

Kirkop Local Council

Annual Audit Report 31st December 2011

Christopher Spiteri 2/5/12

Prepared by:

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Kirkop Local Council

Financial Statements

Year ended 31st December 2011

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Kirkop Local Council

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

Year ended 31st December 2011

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's comprehensive income for the year and of the 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.

Carmel Kelly *

Mayor

Date :

2/05/2012



Kunsill Lokali Ha Kirkop
31 Triq San Benet
Kirkop 1243

[Signature]

Executive Secretary

Mayor as from 1/04/2012

Financial Statements for the year ended 31 December 2011

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 2011, the statement of comprehensive income, statement of changes in net assets/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 1, 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. Included with creditors at balance sheet date is an amount of € 8,651 representing accruals brought forward from the previous year. The Council did not provide us with supporting documentation relating to this figure and there were no practicable alternative procedures that we could apply to satisfy ourselves as to the existence of this amount.
2. 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.

3. 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 2011

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

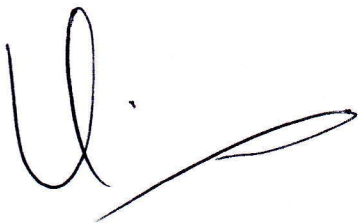
Qualified Opinion

Except for the effects of the matter described in paragraph 1 under basis of qualified opinion paragraph, the financial statements give a true and fair view of the financial position of Kirkop Local Council as at 31 December 2011, 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 2 and 3 under basis of 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 2 above 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 2011 the Council's current liabilities (excluding deferred income) exceeded current assets (excluding prepayments and € 411,179 from bank balances which amount can only be used to fund Measure 313, 323 and Leonardo da Vinci mobility projects) by € 111,679. 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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2 May 2012

Kirkop Local Council

Statement of Comprehensive Income
 Year ended 31st December 2011

	<i>Note</i>	2011 Eur	2010 Eur
Income			
Funds received from central government	3	226,928	191,362
Income raised under Local Enforcement System	4	54,906	51,950
Investment income	5	0	212
General income	6	49,798	75,903
		<u>331,632</u>	<u>319,427</u>
Expenditure			
Personal emoluments	7	79,661	78,215
Operations and maintenance	8	112,920	88,466
Administration and other expenditure	9	202,769	167,179
		<u>395,350</u>	<u>333,860</u>
Loss for the year		<u>(63,718)</u>	<u>(14,433)</u>

Kirkop Local Council

Statement of Financial Position

31st December 2011

	Note	2011 Eur	2010 Eur
Assets			
Non-current Assets			
Property, plant and equipment	10	687,024	456,305
		687,024	456,305
Current Assets			
Receivables	11	487,194	164,127
Cash and cash equivalents	12	435,083	126,971
		922,277	291,098
Total Assets		1,609,301	747,403
Reserves and Liabilities			
Reserves			
Retained Fund		400,407	464,125
Non-current Liabilities			
Amounts falling due after one year	13	1,009,794	220,047
Current Liabilities			
Payables	14	199,100	63,231
		199,100	63,231
Total Reserves and Liabilities		1,609,301	747,403

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


 Mayor



Kunsill Lokali Mal Kirkop
 31 Triq San Beneditt
 Kirkop 1243


 Executive Secretary

Date :

2/05/2012

Kirkop Local Council**Statement of changes in equity**
Year ended 31st December 2011

	Retained fund
	Eur
At 31st December 2009	478,558
Loss for the year	<u>(14,433)</u>
At 31st December 2010	464,125
Loss for the year	<u>(63,718)</u>
At 31st December 2011	400,407

Kirkop Local Council

Statement of Cash Flows

Year ended 31st December 2011

	<i>Note</i>	2011 Eur	2010 Eur
Cash flows from operating activities			
Loss for the year		(63,718)	(14,433)
<i>Adjustments for:</i>			
Depreciation		54,412	32,292
Interest receivable		0	(212)
Government grant released		(7,850)	0
Increase in provision for doubtful LES debtors		20,287	18,827
Profit for the year before working capital movements		3,131	36,474
Movement in receivables		(60,539)	(141,567)
Movement in payables		150,982	236,606
Net cash generated from operating activities		93,574	131,513
Cash flows from investing activities			
Payment to acquire property, plant and equipment		(285,131)	(136,947)
Interest receivable		0	212
Net cash used in investing activities		(285,131)	(136,735)
Cash flows from financing activities			
Grants received during the year		499,669	0
Net cash flows from financing activities		499,669	0
Movement in cash and cash equivalents		308,112	(5,222)
Cash and cash equivalents at the beginning of the year		126,971	132,193
Cash and cash equivalents at the end of the year	12	435,083	126,971

Kirkop Local Council

Notes to the financial statements

31st December 2011

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 2011

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 2011

Note

3	<u>Funds received from central government</u>	2011	2010
		Eur	Eur
	In terms of section 55 of the Local Councils Act (Cap 363)	180,863	191,362
	Other government income	46,065	0
		<u>226,928</u>	<u>191,362</u>
4	<u>Local enforcement system income</u>	2011	2010
		Eur	Eur
	Contraventions	54,906	51,950
		<u>54,906</u>	<u>51,950</u>
5	<u>Investment income</u>	2011	2010
		Eur	Eur
	Bank interest receivable	0	212
		<u>0</u>	<u>212</u>
6	<u>General Income</u>	2011	2010
		Eur	Eur
	General income	36,432	22,085
	ESF income	13,366	53,818
		<u>49,798</u>	<u>75,903</u>
7	<u>Personal emoluments</u>	2011	2010
		Eur	Eur
	Personal emoluments include, inter alia :		
	Mayor's allowance	6,364	3,575
	Councillors' allowances	6,230	0
	Employees' salaries	37,487	43,648
	Executive secretary's salary	29,580	30,992
		<u>79,661</u>	<u>78,215</u>

Kirkop Local Council

Notes to the financial statements

Year ended 31st December 2011

Note

8 Operations and maintenance

	<u>2011</u>	<u>2010</u>
	Eur	Eur
Repairs and upkeep:		
Road markings	1,820	0
Signs	369	302
Other	<u>13,620</u>	<u>3,636</u>
	<u>15,809</u>	<u>3,938</u>
 Contractual services:		
Refuse collection	18,058	15,132
Bulky refuse collection	2,300	2,300
Road and street cleaning	11,285	10,217
Waste disposal	18,197	15,837
Hire of skips	130	301
Cleaning and maintenance - public conveniences	4,362	2,593
Cleaning and maintenance - parks and gardens	5,127	3,835
Cleaning and maintenance - council premises	1,217	1,406
Local enforcement system expenses	31,397	30,739
Street lighting	2,012	1,214
Other	<u>3,026</u>	<u>954</u>
	<u>97,111</u>	<u>84,528</u>
	 <u><u>112,920</u></u>	 <u><u>88,466</u></u>

Kirkop Local Council

Notes to the financial statements

Year ended 31st December 2011

Note

9 Administration and other expenditure

	2011	2010
	Eur	Eur
Utilities	5,622	4,205
Materials & supplies	8,305	6,832
Transport	1,540	106
Information services	2,032	1,423
Participation National meetings	180	336
Hospitality costs	1,713	1,328
Rent	572	377
Office services	6,329	2,382
Professional services	32,545	42,915
Uniforms	747	347
General expenses	0	113
ESF expenses	29,942	42,532
Community services & events	37,568	13,164
Depreciation	54,412	32,292
Increase in provision for doubtful LES debtors	20,287	18,827
Penalties	975	0
	<u>202,769</u>	<u>167,179</u>

Kirkop Local Council

Notes to the financial statements 31st December 2011

Note

10a Property, Plant and Equipment

Cost - as at 1st January 2011

Additions new this year

Cost - as at 31st December 2011

Grants - as at 1st January 2011

Transferred during the year

Grants - as at 31st December 2011

Acc.depreciation - as at 1st January 2011

Charge for the year

Acc.depreciation - as at 31st December 2011

Net book value - as at 31st December 2011

	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 2011	29,219	2,707	21,904	0	62,820	1,112,565	1,229,215
Additions new this year	12,823	0	2,193	4,600	26,137	239,378	285,131
Cost - as at 31st December 2011	42,042	2,707	24,097	4,600	88,957	1,351,943	1,514,346
Grants - as at 1st January 2011	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 2011	0	0	0	0	0	543,714	543,714
Acc.depreciation - as at 1st January 2011	11,100	2,104	16,880	0	25,909	173,203	229,196
Charge for the year	4,515	121	1,443	920	6,355	41,058	54,412
Acc.depreciation - as at 31st December 2011	15,615	2,225	18,323	920	32,264	214,261	283,608
Net book value - as at 31st December 2011	26,427	482	5,774	3,680	56,693	593,968	687,024

Kirkop Local Council

Notes to the financial statements
31st December 2011

Note

10b Property, Plant and Equipment

Cost - as at 1st January 2010

Additions new this period

Cost - as at 31st December 2010

Grants - as at 1st January 2010

Transferred during the period

Grants - as at 31st December 2010

Acc.depreciation - as at 1st January 2010

Charge for the period

Acc.depreciation - as at 31st December 2010

Net book value - as at 31st December 2010

	Office furniture & fittings Eur	Plant & machinery Eur	Computer equipment Eur	Urban improvements Eur	Construction works Eur	Total Eur
Cost - as at 1st January 2010	24,131	2,707	19,119	51,489	994,822	1,092,268
Additions new this period	5,088	0	2,785	11,331	117,743	136,947
Cost - as at 31st December 2010	29,219	2,707	21,904	62,820	1,112,565	1,229,215
Grants - as at 1st January 2010	0	0	0	0	543,714	543,714
Transferred during the period	0	0	0	0	0	0
Grants - as at 31st December 2010	0	0	0	0	543,714	543,714
Acc.depreciation - as at 1st January 2010	10,270	1,924	15,969	22,614	146,127	196,904
Charge for the period	830	180	911	3,295	27,076	32,292
Acc.depreciation - as at 31st December 2010	11,100	2,104	16,880	25,909	173,203	229,196
Net book value - as at 31st December 2010	18,119	603	5,024	36,911	395,648	456,305

Kirkop Local Council

Notes to the financial statements

31st December 2011

Note

11 Receivables	2011	2010
	Eur	Eur
Debtors	8,942	14,023
Local enforcement system debtors	33,573	33,940
Accrued income	439,913	112,837
Prepayments	4,766	3,327
	<u>487,194</u>	<u>164,127</u>

LES debtors are stated net of a provision for doubtful debts of Eur 131,442 (31st December 2010 Eur 111,155).

12 Cash and cash equivalents	2011	2010
	Eur	Eur
Cash in hand	226	893
Bank balances :		
Savings accounts	434,590	126,078
Current accounts	267	0
	<u>435,083</u>	<u>126,971</u>

13 Amounts falling due after one year	2011	2010
	Eur	Eur
Deferred income	1,009,794	220,047
	<u>1,009,794</u>	<u>220,047</u>

14 Payables	2011	2010
	Eur	Eur
Creditors	100,444	13,145
Accruals	67,990	13,338
Local enforcement creditors	629	629
Deferred income	21,006	15,260
Bank balances :		
Current accounts	9,031	20,859
	<u>199,100</u>	<u>63,231</u>

15 Capital commitments	2011	2010
	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>

16 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, 6, 8 and 9 to these financial statements. The following material transactions were carried out with related parties:

	2011	2010
	Eur	Eur
Funds received from central government	226,928	191,362
	<u>226,928</u>	<u>191,362</u>

Kirkop Local Council

Notes to the financial statements

31st December 2011

Note

17 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 2011 and 2010 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.