

**Local Council Mellieha**

**Annual Audit Report**

**for the year ended 31 March 2008**

**REGISTRY**

**12 SEP 2008**

**NATIONAL AUDIT OFFICE**

*Prepared by 3a Accountants*

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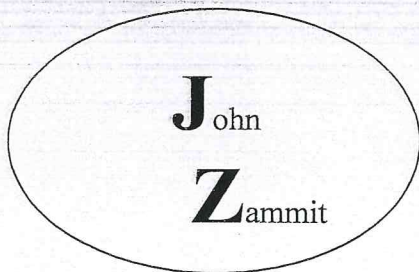
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**Statement of Local Council Members' and Executive Secretary's Responsibilities  
for the year ended 31 March 2008**

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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 income and expenditure for the year, and of the Council's retained funds at the end of 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 the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Council (Financial) Regulations, and the Local Council (Financial) Procedures issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Council (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



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## **LOCAL COUNCIL MELLIEHA**

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

I have audited the Financial Statements on pages 1 to 17, which have been prepared under the accounting policies set out on pages 7 & 8.

### **Respective Responsibilities of the Council & Local Government Auditor**

As described on page 1, the Executive Secretary and the Council are responsible for the preparation of the Financial Statements. It is my responsibility to form an independent opinion, based on my audit, on these statements and to report my opinion to you.

### **Basis of Opinion**

I conducted my audit in accordance with International Standards on Auditing. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Executive Secretary and the Council in preparation of the financial statements, and of whether the accounting policies are consistent with the Local Councils Act (CAP 363), the Financial Regulations issued in terms of the said Act and the Local Council (Financial) Procedures, 1996, and that such policies have been consistently applied and adequately disclosed.

I planned and performed my audit as to obtain all information and explanations which I considered necessary, in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In my opinion the financial statements have been prepared in accordance with International Financial Reporting Standards and give a true and fair view of the income and expenditure of the Council for the year ended 31 March 2008 and its retained funds as at that date. The financial statements are in accordance with the accounting policies set out in note 2 thereto, and comply with the Local Councils (Financial) Procedures, 1996.



**John Zammit**

Certified Public Accountant and Auditor

Date: 11/9/ 2008

Statement of Income and Expenditure  
for the year ended 31 March 2008

		2007 / 2008	2006 / 2007
	Notes	€	€
<b>Income</b>			
Funds received from Central Government	3	830,936	820,030
Income raised under Local Council Bye-Laws	4	7,615	3,855
Income raised under Local Enforcement System	5	91	-
Investment Income	6	22,299	18,305
General Income	7	82,697	22,774
		<u>943,638</u>	<u>864,964</u>
<b>Expenditure</b>			
Personal Emoluments	8	(48,294)	(46,043)
Operations and maintenance	9	(383,269)	(375,312)
Administration and other expenditure	10	(299,988)	(284,524)
		<u>(731,551)</u>	<u>(705,879)</u>
<b>Surplus for the year</b>	<b>8</b>	<b>212,087</b>	<b>159,085</b>

The notes on pages 7 to 17 form an integral part of these financial statements.

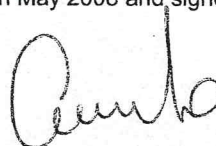
Statement of Affairs  
as at 31 March 2008

	Notes	2007 / 2008 €	2006 / 2007 €
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	11	2,288,272	2,171,168
		<u>2,288,272</u>	<u>2,171,168</u>
<b>Current Assets</b>			
Inventories	12	7,844	8,493
Receivables	13	70,861	27,978
Cash and cash equivalents	14	619,545	696,973
		<u>698,250</u>	<u>733,444</u>
<b>Total Assets</b>		<u>2,986,522</u>	<u>2,904,612</u>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Retained earnings		2,851,166	2,639,079
<b>Total equity</b>		<u>2,851,166</u>	<u>2,639,079</u>
<b>Current Liabilities</b>			
Payables	15	135,356	265,533
		<u>135,356</u>	<u>265,533</u>
<b>Total Liabilities</b>		<u>135,356</u>	<u>265,533</u>
<b>Total equity and liabilities</b>		<u>2,986,522</u>	<u>2,904,612</u>

These financial statements were approved by the Local Council on 5th May 2008 and signed on its behalf by:



Robert Cutajar  
Mayor



Carmel Debono  
Executive Secretary

The notes on pages 7 to 17 form an integral part of these financial statements.

**Statement of Changes in Equity  
for the year ended 31 March 2008**

	<b>Retained Funds</b>	<b>Total</b>
	<b>€</b>	<b>€</b>
<b>At 1 April 2006</b>	2,479,994	2,479,994
Surplus for the year	159,085	159,085
<b>At 31 March 2007</b>	<u>2,639,079</u>	<u>2,639,079</u>
<b>At 1 April 2007</b>	2,639,079	2,639,079
Surplus for the year	212,087	212,087
<b>At 31 March 2008</b>	<u>2,851,166</u>	<u>2,851,166</u>
Equity interests	<u>2,851,166</u>	<u>2,851,166</u>

**Cash Flow Statement**  
**for the year ended 31 March 2008**

	2007 / 2008	2006 / 2007
	€	€
<b>Net surplus for the year</b>	212,087	159,085
Reconciliation to cash generated from operations:		
Depreciation	222,825	202,955
Grants utilised during the year	138,452	-
Interest receivable	(22,298)	(18,305)
Operating profit before working capital changes	551,066	343,735
(Increase) in inventories	649	836
Decrease in receivables	4,860	1,305
(Increase) in other receivables	(39,712)	9,190
(Decrease) in payables	(66,348)	5,758
(Decrease) in other payables	(63,828)	94,611
<b>Cash generated from operating activities</b>	386,687	455,435
<b>Cash flow from Investing activities</b>		
Interest received	14,269	11,641
Purchase of property, plant & equipment	(478,384)	(618,992)
<b>Cash generated from investing activities</b>	(464,115)	(607,351)
<b>Net Decrease in cash in the year</b>	(77,428)	(151,916)
Cash and equivalents at beginning of year	696,973	848,889
<b>Cash and equivalents at end of year</b>	619,545	696,973

**1. General Information**

The Mellieha Local Council is the local authority of Malta set up in accordance with the Local Councils Act(1993). The office of the Local Council is situated at 126, New Mill Street, Mellieha. These financial statements were approved for issue by the Council Members on 5 May 2008. The Local Council's presentation as well as functional currency are denominated in €.

**2. Accounting Policies and Reporting Procedures**

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

**Accounting convention**

These financial statements are prepared under the historical cost convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards.

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).

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses 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:

	%
Land	0
Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	100
Playground Furniture	100
Traffic Signs	100
Road Signs	100
Street Mirrors	100
Street Lights	100

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each balance sheet date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

#### ***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 costs to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Income and Expenditure.

#### ***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 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 Income and Expenditure.

#### ***Revenue***

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the income statement as it accrues.

#### ***Local Enforcement System***

The Mellieha Local Council forms part of the North Joint Committee. The amount disclosed in the financial statements under Local Enforcement Income represents the share of loss derived from the Joint Committee after deducting the related expenses from the income.

#### ***Surpluses and deficits***

Only surpluses that were realised at the date of the Statement of Affairs 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.

#### ***Cash and equivalents***

Cash and Cash Equivalents are carried in the Statement of Affairs at face value. For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash in hand and balances held with banks.

**3. Funds received from central government**

	2007 / 2008 €	2006 / 2007 €
In terms of section 55 of the Local Councils Act	830,936	820,030
	<u>830,936</u>	<u>820,030</u>

**4. Income raised from Bye-Laws**

	2007 / 2008 €	2006 / 2007 €
Bye-Law - Advertising on Street Furniture	161	-
Bye-Law - Use of facilities	233	233
Bye-Law - Organisation of Courses	7,221	3,622
	<u>7,615</u>	<u>3,855</u>

**5. Local Enforcement System**

	2007 / 2008 €	2006 / 2007 €
Sentenced Cases - Accrued Income	91	-
	<u>91</u>	<u>-</u>

**6. Investment Income**

	2007 / 2008 €	2006 / 2007 €
Bank Interest Receivable	22,299	18,305
	<u>22,299</u>	<u>18,305</u>

**7. General Income**

	2007 / 2008	2006 / 2007
	€	€
Sale of books and other merchandise	687	903
Sponsorships	-	1,666
General Income	126	874
Tender Documents/Info. Charges	1,088	684
Media Advertising	322	-
Donations	699	-
Contributions	60,158	3,516
Refund of expenses	220	151
Discounts Received	26	-
Income from Permits	19,371	14,980
	<u>82,697</u>	<u>22,774</u>

**8. Surplus for the year**

	2007 / 2008	2006 / 2007
	€	€
Surplus for the year is stated after charging:		
Staff salaries	Note 48,294	46,043
Depreciation of tangible assets	<u>222,825</u>	<u>202,955</u>

**Staff salaries**

	2007 / 2008	2006 / 2007
	€	€
Mayor's Allowance	5,492	5,303
Executive Secretary Salary and Allowances	23,768	22,971
Employees' Salaries	15,883	15,028
Social Security Contributions	3,151	2,741
	<u>48,294</u>	<u>46,043</u>

9. Operations and Maintenance

	2007 / 2008	2006 / 2007
	€	€
<i>Repairs and Upkeep:</i>		
Public Property	262	1,153
Road/Street Pavements	154,093	143,397
Signs	7,338	5,533
Road Markings	2,835	14,010
Bus shelters	920	-
Office Furniture and Equipment	-	74
Sundry Repairs	-	12
Council Property	613	773
	<u>166,061</u>	<u>164,952</u>
<i>Contractual Services:</i>		
Waste Disposal	192	368
Refuse Collection	64,732	63,632
Bulky Refuse Collection	7,655	7,654
Open Skips & Bring-in Sites	4,219	4,144
Road & Street Cleaning	33,281	34,553
Cleaning & Maint. Non-Urban	19,474	23,120
Cleaning - Public Conveniences	26,950	27,426
Cleaning - Council Premises	2,509	1,800
Other Contractual Services	12,422	6,217
Clean. & Maint. Parks & Gardens	22,884	19,435
Clean. & Maint. Beaches	14,366	9,025
Street Lighting	8,499	12,182
Share of Loss paid to LES Joint Committee	25	804
	<u>217,208</u>	<u>210,360</u>

**10. Administration and other expenditure**

	2007 / 2008	2006 / 2007
	€	€
Utilities	6,742	5,645
Other repairs and upkeep	3,005	2,773
Rent	466	466
National and International Memberships	789	918
Office Services	3,397	2,728
Transport	1,275	67
Travel	1,240	2,776
Information Services	5,799	9,690
Insurance Coverage	3,764	3,259
Bank Charges	47	410
Professional Services	12,421	25,607
Training	6,771	3,682
Entertainment	1,186	913
Conference Expenses	281	394
Cultural Events	24,055	15,703
Community Services	1,003	5,330
Donations	3,744	233
Sundry Minor Expenses	1,176	975
Difference on Euro Conversion	2	-
Depreciation	222,825	202,955
	<u>299,988</u>	<u>284,524</u>

**Notes to the Financial Statements  
for the year ended 31 March 2008**

**11 Property, plant and equipment**

	Property	Assets under construction	New Street Signs	Urban Improvements	Office & computer equipment	Office Furniture & fittings	Special Programmes	Total
	€	€	€	€	€	€	€	€
<b>Cost</b>								
At 1 April 2006	338,425	54,658	44,301	50,622	32,635	40,737	2,917,298	3,478,676
Additions	-	131,786	4,317	34,877	1,786	172	446,053	618,991
Reclassifications	-	(41,318)	-	-	-	-	41,318	-
At 31 March 2007	338,425	145,126	48,618	85,499	34,421	40,909	3,404,669	4,097,667
<b>Depreciation</b>								
At 1 April 2006	938	-	44,299	45,619	18,847	7,627	392,771	510,101
Charge for the year	930	-	4,319	35,168	2,610	2,489	157,435	202,951
At 31 March 2007	1,868	-	48,618	80,787	21,457	10,116	550,206	713,052
<b>Grants</b>								
At 1 April 2006	-	-	-	-	2,562	-	1,210,885	1,213,447
At 31 March 2007	-	-	-	-	2,562	-	1,210,885	1,213,447
<b>Net book values</b>								
At 31 March 2007	336,557	145,126	-	4,712	10,402	30,793	1,643,578	2,171,168

Notes to the Financial Statements  
for the year ended 31 March 2008

## 11. Property, plant and equipment

	Property	Assets under construction	New Street Signs	Urban Improvements	Office & computer equipment	Office Furniture & fittings	Special Programmes	Total
	€	€	€	€	€	€	€	€
<b>Cost</b>								
At 1 April 2007	338,425	145,126	48,618	85,499	34,421	40,909	3,404,669	4,097,667
Additions	-	206,814	7,695	27,428	2,312	124	234,011	478,384
Reclassifications	-	(131,889)	1,686	1,259	-	-	128,944	-
At 31 March 2008	338,425	220,051	57,999	114,186	36,733	41,033	3,767,624	4,576,051
<b>Depreciation</b>								
At 1 April 2007	1,868	-	48,619	80,787	21,457	10,116	550,206	713,053
Charge for the year	919	-	9,380	28,372	5,198	2,314	176,644	222,827
At 31 March 2008	2,787	-	57,999	109,159	26,655	12,430	726,850	935,880
<b>Grants</b>								
At 1 April 2007	-	-	-	-	2,562	-	1,210,885	1,213,447
Grants released for year	-	-	-	-	-	-	138,452	138,452
At 31 March 2008	-	-	-	-	2,562	-	1,349,337	1,351,899
<b>Net book values</b>								
At 31 March 2008	335,638	220,051	-	5,027	7,516	28,603	1,691,437	2,288,272

**12. Inventories**

	2007 / 2008 €	2006 / 2007 €
Books and other publications	7,844	8,493

**13. Receivables**

	2007 / 2008 €	2006 / 2007 €
Receivables	3,728	8,446
LES Debtors	10,119	10,261
Other receivables	1,165	1,631
Prepayments and accrued income	55,849	7,640
	<u>70,861</u>	<u>27,978</u>

**14. Notes to the cashflow statement**

*Cash & cash equivalents*

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2007 / 2008 €	2006 / 2007 €
Bank Balances	619,400	696,894
Cash in Hand	145	79
	<u>619,545</u>	<u>696,973</u>

**15. Payables**

	2007 / 2008 €	2006 / 2007 €
Payables	96,403	162,752
Grants not yet utilised	-	76,372
Accruals and deferred income	38,953	26,409
	<u>135,356</u>	<u>265,533</u>

**16. Capital commitments**

	2007 / 2008 €	2006 / 2007 €
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	412,260	714,186
Contracted for but not provided in the financial statements	<u>541,153</u>	<u>247,611</u>
(i) Approved but not yet contracted for:		
Parish Square Project	9,300	9,317
Office Furniture and Fittings	14,000	2,329
Urban Improvements	46,160	3,494
Office Equipment & Computer Equipment	3,800	4,193
Ta' Bragg Afforestation	160,000	46,587
Embellishment - Misrah iz-Zjara tal-Papa	45,000	34,941
Tunnara Project	23,000	6,988
Improvements to Sports Facilities	35,000	46,587
Open Spaces and Public Gardens	76,000	93,175
	<u>412,260</u>	<u>247,611</u>
(ii) Contracted for but not provided in the Financial Statements:		
Acquisition of Property	-	-
New Street Signs	12,000	9,317
Road Resurfacing	330,000	465,875
Urban Improvements	-	23,993
Gnien il-Kenn Socjali - Ta' Pennellu	-	70,580
Open Spaces and Public Gardens	187,253	-
Manikata Playing Field	11,900	144,421
	<u>541,153</u>	<u>714,186</u>

**17. Contingent liabilities**

The Local Council signed a Joint Cooperation Agreement with the Gharghur, Imgarr, Mosta, Naxxar and St. Paul's Bay Local Councils, whereby such agreement entails that each council deposits €466 (2006/2007: €466) as bank guarantees. This is to indemnify the Joint Committee against any breach of the agreement by the Local Council. The Council has also €1,165 (2006/2007: €3,494) guarantee in favour of MEPA for permits related to the construction and maintenance of Gnien I-Gholjiet.

**18. Fair values estimation**

The nominal values less estimated credit adjustments of receivables and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair values.

The following pages do not form part of the statutory financial statements

Local Council Melleha

A. Schedule of Special Programmes - Property, Plant & Equipment

	Public Gardens	Parish Square Project	Ta' Bragg Afforestation	Road Resurfacing	Tunnara Project	Traffic Improvements	Country Parks	Improvements to public conveniences	Ta' Pennellu Sports Facilities	Total
	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>										
At 1 April 2006	208,067	163,086	2,930	2,254,375	14,892	138,393	35,567	99,988	-	2,917,298
Additions	-	-	-	342,662	-	-	-	32,064	71,325	446,051
Reclassifications	-	-	-	40,401	-	-	-	918	-	41,319
At 31 March 2007	208,067	163,086	2,930	2,637,438	14,892	138,393	35,567	132,970	71,325	3,404,668
<b>Depreciation</b>										
At 1 April 2006	53,755	64,773	-	232,576	6,003	26,296	1,735	7,633	-	392,771
Charge for the year	15,432	9,830	-	114,770	890	11,300	1,058	3,562	594	157,436
At 31 March 2007	69,187	74,603	-	347,346	6,893	37,596	2,793	11,195	594	550,207
<b>Grants</b>										
At 1 April 2006	-	-	-	1,108,903	-	-	23,249	78,733	-	1,210,885
Grants released for year	-	-	-	-	-	-	-	-	-	-
At 31 March 2007	-	-	-	1,108,903	-	-	23,249	78,733	-	1,210,885
<b>Net book values</b>										
At 31 March 2007	138,880	88,483	2,930	1,181,189	7,999	100,797	32,774	43,042	70,731	1,643,576

Local Council Melleha

B. Schedule of Special Programmes - Property, Plant & Equipment

	Public Gardens	Parish Square Project	Ta' Bragg Afforestation	Road Resurfacing	Tunnara Project	Traffic Improvements	Country Parks	Improvements to public conveniences	Ta' Pennellu Sports Facilities	Total
	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>										
At 1 April 2007	208,068	163,086	2,930	2,637,438	14,892	138,393	35,567	132,970	71,325	3,404,669
Additions	44,520	-	-	188,350	1,141	-	-	-	-	234,011
Reclassifications	98,702	-	-	30,242	-	-	-	-	-	128,944
At 31 March 2008	351,290	163,086	2,930	2,856,030	16,033	138,393	35,567	132,970	71,325	3,767,624
<b>Depreciation</b>										
At 1 April 2007	69,187	74,603	-	347,346	6,893	37,596	2,793	11,195	593	550,206
Charge for the year	14,084	8,849	-	130,442	858	10,079	953	4,305	7,074	176,644
At 31 March 2008	83,271	83,452	-	477,788	7,751	47,675	3,746	15,500	7,667	726,850
<b>Grants</b>										
At 1 April 2007	-	-	-	1,108,903	-	-	23,249	78,733	-	1,210,885
Grants released for year	138,452	-	-	-	-	-	-	-	-	138,452
At 31 March 2008	138,452	-	-	1,108,903	-	-	23,249	78,733	-	1,349,337
<b>Net book values</b>										
At 31 March 2008	129,567	79,634	2,930	1,269,339	8,282	90,718	31,821	38,737	63,658	1,691,437