

## Kirkop Local Council

### Annual Audit Report 31st December 2013

Prepared by:

*Christopher Spiteri 9/4/2014*

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# Kirkop Local Council

## Financial Statements

Year ended 31st December 2013

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## Kirkop Local Council


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

Year ended 31st December 2013

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The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's comprehensive income for the year and of the Local Council's financial position at the end of the 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 accounting policies applicable to Local Councils, the comprehensive income of the Local Council for the year and its financial position as at the year end, and that they comply with the Local Councils 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.

  
\_\_\_\_\_  
Mayor

Date :

28/4/14

  
\_\_\_\_\_  
Executive Secretary



**Financial Statements for the year ended 31 December 2013**

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

We have audited the accompanying financial statements of Kirkop Local Council which comprise the statement of financial position as at 31 December 2013, 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 auditor***

As described in page 1, these financial statements are the responsibility of the Executive Secretary and the Local Council members.

***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 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. Included with creditors at balance sheet date is an amount of € 8,651 representing accruals brought forward. The Council did not provide us with supporting evidence relating to these figures and there were no practicable alternative procedures that we could apply to satisfy ourselves as to the existence of these amounts.
2. Included with prepayments at balance sheet date is an amount of € 4,766 representing an amount brought forward from last year. The prepayments and other debtors figure remained unchanged from last year. The Council did not provide us with supporting evidence relating to this figure and there were no practicable alternative procedures that we could apply to satisfy ourselves as to the existence of these amounts.
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.

**Financial Statements for the year ended 31 December 2013**

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

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

***Qualified Opinion***

In our opinion, except for the effects of the matters described in paragraphs 1 and 2 under basis for qualified opinion paragraph, the financial statements give a true and fair view of the financial position of Kirkop Local Council as at 31 December 2013, and of the results of its operations, changes in net assets/equity and its cash flows for the period then ended in accordance with the accounting policies set out on pages 8 and 9.

Because of the matters set out in paragraphs 3 and 4 under basis for qualified opinion paragraph, 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 in these financial statements have not been prepared in accordance with International Financial Reporting Standards.

***Emphasis of matter***

Without qualifying our opinion, we draw attention to the Council's Statement of Financial Position on page 5 which shows that at 31 December 2013 the Council's current liabilities (excluding deferred income) exceeded current assets (excluding prepayments and accrued income of € 25,256 and € 335,484 representing bank balances which can only be used to fund specific projects) by € 71,405. The significance of this deficiency casts doubt as to whether the Council will be able to meet its liabilities as they fall due.



Mark Bugeja  
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28<sup>th</sup> April 2014

## Kirkop Local Council

Statement of Comprehensive Income  
Year ended 31st December 2013

	Note	2013 Eur	2012 Eur
Income			
Funds received from central government	3	215,602	221,629
Income raised under Local Enforcement System	4	1,000	1,446
General income	5	17,496	26,861
		<u>234,098</u>	<u>249,936</u>
Expenditure			
Personal emoluments	6	63,235	69,349
Operations and maintenance	7	58,199	67,985
Administration and other expenditure	8	170,636	136,230
		<u>292,070</u>	<u>273,564</u>
Loss for the year		<u>(57,972)</u>	<u>(23,628)</u>




## Kirkop Local Council

## Statement of Financial Position

31st December 2013

	Note	2013 Eur	2012 Eur
<b>Assets</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	9	1,109,789	705,080
		<u>1,109,789</u>	<u>705,080</u>
<b>Current Assets</b>			
Receivables	10	29,290	440,400
Cash and cash equivalents	11	385,013	455,389
		<u>414,303</u>	<u>895,789</u>
<b>Total Assets</b>		<u>1,524,092</u>	<u>1,600,869</u>
<b>Reserves and Liabilities</b>			
<b>Reserves</b>			
Retained Fund		<u>318,807</u>	<u>376,779</u>
<b>Non-current Liabilities</b>			
Amounts falling due after one year	12	<u>984,415</u>	<u>991,320</u>
<b>Current Liabilities</b>			
Payables	13	<u>220,870</u>	<u>232,770</u>
		<u>220,870</u>	<u>232,770</u>
<b>Total Reserves and Liabilities</b>		<u>1,524,092</u>	<u>1,600,869</u>

These Financial Statements were approved by the Local Council and are signed on its behalf by :

  
 Mayor

  
 Executive Secretary

Date : 28/4/14

**Kirkop Local Council****Statement of changes in equity**  
Year ended 31st December 2013

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	<b>Retained fund</b>
	<b>Eur</b>
	<hr/>
At 31st December 2011	400,407
Loss for the year	<hr/> (23,628)
At 31st December 2012	376,779
Loss for the year	<hr/> (57,972)
At 31st December 2013	<hr/> 318,807



## Kirkop Local Council

**Statement of Cash Flows**  
 Year ended 31st December 2013

	Note	2013 Eur	2012 Eur
<b>Cash flows from operating activities</b>			
Loss for the year		(57,972)	(23,628)
<i>Adjustments for:</i>			
Depreciation		74,467	70,694
Government grant released		(20,233)	(21,315)
Increase in provision for doubtful debtors		24,162	18,152
Proceeds from disposal of property, plant & equipment		0	12,793
Profit on disposal of property, plant & equipment		0	(3,005)
Investment income		(58)	(73)
<b>Profit for the year before working capital movements</b>		20,366	53,618
Movement in receivables		(3,978)	(1,552)
Movement in payables		(76,807)	32,712
<b>Net cash (used in)/generated from operating activities</b>		(60,419)	84,778
<b>Cash flows from investing activities</b>			
Payment to acquire property, plant and equipment		(479,176)	(98,538)
Investment income		58	73
<b>Net cash used in investing activities</b>		(479,118)	(98,465)
<b>Cash flows from financing activities</b>			
Grants received during the year		479,922	32,263
<b>Net cash flows from financing activities</b>		479,922	32,263
<b>Movement in cash and cash equivalents</b>		(59,615)	18,576
<b>Cash and cash equivalents at the beginning of the year</b>		444,628	426,052
<b>Cash and cash equivalents at the end of the year</b>	11,13	385,013	444,628

## Kirkop Local Council

### Notes to the financial statements

31st December 2013

#### Note

#### 1 General information

Kirkop Local Council is the local authority of Kirkop set up in accordance with the Local Councils Act. The office of the Local Council is situated at 31, Triq San Benedittu, Kirkop.

As from 1st September 2011 the Local Council started to form part of the Southern Regional Committee.

#### 2 Accounting policies and reporting procedures

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

The principal accounting policies and reporting procedures used by Local Councils are as follows :

##### a) Revenue recognition

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. All revenue - funds received from central government, local enforcement system income, investment income and general income, is accounted for in the statement of comprehensive income as it accrues.

##### b) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss 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 :

	%
Trees	0
Land	0
Buildings	1
Office furniture and fittings	7.5
Construction works	10
Special programmes	10
Urban improvements (Street Furniture)	10
Office equipment	20
Plant & Machinery	20
Motor vehicles	20
Computer equipment	25
Plants	100
New street signs	100
Litter bins	100
Playground furniture	100
Street lights	100
Street mirrors	100



## Kirkop Local Council

### Notes to the financial statements

31st December 2013

#### Note

##### c) Government Grants

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

##### d) 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 cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Comprehensive Income.

##### e) 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 Local 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.

##### f) 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 Euro, which is the Local Council's functional and present currency.

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

##### g) 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.

##### h) Cash and cash 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.

## Kirkop Local Council

## Notes to the financial statements

31st December 2013

## Note

3	<u>Funds received from central government</u>	2013	2012
		Eur	Eur
	In terms of section 55 of the Local Councils Act (Cap 363)	184,431 ✓	187,917
	Supplementary government income	7,221 ✓	0
	Other government income	23,950 ✓	33,712
		<u>215,602</u>	<u>221,629</u>
4	<u>Local enforcement system income</u>	2013	2012
		Eur	Eur
	Contraventions	1,000 ✓	1,446
		<u>1,000</u>	<u>1,446</u>
5	<u>General Income</u>	2013	2012
		Eur	Eur
	General income	17,438 ✓	21,004
	Investment income	58 ✓	73
	ESF income	0	5,263
	Measure 323 income	0	521
		<u>17,496</u>	<u>26,861</u>
6	<u>Personal emoluments</u>	2013	2012
		Eur	Eur
	Personal emoluments include, inter alia :		
	Mayor's allowance	6,636 ✓	10,213
	Councillors' allowances	6,400 ✓	7,100
	Employees' salaries	37,684 ✓	38,137
	Executive secretary's salary	12,515 ✓	13,899
		<u>63,235 ✓</u>	<u>69,349</u>



# Kirkop Local Council

## Notes to the financial statements

Year ended 31st December 2013

### Note

#### 7 Operations and maintenance

	2013 Eur	2012 Eur
<b>Repairs and upkeep:</b>		
Signs	221	41
Other	1,817	5,911
	<u>2,038</u>	<u>5,952</u>
 <b>Contractual services:</b>		
Refuse collection	17,959	17,959
Bulky refuse collection	2,300	2,300
Road and street cleaning	11,256	11,256
Waste disposal	14,766	14,904
Cleaning and maintenance - public conveniences	0	4,414
Cleaning and maintenance - parks and gardens	3,751	3,765
Cleaning and maintenance - council premises	1,824	1,787
Local enforcement system expenses	87	1,979
Street lighting	1,773	2,176
Other	2,445	1,493
	<u>56,161</u>	<u>62,033</u>
	 <u>58,199</u>	 <u>67,985</u>

## Kirkop Local Council

## Notes to the financial statements

Year ended 31st December 2013

## Note

8 Administration and other expenditure

	2013 Eur	2012 Eur
Utilities	4,380 ✓	5,776
Materials & supplies	4,503 ✓	4,380
Transport	604 ✓	1,423
Information services	1,542 ✓	1,624
Participation National meetings	388 ✓	208
Lease of equipment	169 ✓	0
Hospitality costs	1,149 ✓	388
Rent	1,337 ✓	2,227
Office services	2,856 ✓	3,197
Professional services	8,912 ✓	21,828
ESF expenses	1,177 ✓	0
Community services & events	4,249 ✓	9,338
Depreciation	74,467 ✓	70,694
Increase in provision for doubtful LES debtors	14,290 ✓	18,152
Increase in provision for bad debts	6,010 ✓	0
Profit on disposal of property, plant & equipment	0 ✓	(3,005)
Ecoagro expenses	44,603 ✓	0
	<u>170,636</u>	<u>136,230</u>

## Kirkop Local Council

Notes to the financial statements  
31st December 2013

## Note

9a Property, Plant and Equipment

Cost - as at 1st January 2013

Additions new this year

Released on disposal

Cost - as at 31st December 2013

Grants - as at 1st January 2013

Transferred during the year

Grants - as at 31st December 2013

Acc.depreciation - as at 1st January 2013

Charge for the year

Released on disposal

Acc.depreciation - as at 31st December 2013

Net book value - as at 31st December 2013

	Office furniture & fittings Eur	Plant & machinery Eur	Computer equipment Eur	Motor vehicles Eur	Urban improvements Eur	Construction works Eur	Assets under construction Eur	Total Eur
Cost - as at 1st January 2013	44,084	2,947	26,994	4,600	89,940	1,431,526	0	1,600,091
Additions new this year	0	0	2,303	0	1,913	51,899	423,061	479,176
Released on disposal	0	0	0	0	0	0	0	0
Cost - as at 31st December 2013	44,084	2,947	29,297	4,600	91,853	1,483,425	423,061	2,079,267
Grants - as at 1st January 2013	0	0	0	0	0	543,714	0	543,714
Transferred during the year	0	0	0	0	0	0	0	0
Grants - as at 31st December 2013	0	0	0	0	0	543,714	0	543,714
Acc.depreciation - as at 1st January 2013	18,036	2,818	19,917	1,656	37,985	270,885	0	351,297
Charge for the year	1,954	26	1,987	59	5,340	65,101	0	74,467
Released on disposal	0	0	0	0	0	0	0	0
Acc.depreciation - as at 31st December 2013	19,990	2,844	21,904	1,715	43,325	335,986	0	425,764
Net book value - as at 31st December 2013	24,094	103	7,393	2,885	48,528	603,725	423,061	1,109,789

## Kirkop Local Council

Notes to the financial statements  
31st December 2013

## Note

9b Property, Plant and Equipment

Cost - as at 1st January 2012

Additions new this year

Released on disposal

Cost - as at 31st December 2012

Grants - as at 1st January 2012

Transferred during the year

Grants - as at 31st December 2012

Acc.depreciation - as at 1st January 2012

Charge for the year

Released on disposal

Acc.depreciation - as at 31st December 2012

Net book value - as at 31st December 2012

	Office furniture & fittings Eur	Plant & machinery Eur	Computer equipment Eur	Motor vehicles Eur	Urban improvements Eur	Construction works Eur	Total Eur
Cost - as at 1st January 2012	42,042	2,707	24,097	4,600	88,957	1,351,943	1,514,346
Additions new this year	2,042	240	2,897	0	983	92,376	98,538
Released on disposal	0	0	0	0	0	(12,793)	(12,793)
Cost - as at 31st December 2012	44,084	2,947	26,994	4,600	89,940	1,431,526	1,600,091
Grants - as at 1st January 2012	0	0	0	0	0	543,714	543,714
Transferred during the year	0	0	0	0	0	0	0
Grants - as at 31st December 2012	0	0	0	0	0	543,714	543,714
Acc.depreciation - as at 1st January 2012	15,615	2,225	18,323	920	32,264	214,261	283,608
Charge for the year	2,421	593	1,594	736	5,721	59,629	70,694
Released on disposal	0	0	0	0	0	(3,005)	(3,005)
Acc.depreciation - as at 31st December 2012	18,036	2,818	19,917	1,656	37,985	270,885	351,297
Net book value - as at 31st December 2012	26,048	129	7,077	2,944	51,955	616,927	705,080



## Kirkop Local Council

## Notes to the financial statements

31st December 2013

## Note

10 <u>Receivables</u>	2013	2012
	Eur	Eur
Debtors	10,044	8,797
Provision for bad debts	(6,010)	0
Local enforcement system debtors	0	15,421
Accrued income	18,793	409,719
Prepayments and other debtors	6,463	6,463
	<u>29,290</u>	<u>440,400</u>

Receivables are stated net of a provision for doubtful debts of Eur 169,894 (31st December 2012 Eur 149,594).

11 <u>Cash and cash equivalents</u>	2013	2012
	Eur	Eur
Cash in hand	343	226
Bank balances :		
Savings accounts	383,271	447,248
Current accounts	1,399	7,915
	<u>385,013</u>	<u>455,389</u>

12 <u>Amounts falling due after one year</u>	2013	2012
	Eur	Eur
Deferred income	984,415	991,320
	<u>984,415</u>	<u>991,320</u>

13 <u>Payables</u>	2013	2012
	Eur	Eur
Creditors	107,207	153,059
Accruals	17,132	48,087
Local enforcement creditors	629	629
Deferred income	95,902	20,234
Bank balances :		
Current accounts	0	10,761
	<u>220,870</u>	<u>232,770</u>

14 <u>Capital commitments</u>	2013	2012
	Eur	Eur
Authorised and contracted for:		
Road resurfacing	40,000	40,000
Measure 323 and 313 project	90,000	90,000
Council finishings	28,430	28,430
	<u>158,430</u>	<u>158,430</u>

15 Related party transactions

During the year the Local Council effected transactions with related parties mainly in connection with income and expenditure transactions as disclosed in notes 3, 4, 5, 7 and 8 to these financial statements. The following material transactions were carried out with related parties:

	2013	2012
	Eur	Eur
Funds received from central government	215,752	221,629
	<u>215,752</u>	<u>221,629</u>

## Kirkop Local Council

### Notes to the financial statements

31st December 2013

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#### Note

#### 16 Financial instruments

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

Credit risk

Market risk

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

The responsibility for the management of risk is vested in the Executive Secretary. Accordingly, it is the Executive Secretary who has the overall responsibility for establishing an appropriate risk management framework.

##### **Credit risk**

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

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

Receivables are presented net of impairment charges for bad and doubtful debts. However, in the opinion of the Executive Secretary, credit risk with respect to receivables is limited in view of the reputable nature of the Local Council's debtor base for whom there is no history of default.

##### **Capital management**

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

##### **Fair values**

At 31st December 2013 and 2012 the carrying amounts of cash at bank, receivables, payables and amounts falling due after one year reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments and the relatively short period of time between the organisation of the instruments and their expected realisation.