

# **MARSASKALA LOCAL COUNCIL**

## **Report and Financial Statements**

**for the year ended 31 December 2012**

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**REGISTRY**

**- 6 MAY 2013**

**NATIONAL AUDIT OFFICE**

# MARSASKALA LOCAL COUNCIL

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# MARSASKALA LOCAL COUNCIL

## Financial Statements for the year ended 31 December 2012

### STATEMENT OF COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S

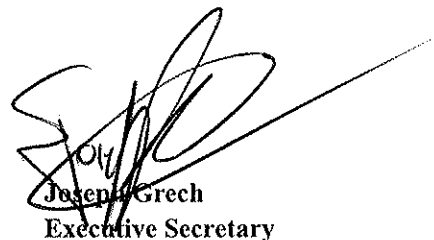
The Local Councils (Financial) Regulations 1993 require the Secretary to prepare a detailed Annual Administrative Report which includes a statement of the Council's statement of comprehensive income for the year and of the Council's retained funds at the end of the year. By virtue of the same regulations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

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

This statement was approved by the Council on 25 April 2013 and signed on its behalf by:



**Mario Calleja**  
Mayor



**Joseph Grech**  
Executive Secretary

## MARSASKALA LOCAL COUNCIL

### Statement of Comprehensive Income for the year ended 31 December 2012

	Notes	2012 €	2011 €
<b>Revenue</b>			
Funds received from Central Government	5	830,880	744,268
Income raised under Council Bye-Laws	6	900	466
Income from Law Enforcement System	7	(5,469)	130,419
General Income	8	83,002	68,017
<b>Total Income</b>		<u>909,313</u>	<u>943,170</u>
<b>Expenditure</b>			
Personal emoluments	10	(148,810)	(148,330)
Operations and maintenance	11	(441,798)	(499,425)
Administrative and other expenditure	12	(378,864)	(322,752)
<b>Total Expenditure</b>		<u>(969,472)</u>	<u>(970,507)</u>
Operating Surplus/(Deficit) for the year		(60,159)	(27,337)
Finance Income	13	6,329	2,604
Finance Cost	14	(465)	(571)
<b>(Deficit) for the year</b>		<u>(54,295)</u>	<u>(25,304)</u>

*The notes on pages 6 to 34 form an integral part of these financial statements.*

# MARSASKALA LOCAL COUNCIL

## STATEMENT OF FINANCIAL POSITION as at 31 December 2012

		2012 €	2011 €
<b>Assets</b>	<b>Notes</b>		
<b>Non-current assets</b>			
Property, plant and equipment	15	1,378,482	955,355
<b>Total non-current assets</b>		<u>1,378,482</u>	<u>955,355</u>
<b>Current assets</b>			
Inventories	17	4,091	-
General and other receivables	18	451,182	268,379
Cash and bank balances	19	539,043	616,582
<b>Total current assets</b>		<u>994,316</u>	<u>884,961</u>
<b>Total assets</b>		<u><u>2,372,798</u></u>	<u><u>1,840,316</u></u>
<b>Equity and liabilities</b>			
<b>Reserves</b>			
Retained Earnings	20	1,419,731	1,474,026
<b>Total equity</b>		<u>1,419,731</u>	<u>1,474,026</u>
<b>Non-current liabilities</b>			
Deferred revenue	21	765,836	145,875
<b>Total non-current liabilities</b>		<u>765,836</u>	<u>145,875</u>
<b>Current liabilities</b>			
General and other payables	22	187,231	220,415
<b>Total current liabilities</b>		<u>187,231</u>	<u>220,415</u>
<b>Total liabilities</b>		<u>953,067</u>	<u>366,290</u>
<b>Total equity and liabilities</b>		<u><u>2,372,798</u></u>	<u><u>1,840,316</u></u>

The financial statements were approved by the Council on 25 April 2013 and signed on its behalf by:

  
Mario Calleja  
Mayor

  
Joseph Grech  
Executive Secretary

*The notes on pages 6 to 34 form an integral part of these financial statements.*

# MARSASKALA LOCAL COUNCIL

## STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2012

	<b>Retained Earnings €</b>	<b>Total €</b>
<b>Balance as at 1 January 2011</b>	1,493,784	1,493,784
Prior year adjustment	5,546	5,546
Total (Deficit) for the year	<u>(25,304)</u>	<u>(25,304)</u>
<b>Balance as at 31 December 2011</b>	<u>1,474,026</u>	<u>1,474,026</u>
<b>Balance as at 1 January 2012</b>	1,474,026	1,474,026
Total (Deficit) for the year	<u>(54,295)</u>	<u>(54,295)</u>
<b>At 31 December 2012</b>	<u>1,419,731</u>	<u>1,419,731</u>

*The notes on pages 6 to 34 form an integral part of these financial statements.*

## MARSASKALA LOCAL COUNCIL

### Statement of Cash Flows for the year ended 31 December 2012

	Note	2012 €	2011 €
Net cash generated from operating activities	24	<u>71,069</u>	<u>243,371</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(619,109)	(99,482)
Interest received		<u>6,299</u>	<u>2,637</u>
Net cash used in investing activities		<u>(612,810)</u>	<u>(96,845)</u>
<b>Cash flows from financing activities</b>			
Government Grants received		464,408	101,626
Net cash generated from financing activities		<u>464,408</u>	<u>101,626</u>
Net Increase in cash and cash equivalents		(77,333)	248,152
Cash and cash equivalents at beginning of year		616,376	368,224
Cash and cash equivalents at end of year	19	<u>539,043</u>	<u>616,376</u>

*The notes on pages 6 to 34 form an integral part of these financial statements.*

# **MARSASKALA LOCAL COUNCIL**

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

### **1. General Information**

The Marsaskala Local Council is a local authority of Malta set up in accordance with the Local Councils Act (1993). The office of the Local Council is situated at 228, Triq is-Salini, Marsaskala. These financial statements were approved for issue by the Council Member on the 25 April 2013. The Local Council's presentation as well as functional currency are denominated in Euro (€). Its ultimate controlling party is the Department for Local Government within the Office of the Prime Minister.

### **2. Summary of the Significant accounting policies**

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

#### **2.1 Basis of preparation**

The financial statements of Local Council Marsascala have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.



# MARSASKALA LOCAL COUNCIL

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

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### 2. 1.1 Changes in accounting policy and disclosures

#### *(a) New and amended standards adopted by the Council*

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Council.

#### *(b) New standards and interpretations not yet adopted*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the group, except the following set out below:

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

IAS 19, 'Employee benefits', was amended in June 2011. This IAS aims to treat employee benefits as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). This does not apply to the Local Council Marsascale.

## MARSASKALA LOCAL COUNCIL

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

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IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Local Council Marsascala is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Local Council Marsascala will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

IFRS 10, 'Consolidated financial statements', 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 provides additional guidance to assist in the determination of control where this is difficult to assess. This does not apply to the Local Council Marsascala.

#### 2.2 Foreign currencies

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

## MARSASKALA LOCAL COUNCIL

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

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#### 2.3 Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administration purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

A revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserves relating to a previous revaluation of that asset.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Council's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

All other property, plant 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, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

## MARSASKALA LOCAL COUNCIL

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

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Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the income statement.

Property, plant and equipment 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:

	<b>Rates in %</b>
Land	0
Buildings	1
Office Furniture & Fittings	7.5
Construction Works	10
New Street Signs	100
Urban Improvements (Street Furniture)	10
Special Programmes (Projects)	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Trees	0
Litter Bins	100
Playground Equipment	100
Street Lighting	100
Road/Street Signs	100
Street Mirrors	100
Plants	100

Certain depreciation rates such as those of plants, litter bins, playground equipment, street lighting and street signs had their depreciation rate changed from 10% to 100% in October 2002 by virtue of Legal Notice 323 of 2002.

# MARSASKALA LOCAL COUNCIL

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

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### **2. 4 Impairment of property, plant and equipment**

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

### **2. 5 Financial assets**

#### **2. 5.1 Classification**

The Local Council Marsascala classifies its financial assets in the following categories: receivables. The classification depends on the purpose for which the financial assets were acquired. The Local Council Marsascala determines the classification of its financial assets at

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Council's receivables comprise 'general and other receivables' and 'cash and cash equivalents' in the balance sheet (notes 2. 9 and 2. 10).

#### **2. 5.2 Recognition and measurement**

Regular transactions of financial assets are recognised on the 'trade-date' - the date on which the Local Council Marsascala commits to acquire or dispose of the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Local Council Marsascala has transferred substantially all risks and rewards of ownership.

#### **2. 5.3 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

# MARSASKALA LOCAL COUNCIL

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

..... continued

### 2.6 Inventories

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

### 2.7 Borrowing costs

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

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### 2.8 Government grants

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

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

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

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

# **MARSASKALA LOCAL COUNCIL**

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

..... continued

### **2. 9 General receivables**

General receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

General receivables are recognised initially at cost and subsequently their potential recoverability is assessed at the end of each accounting period to determine whether a provision for doubtful debts is necessary or for impairment.

Known bad debts are written off at the end of the accounting period.

### **2. 10 Cash and cash equivalents**

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrawn balance. In the balance sheet, bank overdrawn balance, representing the un-presented cheques at the end of the accounting period, are shown within borrowings in current liabilities.

### **2. 11 General Payables**

General payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

# MARSASKALA LOCAL COUNCIL

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

..... continued

### 2. 12 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable as Central Government allocation in terms of section 55 of the Local Councils Act, 1993, goods supplied, services provided and other Central Government Grants. The Local Council Marsascala recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Council's activities, as described below. The Local Council Marsascala bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

#### (a) Central Government allocation in terms of section 55 of the Local Councils Act, 1993

The Council does not have control on the amount of this income stream or the timing of its actual transfer to the Council's bank accounts. The amount receivable under this heading is communicated to the Council through the Department for Local Government after the annual Central Government budget is approved by Parliament and is transferred directly to the Council's designated bank account at the beginning of each quarter. The receipt of such funds is usually net of any deductions deemed by the Department for Local Government and these deductions may include; penalties inflicted, use of the Central Government electronic infrastructure or any other cost that the Department for Local Government passes on to the Council.

The income under this heading accounts for major income stream to the Council and is primarily tied up to specific expenditure headings on which the Council is bound to allocate.

#### (b) Services provided

The Council derives income from permit fees issued to the general public.

The Council also derives income in the form of 10% commission on the payments of contraventions under the Local Law Enforcement system accruing to the five Regional Committees..

#### (c) Central Government Grants

Note 2. 8, refers to the treatment of grants that are aimed to finance the Council for the urban improvement of the locality.

### 2. 13 Interest income

Interest income from investments is recognised using the effective interest method.



# MARSASKALA LOCAL COUNCIL

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

..... continued

### 3. Financial Risk Management

The Council's activities expose it to a variety of financial risks, that include market risks, credit risk, liquidity risk and interest risk. The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance.

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

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

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

#### *Liquidity risk*

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

#### *Interest Rate risk*

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

#### *Credit risk*

Financial assets which potentially subject the Council to concentration of credit risk consist primarily of cash at bank and receivables. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure. In this respect, credit with respect to receivables is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

# MARSASKALA LOCAL COUNCIL

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

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### **4. Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Council's accounting policies, which are described in note 2, the Council Members are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### **4.1 Critical judgements in applying accounting policies**

The following are the critical judgements, apart from those involving estimations, that the Council Members have made in the process of applying the Council's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements

##### **4.1.1 Revenue recognition**

Note 21 includes the Central Government Grants released to income for the current year. The government grants under the Funds schemes have the primary condition that a Council qualifying for them should purchase, construct or otherwise acquire long-term assets with the purpose of improving the urban environment within the locality. In line with IAS 20.24 the Council uses the deferred income method. The Council recognises the grant as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis (IAS 20.12). The income so released represents the equivalent of the depreciation charge for the current year on the asset so constructed.

##### **4.1.2 Useful lives of property, plant and equipment**

As described at 2. 4 above, the Council reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. The depreciation rates are dictated by the Local Councils Department and as such the Council is not in a position to change the useful lives of the property, plant and equipment. The review of the estimated useful lives of the property, plant and equipment is used to decide whether to write off the asset, the said asset or group of assets that are no longer useful or to impair the asset as required.

## MARSASKALA LOCAL COUNCIL

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

..... continued

#### 5. Funds Received from Central Government

	2012 €	2011 €
In terms of section 55 of the Local Councils Act, 1993	707,534	676,106
Supplementary Income	7,465	37,986
Urban Improvement Funds released to income	115,881	30,176
	<u>830,880</u>	<u>744,268</u>

#### 6. Income raised under Council Bye-Laws

	2012 €	2011 €
Advertising on street furniture	900	466
	<u>900</u>	<u>466</u>

## MARSASKALA LOCAL COUNCIL

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

..... continued

#### 7. Income raised under Law Enforcement System

	2012 €	2011 €
Contraventions Received	25,243	88,106
Contraventions Accrued	(37,035)	41,481
Commission from Regional Committees	6,323	832
	<u>(5,469)</u>	<u>130,419</u>

In accordance with the Law Enforcement System (LES) issued by the Ministry by virtue of Section 72 of the Local Councils Act, 1993, the income relating to contraventions was delegated to the local councils through Legal Notice 32 of 2000.

The recording of income from contraventions for offences was based on reports generated by the contractor entrusted with the system by the Ministry.

As from 1 September 2011 the contraventions previously accruing to the Council started accruing in favour of the 'Regjun Xlokk'. The Council's income from the Law Enforcement System therefore started reflecting three revenue streams as of that date. The revenue streams are as follows:

- a) Receipts of contraventions that accrued in favour of the Council up to the 31 August 2011;
- b) Movement in Tribunal Pending cases of contraventions that had accrued in favour of the Council up to the 31 August 2011;
- c) 10% on the contraventions accruing to all Regional Committees that are settled at the Council's cash point.

# MARSASKALA LOCAL COUNCIL

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

..... continued

### 8. General Income

	2012 €	2011 €
W.S.C. Agreement	44,550	38,200
Community services	340	1,511
Library Services	318	466
Cultural activities	1,131	1,233
Permits/renewal of trading licences	9,378	11,215
Green MT Income	17,500	-
Sponsorships & donations	1,220	2,691
Vodafone agreement	2,500	2,500
WSC Permits	1,295	-
General income	1,725	5,534
Media charges	2,075	2,050
Go plc commissions	60	47
Tender document fees	910	2,570
	<u>83,002</u>	<u>68,017</u>

### 9. (Deficit) for the year

	Note	2012 €	2011 €
(Deficit) for the year is stated after charging:			
Personal Emoluments	10	148,810	148,330
Depreciation on property, plant and equipment	12	194,729	120,247
Loss on disposal of property, plant and equipment	12	997	10,504
Movement in provision for LES doubtful debts	12	36,753	37,430
		<u></u>	<u></u>

# MARSASKALA LOCAL COUNCIL

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

..... continued

### 10. Personal emoluments

Personal emoluments include, inter alia:

	2012 €	2011 €
Mayor's Honoraria & Allowance	8,679	9,546
Council Members' Allowance	11,200	11,200
Executive Salary and Allowance	29,995	29,120
Employees' Salaries	88,815	85,922
Social Security Contributions - Employer's Share	10,121	12,542
	<u>148,810</u>	<u>148,330</u>

## MARSASKALA LOCAL COUNCIL

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

..... continued

#### 11. Operations and Maintenance

Operations and maintenance includes, inter alia:

	2012 €	2011 €
<b>Repairs and Upkeep:</b>		
Repair & Upkeep Roads	-	21,815
Road and Street Pavements	16,390	27,928
Office Furniture & Equipment	823	690
Restoration of niches	4,211	7,784
Maintenance of Motor Vehicle	1,181	51
Other Repairs & Upkeep	34,203	23,833
Street Markings	27,929	24,061
Sundry Repairs	4,038	-
	<u>88,775</u>	<u>106,162</u>
<b>Contractual Services:</b>		
Lease of Equipment	-	570
Waste Disposal	66,195	70,143
Refuse Collection	122,095	119,023
Bulky Refuse Collection	15,053	15,563
Hire of Open Skips	118	2,210
Hire of bins	-	44
Cleaning Services	5,079	2,107
Road & Street Cleaning and grass cutting	62,521	53,822
Cleaning and Maintenance of Non-Urban Roads	5,295	6,332
Clean. & Maint. - Public Conveniences	13,805	11,236
Cleaning Council Premises	2,130	1,403
Other Contractual Services	5,135	3,510
Clean. & Maint. of Parks & Gardens	16,577	22,077
Street Lighting	31,988	23,854
Librarian Services	1,774	1,897
Law Enforcement System	5,258	59,472
	<u>353,023</u>	<u>393,263</u>
<b>Total Operations and Maintenance expenses</b>	<u>441,798</u>	<u>499,425</u>

## MARSASKALA LOCAL COUNCIL

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

..... continued

#### 12. Administration and Other Expenses

	2012	2011
	€	€
Utilities	18,312	18,041
Fuel (other than transport)	-	20
Operating Materials & Supplies	2,084	1,798
Cleaning Materials & Supplies	167	344
Uniforms	2,314	407
Sundry Materials & Supplies	14,250	1,122
Spare Parts	177	-
Rents	14,153	11,996
National/International Memberships	2,353	1,134
Participation fee National Meetings	499	9,450
Printing	8,320	12,389
Stationery	12,429	12,424
Subscriptions	30	175
Postages	747	430
Library Books	646	1,337
Other Office Services	340	4,246
Hire of Transport	-	752
Fuel	1,964	1,929
Europe for Citizens project (EU)	-	404
Re-imbursement of Personal Vehicles	-	60
Transportation of Goods	-	80
Transport to Gozo/Malta	719	279
Travelling Expenses	2,744	5,904
Public Relations Expenses	-	1,682
Advertising	1,273	4,017
Publications and newsletters	-	574
Insurance Coverage	2,778	952
Studies and consultation	1,150	-
IT Development Services	2,539	4,341
Balance carried forward to next page	89,988	96,287



## MARSASKALA LOCAL COUNCIL

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

..... continued

#### 12. Administration and Other Expenses (cont.)

	2012	2011
	€	€
Balance brought forward from previous page	89,988	96,287
Engineering Services	-	6,286
Legal Services	3,855	242
Accountancy Services	6,835	6,386
Religious Services	-	188
Other Support Services	12,799	7,516
Councillors' Expenses	-	150
Course fees - Local Training	4,293	4,633
Entertainment	780	1,367
Visits-Foreign Delegations	158	414
Other Hospitality Costs	144	1,901
Annual General Meeting Expenses	515	-
Social Events	10,157	13,026
Cultural Events	10,151	7,228
EUPA Project	13,151	-
Community Services	-	756
Donations	-	1,216
Sundry Minor Expenses	(11,024)	282
Penalty inflicted by DLG	4,123	6,693
Asset Disposals account	997	10,504
Provision for DD Les Debtors	36,753	37,430
Twinning Expenses	460	-
Depreciation Expense	194,729	120,247
	<u>378,864</u>	<u>322,752</u>

#### 13. Investment income

	2012	2011
	€	€
Bank interest	6,329	2,604
	<u>6,329</u>	<u>2,604</u>

## MARSASKALA LOCAL COUNCIL

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

..... continued

<b>14. Financial Expenses</b>	<b>2012</b>	<b>2011</b>
	<b>€</b>	<b>€</b>
Bank charges	465	571
	<u>465</u>	<u>571</u>

# MARSASKALA LOCAL COUNCIL

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

..... continued

## 15. Property, plant and equipment

Cost	Trees €	Construc. Works €	Furniture & Fittings €	New Street Signs €	Urban Improve. €	Office Equip. €	Plant and machinery €	Motor vehicles €	Special Programmes €	Assets Not yet Capitalised €	Total €
At 1 Jan '12	42,852	1,644,512	16,059	59,544	337,085	18,507	3,409	11,006	-	22,036	2,155,010
Reclassifications	-	7,367	-	-	-	-	-	-	-	(7,367)	-
Additions	-	206,086	3,805	-	154,691	2,524	-	-	247,052	4,951	619,109
Disposals	-	-	-	-	(4,893)	-	(997)	-	-	(50)	(5,940)
At 31 Dec '12	42,852	1,857,965	19,864	59,544	486,883	21,031	2,412	11,006	247,052	19,570	2,768,179
<b>Government Grants</b>											
At 1 Jan '12	-	157,421	-	-	25,102	-	-	-	-	-	182,523
At 31 Dec '12	-	157,421	-	-	25,102	-	-	-	-	-	182,523
<b>Depreciation</b>											
At 1 Jan '12	-	682,783	6,920	59,544	248,074	11,472	813	7,526	-	-	1,017,132
Current charge	-	90,549	1,143	-	100,347	1,851	349	696	-	-	194,935
Eliminated on Disposals	-	-	-	-	(4,893)	-	-	-	-	-	(4,893)
At 31 Dec '12	-	773,332	8,063	59,544	343,528	13,323	1,162	8,222	-	-	1,207,174
<b>N.B.V. at 31 Dec '12</b>	<b>42,852</b>	<b>927,212</b>	<b>11,801</b>	<b>-</b>	<b>118,253</b>	<b>7,708</b>	<b>1,250</b>	<b>2,784</b>	<b>247,052</b>	<b>19,570</b>	<b>1,378,482</b>

# MARSASKALA LOCAL COUNCIL

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

..... continued

## 15. Property, plant and equipment

Cost	Trees €	Construc. Works €	Furniture & Fittings €	New Street Signs €	Urban Improve. €	Office Equip. €	Plant and machinery €	Motor vehicles €	Special Programmes €	Assets	
										Not yet Capitalised €	Total €
At 1 Jan '11	43,245	1,576,039	24,483	60,170	291,822	26,574	1,584	11,006	-	63,449	2,098,372
Reclassifications	-	49,671	-	-	7,819	-	-	-	-	(57,490)	-
Additions	345	27,963	799	-	80,976	1,331	2,437	-	-	16,077	129,928
Disposals	(738)	(9,161)	(9,223)	(626)	(43,532)	(9,398)	(612)	-	-	-	(73,290)
At 31 Dec '11	42,852	1,644,512	16,059	59,544	337,085	18,507	3,409	11,006	-	22,036	2,155,010
<b>Government Grants</b>											
At 1 Jan '11	-	156,705	-	-	25,102	-	-	-	-	-	181,807
Adjustment	-	716	-	-	-	-	-	-	-	-	716
At 31 Dec '11	-	157,421	-	-	25,102	-	-	-	-	-	182,523
<b>Depreciation</b>											
At 1 Jan '11	-	602,308	11,994	60,170	259,347	18,353	802	6,696	-	-	959,670
Current charge	-	84,661	697	-	31,701	1,819	539	830	-	-	120,247
Eliminated on Disposals	-	(4,186)	(5,771)	(626)	(42,974)	(8,700)	(528)	-	-	-	(62,785)
At 31 Dec '11	-	682,783	6,920	59,544	248,074	11,472	813	7,526	-	-	1,017,132
N.B.V. at 31 Dec '11	42,852	804,308	9,139	-	63,909	7,035	2,596	3,480	-	22,036	955,355

# MARSASKALA LOCAL COUNCIL

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

..... continued

18. Receivables		2012 €	2011 €
<b>Falling due within One Year</b>			
Receivables	18. 1	35,066	43,075
Law Enforcement System		30,483	195,043
Other receivables		105,032	14,490
		170,581	252,608
Prepayments, accrued income and deferred expenditure	18. 2	280,601	15,771
		451,182	268,379
		2012 €	2011 €
<b>18. 1 Credit period analysis:</b>			
Within credit period		1,933	1,933
Exceeded credit period but not impaired		33,133	41,142
		35,066	43,075
		2012 €	2011 €
<b>18. 2 Government Grants:</b>			
Balance at the beginning of the year		-	100,851
Increase		751,611	18,753
Received		(464,408)	(101,626)
Foregone		(20,905)	(17,978)
		266,298	-
Amount receivable within one year		266,298	-

### (a) Foregone

Foregone represents the amounts previously agreed with the relevant authority but were eventually not received. Refer also to Note 21.

## MARSASKALA LOCAL COUNCIL

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

..... continued

#### 19. Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents in the statement of cash flows comprise the following amounts in the Council's Statement of Affairs.

	2012 €	2011 €
Cash in hand	522	543
Bank balances: Current accounts	(19,784)	29,438
Bank balances: Fixed Term accounts	150,890	200,000
Bank balances: Savings accounts	407,415	386,600
	<u>539,043</u>	<u>616,581</u>
Transfer to payables	21,489	2,155
	<u>560,532</u>	<u>618,736</u>

#### 20. Equity Reserves

	Surplus account €	Total €
Balance as at 1 January 2011	1,493,784	1,493,784
Surplus/(Deficit) for the year	(25,304)	(25,303)
Prior year adjustment	5,546	5,546
Balance as at 31 December 2011	<u>1,474,026</u>	<u>1,474,027</u>
Balance as at 1 January 2012	1,474,026	1,474,027
Surplus/(Deficit) for the year	(54,295)	(54,295)
Balance as at 31 December 2012	<u>1,419,731</u>	<u>1,419,732</u>

# MARSASKALA LOCAL COUNCIL

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

..... continued

21. Deferred Income		2012 €	2011 €
Government Grants			
	<i>Note</i>		
Balance at 1 January		182,875	220,550
Increase		751,611	18,754
		934,486	239,304
Released to income		(115,881)	(38,452)
Forgone	(a)	(20,905)	(17,977)
		<u>797,700</u>	<u>182,875</u>
<b>Non-Current</b>		<u>765,836</u>	<u>145,875</u>
<b>Current</b>	22	<u>31,864</u>	<u>37,000</u>
<b>Deferred Government Grants</b>			
Amount to be released between one and two years		28,677	12,783
Amount to be released between two and five years		69,944	31,665
Amount to be released beyond five years		667,215	101,427
		<u>765,836</u>	<u>145,875</u>
<b>Deferred after five or more years:</b>			
Amount to be released beyond five years		<u>667,215</u>	<u>101,427</u>

Deferred Government Grants represent agreements signed with the Malta Environment & Planning Authority, the ERDF fund and other Central Government Grants, collectively referred to as 'Government Grants', up to the end of the year under review. The funds are released to income in line with the depreciation charge on the projects that were capitalised up the end of the year under review.

### (a) Foregone

Foregone represents the amounts previously agreed with the relevant authority but were eventually not received. Refer also to note 18. 1.

# MARSASKALA LOCAL COUNCIL

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

..... continued

<b>22. Trade and Other Payables</b>	<b>2012</b>	<b>2011</b>
	<b>€</b>	<b>€</b>
<b>Falling due within One Year</b>		
Payables	125,443	142,588
Law Enforcement Unidentified deposits	6,049	1,023
Accruals and deferred income	55,739	76,804
	<u>187,231</u>	<u>220,415</u>

<b>23. Capital commitments</b>	<b>2012</b>	<b>2011</b>
	<b>€</b>	<b>€</b>
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	<u>302,751</u>	<u>2,835</u>
Contracted for but not provided in the financial statements	<u>12,691</u>	<u>328,165</u>
These can be analysed further as follows:		
Contracted for but not provided in the financial statements:		
- Machinery and Equipment	-	1,165
- Special Programmes	12,691	7,000
- Urban Improvements	-	320,000
	<u>12,691</u>	<u>328,165</u>

Approved but not yet contracted for:

- Construction	13,000	-
- Urban Improvements	287,751	-
- Machinery and Equipment	2,000	2,835
	<u>302,751</u>	<u>2,835</u>



## MARSASKALA LOCAL COUNCIL

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

..... continued

<b>24. Cash generated from operations</b>	<b>2012</b>	<b>2011</b>
	<b>€</b>	<b>€</b>
Surplus/(Deficit) for the year	(54,295)	(25,304)
Adjustments for:		
Depreciation	194,729	120,247
Loss on disposal of assets	997	10,504
Urban improvement funds released to income	(115,881)	(30,176)
Investment income	(6,329)	(2,604)
	<u>19,221</u>	<u>72,667</u>
(Increase) in inventories	(4,091)	-
(Increase)/Decrease in receivables	(683,473)	47,606
(Increase) in receivables	-	-
Increase in provision for doubtful debts	36,753	37,431
Increase in payables	<u>702,659</u>	<u>85,667</u>
Cash generated from operations	<u><u>71,069</u></u>	<u><u>243,371</u></u>

### **25. Contingent liabilities**

The Council has various bank guarantees of € 4,099 (31 December 2011 - € 7,999) with respect of works to be carried out during 2013.

The Council had lodged an appeal against the, then Malta Environment and Planning Authority, on a decision taken by the said authority for permits issued to third parties. The outcome of the appeal is still uncertain.

### **26. Post Balance Sheet events**

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

# MARSASKALA LOCAL COUNCIL

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

..... continued

### 27. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The ultimate controlling party of the Local Council Marsascala is the Local Councils Department within the Office of the Prime Minister.

All the Companies, Authorities and Agencies set up by the Central Government are also considered to be related parties to Local Council Marsascala but do not have significant control. The Joint Committee (up to the 31 August 2011), All Regional Committees (from 1 September 2011), the Local Councils Association and the other Local Councils are also considered to be a related parties.

During the year under review the Council carried out transactions with the following parties:

Name of Entity:	Nature of Relationship
Department of Local Councils	Significant Control
Regional Committee - Local Law Enforcement	Joint Control
Courts of Justice	No Control
Cleansing Services Department	No Control
Arms Limited	No Control
Other Local Councils	No Control
Enemalta Corporation	No Control
Department of Information	No Control
MITTS	No Control
Local Councils Association	No Control
Ministry of Home Affairs	No Control
Ministry of Education	No Control
Office of the Prime Minister	No Control
MEPA	No Control
Ministry of Education	No Control
Police Commissioner	No Control
Government Property Department	No Control
Water Services Corporation	No Control
Wasteserv Malta Limited	No Control
Malta Tourism Authority	No Control
European Union Programmes Agency (EUPA)	No Control

# MARSASKALA LOCAL COUNCIL

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

..... continued

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

	2012	2011
	€	€
<b>Cash Transactions:</b>		
Income - Annual Financial Allocation	707,534	676,106
Income - Law Enforcement System	25,243	88,106
Purchases of goods and services	<u>111,145</u>	<u>164,851</u>

	2012	2011
	€	€
<b>Non-Cash Transactions:</b>		
Government Grants Released	<u>115,881</u>	<u>30,176</u>

	2012	2011
	€	€
<b>Year-end balances arising from related party transactions:</b>		
Receivables from related parties (excluding Grants receivable)	<u>67,247</u>	<u>280,422</u>

The receivables from related parties arise mainly from the annual financial allocation by Central Government, Urban Improvement Funds and income arising from delegation of responsibilities. The receivables are unsecured in nature and bear no interest.

Payables to related parties	<u>36,592</u>	<u>47,427</u>
-----------------------------	---------------	---------------

The payables to related parties arise mainly from purchases of goods and services and are mainly due 1 month after the date of purchase. The payables bear no interest.

## 28. Comparative Figures

Certain comparative figures have been restated to conform to current year's presentation.

## LOCAL COUNCIL MARSASKALA

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

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

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

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

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

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

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

#### ***Basis for Qualified Opinion***

The Council maintains a fixed asset register to record fixed assets acquired by it. However a number of assets have been incorrectly categorized with the consequence that an incorrect depreciation rate has been applied and recognised in the financial statements. Furthermore, the net book value of fixed assets as per financial statements does not agree with that of the fixed asset register by €190,136. Whilst we are of the opinion that there are material misstatements in the depreciation provision and charge for the year, there were no practicable procedures to calculate the exact amount of misstatement in the depreciation provision and depreciation charge for the year.

As at 31<sup>st</sup> December 2012, the Council has recognised other receivables amounting to €94,053 and LES receivables amounting to €1,424. No information and evidence was provided by the Council with respect to these receivables in order for us to determine whether the recognition of these receivables was correctly accounted for in the financial statements in line with the requirements of International Financial Reporting Standards. We could not obtain reasonable assurance to determine whether such receivables are not materially misstated.

The amount recognized in the financial statements with respect to pre regional LES income is a debit of €11,791. Our workings resulted to an amount of €28,342 in credit, hence a variance of €40,133 resulted between our workings and the amount in the financial statements.

The Council recognised the sum of €102,730 as UIF Grants Released to income in its financial statements. Workings provided however amount to €115,235 and therefore do not substantiate the amount in the financial statements. Our testing on such workings was limited and we could not obtain

reasonable assurance to determine whether the grants released to income are not materially misstated.

Throughout our testing of the trade payables of the Council, which amount to €156,120, we encountered a significant number of misstatements arising out of the lack of proper accounting and recording of payables. Furthermore, the creditors list provided by the Council differed from the amount of trade payables recognized in the Financial Statements by €58,814. There were no practical acceptable audit procedures we could perform to obtain reasonable assurance that the trade payables are not materially misstated.

IFRS require that all applicable standards and their disclosure requirements are adhered to. These financial statements lack appropriate disclosure in respect to new and revised standards as per the requirements of IAS 1, Presentation of Financial Statements and certain disclosure requirements arising from IAS 24, Related Party Disclosures, IAS 37 Provisions, Contingent Assets and Contingent Liabilities, IAS 38 Intangible Assets, IFRS 7- Financial Instruments: Disclosure and IAS 8- Accounting policies, Changes in Accounting Estimates and Correction of Errors.

#### ***Qualified Opinion***

In our opinion, except for the effect on the financial statements of the matters referred to in the preceding paragraphs, the financial statements give a true and fair view of the financial position of the Council as of 31<sup>st</sup> December 2012 and of its financial performance and its cash flows for the period then ended.

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

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

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

This copy of the report has been signed by  
Clive Farrugia (Partner) on its behalf

**3a**  
Certified Public Accountants  
Level 2  
Palazzo Ca' Brugnera  
Valley Road  
Birkirkara BKR9024  
Malta

Date: 25 April 2013