council areas of activity

3.1 Organisation

4.0 Income and Expenditure Variations**4.1 Consolidated Income and Expenditure Variations Schedule**

ACCT NO.	DESCRIPTION	a	b	c	a-b/b-a	a-c/c-a
		2012 ACTUAL €	2012 BUDGET €	2011 ACTUAL €	BUDGET VAR €	ACTUAL VAR €
2	Income					
0000	Government	639,244.00	656,343.00	609,147.00	(17,099.00)	30,097.00
0020	Bye-laws	88,619.07	59,000.00	225,718.00	29,619.07	(137,098.93)
0090	Investment	595.62		1,358.00	595.62	(762.38)
0092	Loan Drawdown			137,828.54		(137,828.54)
0100	General					
	TOTAL	728,458.69	715,343.00	974,051.54	13,115.69	(245,592.85)
1	Expenditure					
1000	Personal emoluments	114,680.00	118,000.00	111,193.65	3,320.00	(3,486.35)
2000	Operations and maintenance	526,415.26	584,569.48	486,066.06	58,154.22	(40,349.20)
7000	Capital Expenditure	560,407.00	629,519.69	560,407.00	69,112.69	
	TOTAL	1,201,502.26	1,332,089.17	1,157,666.71	130,586.91	(43,835.55)
	Balance	(473,043.57)	(616,746.17)	(183,615.17)	(117,471.22)	(269,428.40)

4.0 Income and Expenditure Variations (cont.)**4.2 Detailed Income Variations Schedule**

ACCT NO.	DESCRIPTION	a	b	c	a-b	a-c
		2012 ACTUAL €	2012 BUDGET €	2011 ACTUAL €	BUDGET VAR €	ACTUAL VAR €
2	Income					
0000	Government					
0001	Annual	606,159.00	606,343.00	602,930.00	(184.00)	3,229.00
0002	Supplementary					
0003	Special needs	33,085.00	50,000.00	4,100.00	(16,915.00)	28,985.00
0004	Public/government delegations					
0015	Other			2,117.00		(2,117.00)
		639,244.00	656,343.00	609,147.00	(17,099.00)	30,097.00
0020	Bye-Laws					
0021	Community Services	7,000.00	7,000.00			7,000.00
0036	Contravention of bye-laws	52,073.04	10,000.00	179,744.00	42,073.04	(127,670.96)
0056	Sponsorships	2,300.00			2,300.00	2,300.00
0066	General	27,246.03	42,000.00	45,974.00	(14,753.97)	(18,727.97)
		88,619.07	59,000.00	225,718.00	29,619.07	(137,098.93)
0090	Investment					
0091	Bank interest	595.62		1,358.00	595.62	(762.38)
0092	Loan Drawdown			137,828.54		(137,828.54)
0096	Government securities					
		595.62		139,186.54	595.62	(138,590.92)
0100	General					
0110	Donations					
0120	Contributions					
TOTAL		728,458.69	715,343.00	974,051.54	13,115.69	(245,592.85)

4.0 Income and Expenditure Variations (cont.)**4.3 Detailed Expenditure Variations Schedule**

ACCT NO.	DESCRIPTION	a	b	c	b-a	c-a
		2012 ACTUAL €	2012 BUDGET €	2011 ACTUAL €	BUDGET VAR €	ACTUAL VAR €
1	Expenditure					
1000	Personal Emoluments					
1100	Mayor's allowance	8,000.00	10,000.00	11,146.00	2,000.00	3,146.00
1200	Employee salaries and wages	78,900.00	77,000.00	75,415.06	(1,900.00)	(3,484.94)
1300	Bonuses	2,500.00	2,600.00	2,562.00	100.00	62.00
1400	Income supplements	5,580.00	5,700.00	2,833.73	120.00	(2,746.27)
1500	Social Security contributions	6,800.00	7,500.00	7,323.68	700.00	523.68
1600	Allowances	9,400.00	11,200.00	8,960.00	1,800.00	(440.00)
1700	Overtime	3,500.00	4,000.00	2,953.18	500.00	(546.82)
		114,680.00	118,000.00	111,193.65	3,320.00	(3,486.35)
2000	Operations and maintenance					
2100	Utilities	13,900.00	14,100.00	14,152.00	200.00	252.00
2200	Materials and supplies	2,800.00	2,350.00	1,320.00	(450.00)	(1,480.00)
2300	Repair and upkeep	68,780.00	105,500.00	52,505.00	36,720.00	(16,275.00)
2400	Rent	7,686.93	8,400.00	6,726.06	713.07	(960.87)
2500	National / International memberships	469.00	1,900.00	706.00	1,431.00	237.00
2600	Office services	5,059.00	10,630.00	9,735.00	5,571.00	4,676.00
2700	Transport	257.85	2,860.00	2,997.00	2,602.15	2,739.15
2800	Travel		5,000.00		5,000.00	
2900	Information services	1,730.00	3,760.00	2,300.00	2,030.00	570.00
3000	Contractual services	367,382.48	374,819.48	255,320.00	7,437.00	(112,062.48)
3100	Professional services	24,000.00	24,500.00	20,568.00	500.00	(3,432.00)
3200	Training		650.00		650.00	
3300	Community and hospitality	26,800.00	24,600.00	26,118.00	(2,200.00)	(682.00)
3400	Incidental expenses	750.00	1,000.00		250.00	(750.00)
3600	Local Enforcement Expenditure	6,800.00	4,500.00	93,619.00	(2,300.00)	86,819.00
		526,415.26	584,569.48	486,066.06	58,154.22	(40,349.20)
7000	Capital Expenditure					
7001	Acquisition of property					
7100	Construction					
7200	Improvements	927.00	11,230.00	927.00	10,303.00	
7300	Equipment	6,479.00	39,000.00	6,479.00	32,521.00	
7500	Special programmes	553001.00	579,289.69	553001.00	26,288.69	
		560,407.00	629,519.69	560,407.00	69,112.69	
TOTAL		1,201,502.26	1,332,089.17	1,157,666.71	130,586.91	(43,835.55)

5.0 Bank Reconciliation Statement

Hamrun 2012

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Reconciliation Output : Cash Book 4 - 5004/000 - BOV current 7714

Prepared by: PKF Malta & Co.

Closing Balance As Per Bank Statement			€0.00
Less Outstanding CB 4 Payments :			
1302	20/12/2011	ALFONS ENTERPRISES	€40.83
1608	11/06/2012	future focus courses - Project ESF	€1,312.50
1784	28/09/2012	entertainment Hamrun Fest	€10.80
1818	29/10/2012	kids craft material for car free day	€177.10
1891	20/12/2012	Kumitat Kongunt Centrali	€746.75
1892	20/12/2012	Audio Works	€325.00
1893	20/12/2012	J&K contractors	€300.00
1895	20/12/2012	Med Developers	€448.11
1896	20/12/2012	Mica Med	€4,106.96
1897	20/12/2012	GMM & Associates	€660.80
1898	20/12/2012	GMM & Associates	€1,227.20
1901	20/12/2012	Office electronics	€95.06
1902	20/12/2012	Waste Serv	€6,299.55
1903	20/12/2012	TCTC	€1,100.00
1904	20/12/2012	court case Gasan Mamo vs LC	€178.58
1907	20/12/2012	Environmental landscapes consortium	€1,290.85
1908	20/12/2012	Wurth	€225.82
1911	20/12/2012	Chris Ciancio	€274.94
1912	20/12/2012	Gaetano Mifsud	€60.00
1913	20/12/2012	Ronald Bezzina	€3,608.00
1914	20/12/2012	Group 4	€141.60
1915	20/12/2012	Ability publications	€274.94
1916	20/12/2012	Premier Post	€189.98
1918	20/12/2012	The guard & warden service	€90.00
1921	20/12/2012	Venture Trading	€64.90
1922	20/12/2012	Koperattiva tabelli u sinjali	€320.09
1923	20/12/2012	missing table choc festival	€76.70
1928	21/12/2012	V.Bonello Jul - Dec 12	€789.00
1929	21/12/2012	C.Sammut Jul - Dec 12	€480.00
1930	21/12/2012	C.Borg Jul - Dec 12	€480.00
1931	21/12/2012	M.Carwana Jul - Dec 12	€480.00
1932	21/12/2012	P.Mifsud Bonnici Jul - Dec 12	€480.00
1933	21/12/2012	C.Valletta Jul - Dec 12	€480.00
1934	21/12/2012	G.Cuschieri Jul - Dec 12	€480.00
1935	31/12/2012	transfer to petty cash Dec 12	€74.00
Sub Total			€27,390.06 CR
Plus Outstanding CB 4 Receipts :			
Sub Total			€0.00 DR
Reconciled Bank Balance			€-27,390.06
Computer Bank Balance As At 31/12/2012			€-27,390.49
Diff			€0.43

----- End of Report -----

Hamrun Local Council

Report and Financial Statements

for the year ended 31 December 2012

Prepared by:

GMM & Associates (Malta) Limited



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Financial Statements for the period ended 31 December 2012

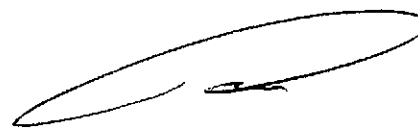
Statement of Local Council Members' and Executive Secretary's Responsibilities

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a Statement of Comprehensive Income of the Local Council for the period and of the Council's retained funds at the end of period. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the period and its retained funds as at the period 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on 25/04/13 and signed on its behalf by:


Mr. Vincent Bonello
Mayor


Mr. Philip Massa
Executive Secretary

Financial Statements for the year ended 31 December 2012

Report of the Local Government auditor to the Auditor General

We have audited the accompanying financial statements of Hamrun Local Council which comprise the statement of financial position as at 31 December 2012, 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.

Respective responsibilities of the Local Council and Local Government auditors

As described in page 2, these financial statements are the responsibility of the Executive Secretary and the Local Council members.

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 of 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 our 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, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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, 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 audit opinion.

Basis for qualified opinion

- 1 The Council operates the Local Enforcement System (LES). The Council does not prepare a reconciliation between the LES reports generated from the IT system and actual cash received, debtors outstanding at the end of the period, income received on behalf of other councils and amounts owed to other councils. We could not perform any audit procedures to satisfy ourselves as to the existence and completeness of LES income, LES debtors and LES creditors, and the valuation of LES debtors at 31 December 2012.
- 2 An unreconciled difference of € 8,444 was identified between the council's books and a supplier's statement at year end. This amount was recognised in the council's books but not shown in the supplier's statement. We could not satisfy ourselves as to the existence of the reported figures for fixed assets and creditors at balance sheet date.
- 3 The Local Councils (Audit) Procedures, 2006 contain a specimen of the financial statements which Local Councils should adhere to. It further stipulates that in the case where this specimen is not in conformity with International Financial Reporting Standards (IFRSs), the latter should prevail.

The Council's financial statements for the year under review have not been prepared in accordance with the specimen referred to above and do not take into consideration all the additional requirements that emerge from the applicable IFRSs. This contravenes the requirements of the Local Councils (Audit) Procedures, 2006.

- 4 Excluded from these financial statements are the budgeted figures for the year. This is not in accordance with the Local Councils (Financial) Procedures, 1996.

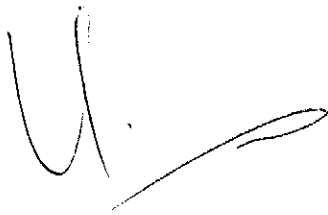
Financial Statements for the year ended 31 December 2012

Report of the Local Government auditor to the Auditor General (continued)

Qualified Opinion

In our opinion, except for the effects of the matters described in paragraph 1 and 2 under Basis for qualified opinion paragraph, the financial statements give a true and fair view of the financial position of Hamrun Local Council as of 31 December 2012, and of the results of its operations, changes in net assets/equity and its cash flows for the year then ended in accordance with the accounting policies set out on pages 8 to 13.

Because of the matter set out in paragraph 4 above, these financial statements do not comply fully with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 and because of the matters set out in paragraph 3 above these financial statements have not been prepared in accordance with International Financial Reporting Standards.



Mark Bugeja
f/Grant Thornton
Certified Public Accountants
Grant Thornton
Tower Business Centre, Suite 3
Tower Street
Swatar BKR 4013

25 April 2013

Hamrun Local Council

Statement of Comprehensive Income for the year ended 31 December 2012


	Notes	2012	2011
		Euro	Euro
Income			
Funds received from central government	4	613,236	609,147
Income raised under Local Council Bye-Laws	5	3,290	757
Income raised under Local Enforcement System	6	7,951	178,987
Investment Income	7	723	1,358
General Income	8	19,064	45,974
		<u>644,264</u>	<u>836,223</u>
Expenditure			
Personal emoluments	9	118,761	110,390
Operations and maintenance	10	331,672	394,448
Administration and other expenditure	11	237,318	159,739
Finance Costs	12	45,573	21,598
		<u>733,324</u>	<u>686,175</u>
Surplus / (Deficit) for the year		<u>(89,060)</u>	<u>150,048</u>


Hamrun Local Council

Statement of Financial Position as at 31 December 2012

	Notes	2012	2011
Assets		Euro	Euro
<i>Non-current Assets</i>			
Property, plant and equipment	13a/b	2,233,181	2,016,869
Total non-current assets		<u>2,233,181</u>	<u>2,016,869</u>
<i>Current Assets</i>			
Receivables	14	130,481	264,462
Cash and cash equivalents	15	299,442	608,006
Total current assets		<u>429,923</u>	<u>872,468</u>
Total assets		<u>2,663,104</u>	<u>2,889,337</u>
Reserves and Liabilities			
<i>Reserves</i>			
Retained Earnings		1,354,806	1,443,866
Total Equity		<u>1,354,806</u>	<u>1,443,866</u>
<i>Non-current liabilities</i>			
Long term borrowings	16	881,860	932,209
Total non-current liabilities		<u>881,860</u>	<u>932,209</u>
<i>Current Liabilities</i>			
Payables	17	330,606	417,430
Current portion of long-term borrowings	16	95,832	95,832
Total current liabilities		<u>426,438</u>	<u>513,262</u>
Total reserves and liabilities		<u>2,663,104</u>	<u>2,889,337</u>

The financial statements were approved by the Council on the 25/04/13 and were signed on its behalf by:


Mr. Vincent Bonello
Mayor


Mr. Philip Massa
Executive Secretary

Hamrun Local Council

Statement of Changes in Equity for the period ended 31 December 2012

	Retained Earnings
	Euro
Balance at 31 December 2010	1,256,625
Changes in accounting policy	-
Restated Balance	<u>1,256,625</u>
Changes in equity	
Balance as at 1 January 2011	1,256,625
Prior Year Adjustment	37,193
Total comprehensive income for the year	<u>150,048</u>
Balance at 31 December 2011	1,443,866
Changes in equity	
Balance as at 1 January 2012	1,443,866
Prior Year Adjustment	-
Loss on Disposal of Assets	-
Total comprehensive income for the year	<u>(89,060)</u>
Balance at 31 December 2012	<u><u>1,354,806</u></u>

Hamrun Local Council

Statement of Cash Flows for the year ended 31 December 2012

	2012	2011
	Euro	Euro
Cash flow from operating activities		
Surplus / (Deficit) for the year/period	(89,060)	150,048
<i>Adjustments for:</i>		
Prior Year Adjustment	-	37,194
Depreciation	56,530	61,861
Loss on Disposal of Assets	2,179	-
Interest Payable	45,573	21,598
Interest receivable	(723)	(1,358)
Grants Movement	-	30,900
	<u>14,499</u>	<u>300,243</u>
<i>Movements in working capital:</i>		
Decrease / (Increase) in payables	(86,824)	92,680
(Decrease)/ Increase in receivables	133,981	(34,107)
Release of Government Grants	-	-
Cash generated from operations	<u>61,656</u>	<u>358,816</u>
<i>Net cash from operating activities</i>	61,656	358,816
Cash flows from investing activities		
Purchase of property, plant and equipment	(275,021)	(560,407)
Interest received	723	1,358
<i>Net cash used in investing activities</i>	<u>(274,298)</u>	<u>(559,049)</u>
Cash flows from financing activities		
Proceeds from long-term borrowings	(50,349)	48,134
Grants (UIF) received	-	29,355
Interest paid	(45,573)	(21,598)
<i>Net cash from financing activities</i>	<u>(95,922)</u>	<u>55,891</u>
Net increase/(decrease) in cash and cash equivalents	(308,564)	(144,342)
Cash and cash equivalents at beginning of year/period	608,006	752,348
Cash and cash equivalents at end of year/period	<u>299,442</u>	<u>608,006</u>

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

1. General Information

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

Significant accounting policies

1.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. The financial statements are presented in Euro.

1.2 Basis of preparation

The financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments that are measured at re-valued amounts or fair values, as explained in the accounting policies set in note 3 below.

2. General Information

The following new and revised IFRSs as adopted by the EU have been applied in the current period and have affected the amounts reported in these financial statements. Details of other new and revised IFRSs as adopted by the EU applied in these financial statements that have had no material effect on the financial statements are set in note 2.1 below.

2. 1 Application of International Financial Reporting Standard, as adopted by the EU

In 2010, the IASB completed its annual improvements project, entitled Improvements to IFRSs. 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 revision to IAS 24 Related Party Disclosures is applicable for annual periods beginning on or after 1 January 2011, with earlier application being permitted. The revised Standard simplifies the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by government and clarifies the definition of a related party. The local council is assessing the impact of this Standard on the financial statements.

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 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.

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.

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

.....continued

2. 2 International Financial Reporting Standards, as adopted by the EU, in issue but not yet effective

IFRS 9 Financial Instruments (Not yet EU endorsed)

The new standard requires all financial assets within the scope of IAS39 to be stated at amortised cost or fair value where the intention is to hold such instruments to collect the contractual cash flows which are repayments of capital and interest. All other investments are stated at fair value at the end of each reporting period. Furthermore, where changes in the fair value of financial liabilities at fair value through profit or loss can be attributed to changes in credit risk; those changes are recognised in other comprehensive income.

The only exception would be when such treatment would give rise to, or enlarge an accounting mismatch in profit and loss. The standard is effective for years commencing on or after 1 January 2015, with earlier adoption permitted.

IFRS 10 Consolidated Financial Statements (Not yet EU endorsed)

Builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard revises the definition of control and provides additional guidance to assist in the determination of control where this is difficult to assess. The basic principle that a consolidated entity includes a parent and its subsidiaries as if they were a single entity and consolidation procedures remains unchanged.

IFRS 11 Joint venture (Not yet EU endorsed)

An entity is required to determine the type of joint arrangement in which it is a party by assessing its rights and obligations. These should then be accounted for in accordance with that type of joint arrangement. The standard defines joint operations and joint ventures and requires the following treatment thereof.

A joint operation is a joint arrangement where the parties have joint control of the arrangement (joint operators) and have rights to the assets, obligations for the liabilities of the arrangement. Joint operators recognise their assets, liabilities, revenue and expenses in relation to its interest in a joint operation. A joint venture is a joint arrangement where the parties have joint control of the arrangement (joint venturers) and have rights to the net assets of the arrangement. Joint venturers should account for such investments on the equity method.

IAS 27 Separate Financial Statements; IAS 28 Investments in Associates and Joint Ventures (Not yet EU endorsed)

These two existing standards have been amended in order to align them with the newly released standards.

The revised IAS 27 now deals with the requirements for the preparation of separate financial statements only. The previous standard also dealt with consolidated financial statements, which requirements are now included in IFRS10 Consolidated Financial Statements. The standard now requires that Investments in subsidiaries, associates and jointly controlled entities be carried, either at cost or in accordance with IFRS 9.

The effective date of IFRS 10, 11 & 12 and amended IAS 27 & 28 is 1 January 2013, while early adoption is permitted.

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

.....continued

IFRS 13 Fair value (Not yet EU endorsed)

The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. It applies to both financial instrument items and non-financial instrument items where other standards require or permit fair value measurements and disclosures about fair value measurements.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

2. 3 Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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 as 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.

2. 4 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.

2.5 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 judgments which can significantly affect the amounts recognized in the financial statements.

At the end of the reporting period, except as disclosed in note 21, 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.

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

.....continued

3. The principal accounting policies.

3. 1 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.

As from 1st September 2011, the Central Government re-allocated the full management of the LES system from the Joint Committee to the Regional Offices. From 1st September 2011, Hamrun Local Council will be compensated for the handling of the payments made at its council on a pro rata basis.

3. 2 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.

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

3. 3 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 the statement of comprehensive income 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, in line with the Office Local Council Department based on IAS 20.

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 the statement of comprehensive income on a systematic and rational basis over the useful lives of the related assets.

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

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3. 4 Property, plant and equipment

Freehold land is not depreciated.

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

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

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

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

	Rates in %
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
Playground furniture	100

Certain depreciation rates such as those of plants, playground equipment and street lighting had their depreciation rate changed from 10% to 100% in October 2002 by virtue of Legal Notice 323 of 2002. Litter bins and street signs are treated on replacement basis as per memo 121/2011.

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

.....continued

3. 5 Financial Instruments

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of comprehensive income.

	2012	2011
	Euro	Euro
4. Funds received from central government		
In terms of section 55 of the Local Councils Act (Cap 363)	606,342	602,930
In terms of section 58 of the Local Councils Act (Cap 363)	4,894	4,100
Other Government Income	<u>2,000</u>	<u>2,117</u>
	<u>613,236</u>	<u>609,147</u>

	2012	2011
	Euro	Euro
5. Income raised from Bye-Laws		
Income raised under Local Council Bye-Laws	<u>3,290</u>	<u>757</u>

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

.....continued

	2012	2011
	Euro	Euro
6. Local Enforcement Income		
Share of Profit from Joint Committee/ Fines and Penalties:		
Pre-Regional Committees	-	177,956
Regional Committees	7,951	1,031
	<u>7,951</u>	<u>178,987</u>

	2012	2011
	Euro	Euro
7. Investment Income		
Bank interest	723	1,358
	<u>723</u>	<u>1,358</u>

	2012	2011
	Euro	Euro
8. General Income		
Income from other activities	5,000	12,170
Income from tender documents / guarantees	4,200	1,775
Income from Rent – Car Park	1,760	-
Income from permits	5,502	4,747
Sponsorships & Contributions	1,600	2,050
Contributions towards re-instatements	1,002	25,232
	<u>19,064</u>	<u>45,974</u>

	2012	2011
	Euro	Euro
9. Personal Emoluments		
Mayor's allowance	11,416	11,146
Executive Secretary salary and allowances	24,530	24,737
Employees' salaries	66,436	57,598
Councillor's Allowance	7,669	9,600
Social Security Contributions	8,710	6,697
	<u>118,761</u>	<u>110,390</u>

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

.....continued

	2012	2011
	Euro	Euro
10. Operations and Maintenance		
Repairs and upkeep:		
Road and street pavements (Patching works)	35,319	19,855
Walkways	12,387	19,068
Street signs	33	1,504
Road markings	13,011	12,078
	<u>60,750</u>	<u>52,505</u>
 Contractual Services:		
Refuse collection (including bins on wheels)	80,017	81,752
Bulky refuse collection (including open skips)	74,288	66,988
Road and Street Cleaning (mechanical and manual)	46,030	40,225
Cleaning and Maintenance of Public Conveniences	11,632	12,825
Cleaning and Maintenance of Parks and Gardens	15,490	14,199
Security Services	1,298	824
Street Lighting	34,685	31,511
Local Enforcement Expenses	7,482	93,619
	<u>270,922</u>	<u>341,943</u>
 Total Operations and Maintenance expenses	<u>331,672</u>	<u>394,448</u>

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

.....continued

	2012	2011
	Euro	Euro
11. Administration and other expenditure		
Utilities	8,308	14,152
Other repairs and upkeep	10,571	5,230
Rent	7,742	9,076
National and International Memberships	618	706
Office Services	5,116	9,735
Travel	-	-
Transport	311	2,997
Information Services	1,674	2,300
Other contractual services	5,748	6,996
Professional services	21,859	20,568
Community and hospitality	2,281	3,296
Social events	8,250	4,836
Cultural events	25,064	17,986
Asset Disposal Account	2,179	-
Increase in Provision for bad Debts	81,067	-
Depreciation	56,530	61,861
	<u>237,318</u>	<u>159,739</u>
	2012	2011
	Euro	Euro
12. Finance Costs		
Interest on Bank Loan	45,573	21,598
	<u>45,573</u>	<u>21,598</u>

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

.....continued

13a. Property, Plant and Equipment

Asset	Council premises & Car Park	Construction - Roads	Office furniture & fittings	New Street Signs	Office Equipment	Urban Improvements	Special Programmes	Total
	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
Cost								
As at 1 January 2012	1,710,818	300,038	22,423	16,968	45,049	41,256	799,358	2,935,910
Additions	146,638	19,940	3,526	-	10,641	4,066	90,210	275,021
Disposals	-	-	(3,075)	-	(19,041)	-	-	(22,116)
As at 31 December 2012	<u>1,857,456</u>	<u>319,978</u>	<u>22,874</u>	<u>16,968</u>	<u>36,649</u>	<u>45,322</u>	<u>889,568</u>	<u>3,188,815</u>
Grants and other reimbursements								
As at 1 January 2012	-	-	-	-	-	-	402,847	402,847
Additions	-	-	-	-	-	-	-	-
As at 31 December 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>402,847</u>	<u>402,847</u>
Accumulated Depreciation								
As at 1 January 2012	30,067	242,441	14,261	16,968	44,127	34,880	133,450	516,194
Charge for the year	18,132	15,508	877	-	3,278	917	17,818	56,530
Disposals	-	-	(1,889)	-	(18,048)	-	-	(19,937)
As at 31 December 2012	<u>48,199</u>	<u>257,949</u>	<u>13,249</u>	<u>16,968</u>	<u>29,357</u>	<u>35,797</u>	<u>151,268</u>	<u>552,787</u>
Net Book Value								
As at 31 December 2012	<u>1,809,257</u>	<u>62,029</u>	<u>9,625</u>	<u>-</u>	<u>7,292</u>	<u>9,525</u>	<u>335,453</u>	<u>2,233,181</u>

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

.....continued

13b. Property, Plant and Equipment

Asset	Property in the course of construction Euro	Construction- Roads Euro	Office furniture & fittings Euro	New Street Signs Euro	Office Equipment Euro	Urban Improvements Euro	Special Programmes Euro	Total Euro
Cost								
As at 1 January 2011	1,157,817	300,038	21,496	16,968	38,570	41,256	799,358	2,375,503
Additions	515,807	-	927	-	6,479	-	-	523,213
Adjustments	37,194	-	-	-	-	-	-	37,194
As at 31 December 2011	1,710,818	300,038	22,423	16,968	45,049	41,256	799,358	2,935,910
Grants and other reimbursements								
As at 1 January 2011	-	-	-	-	-	-	402,847	402,847
Additions	-	-	-	-	-	-	-	-
As at 31 December 2011	-	-	-	-	-	-	402,847	402,847
Accumulated Depreciation								
As at 1 January 2011	15,960	223,234	13,629	16,968	30,655	34,189	119,697	454,332
Charge for the year	14,107	19,207	632	-	13,472	691	13,753	61,862
Adjustments								
As at 31 December 2011	30,067	242,441	14,261	16,968	44,127	34,880	133,450	516,194
Net Book Value								
As at 31 December 2011	1,680,751	57,597	8,162	-	922	6,376	263,061	2,016,869

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

.....continued

	2012	2011
	Euro	Euro
14. Receivables		
Receivables	83,180	194,949
LES debtors	8,561	8,561
Prepayments and accrued income	38,740	60,952
	<u>130,481</u>	<u>264,462</u>

15. Cash and Equivalents

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

	2012	2011
	Euro	Euro
Bank balances:		
ordinary funds	299,212	607,850
Cash in Hand	<u>230</u>	<u>156</u>
	<u>299,442</u>	<u>608,006</u>

	2012	2011
	Euro	Euro
16. Long Term Borrowing		
Long Term Borrowings (i)	881,860	932,209
Current portion of long term borrowings	95,832	95,832

Long term borrowings consist of a loan borrowed by the council with the approval of the Minister responsible from Local Government. This amount is to be repaid in 20 years with monthly instalments of €7986.04 starting following the one year moratorium on the first withdrawal. Interest is being charged at 4.45% per annum.

Security is held by Letter of Undertaking (ref. 11 4140) dated 2nd March 2009, requesting to channel through account 40017967772 all and any funds which are received by the Council from the Government of Malta, instruct the Government to effect any payment of funds and to retain sufficient funds to cover such payments.

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

.....continued

	2012	2011
	Euro	Euro
17. Payables		
Payables	54,631	183,572
Deferred Income	233,681	203,697
Accruals	42,294	30,161
	<u>330,606</u>	<u>417,430</u>
<i>Deferred Income</i>	Euro	Euro
Balance at the beginning of the year/period	203,697	172,797
Increase	35,957	30,900
Received	-	-
Released to Income	(5,973)	-
	<u>233,681</u>	<u>203,697</u>
Balance at the end of the year/period		
Short – Term Deferred Income	12,954	35,900
Long – Term Deferred Income	220,727	167,797

	2012	2011
	Euro	Euro
18. Capital Commitments		
Details of Capital commitments are as follows:		
Contracted for but not provided in financial statements		
Finishing works of underground car park at site in Duke of Edinburgh Street	-	20,000
Elevator for Council Office	-	22,000

The council does not have any Capital Commitments that had been approved but not provided for within the Financial Statements as at 31st December 2012.

A loan facility has been granted to the council by a local bank on approval of the Minister responsible for Local Government. The loan has been taken to finance the underground car park and the council's new administrative office. The first draw down payment was made on 1st April 2009. Works carried out by the contractor have been invoiced at period end and are shown under payables.

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

.....continued

The council has approved within its budget for the financial year ending 31st December 2013, the following capital expenditure.

Authorised by the Local Council but have not yet been contracted

Improvements

Office Furniture & Fittings	5,000
New Street Signs	230
Street Furniture	1,000
Improvements to Property	1,000

Equipment

Office Equipment	6,000
Plant & Machinery	5,100

Special Programmes

Tar- Rabbat Playing Field	45,500
Carriageways re-surfacing	200,782
Car Park / Admin. Office	14,000

19. Contingent Liabilities

i) A contingent liability exists with regards to a court case made by Bonnici Brothers Limited against Hamrun Local Council. In 2007 the council had withheld a payment from Bonnici Brothers Limited for bad workmanship. Bonnici Brothers filed a Court case. The Court case has been resolved in favour of Hamrun Local Council in 2012, however Bonnici Brothers Limited have appealed. Decision by the Court is to be taken in October 2013.

ii) A contingent liability exists with regards to additional amounts claimed by the CIR for FSS payments by means of a notification letter received on the 7th of December 2011 for the amount of €1,028.90. The Council has requested the CIR to give an explanation for the balance; however as at 31.12.2012 no reply was received. The council will continue to follow up this issue in 2013.

20. Post Balance Sheet events

There were no particular important events affecting the operation of the council since the end of the accounting period.

21. Financial Risk Management

Financial assets include equity, other receivables and cash held at bank and in hand. Financial liabilities include other payables and long-term borrowings.

The Council is exposed to a variety of financial risks: market risk, credit risk and liquidity risk. The Council's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance.

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

.....continued

Financial risk management

The Council adopts an overall risk management to maintain and control its exposures.

i) Market Risk - Cash flow and fair value interest rate risk

As the Council has no interest-bearing assets, the Council's income and operating cash flows are independent of charges in market interest rates. Although the Council has borrowings issued at fixed rates, the exposure to fair value interest rate risk is limited and ultimately endorsed by Central Government.

ii) Credit Risk

Credit risk on amounts receivable is limited through the systematic monitoring of outstanding balances and the presentation of debtors net of allowances for doubtful debts, where applicable. Cash is placed with reputable banks.

Credit risk arises ever increasing variances between the main council's income, that provided by Central Government, and the cost of its outsourced services which are mostly exposed to commodity risks. Furthermore the huge reduction of other revenue from LES, following its restructuring through central government, and Permits could well expose the Council even more to credit issues unless this shortfall is recovered from other sources.

The maximum exposure to credit risk at the reporting date in respect of the financial assets mentioned above is disclosed in the respective notes to the financial statements.

iii) Fair Values

As at 31st December 2012, the carrying amounts of financial assets and liabilities were not materially different from the carrying amounts.

iv) Liquidity risk

Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve month period and ensures that no additional financing facilities are expected to be required over the coming year.

22. Related Party Transactions

Identity of Related Parties

Central Government- as per Local Councils Act 1993, is the major and ultimate controlling related party.

All the Authorities set up by Central Government and all the entities which are owned by Central Government are considered to be related parties to the Hamrun Local Council.

Transactions with Related Parties

	Central Government		LES	
	2012	2011	2012	2011
	EUR	EUR	EUR	EUR
Income	(606,342)	(602,930)	(7,951)	(178,987)
Amount Receivable	-	(13,900)	(61,968)	(182,042)