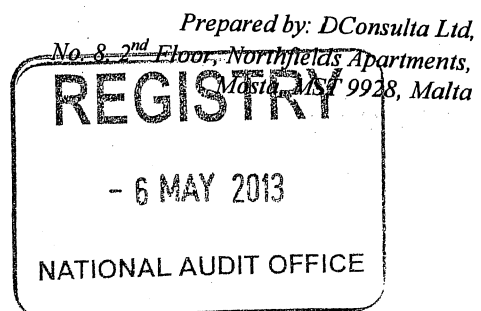


MOSTA LOCAL COUNCIL

Audited Report and Financial

Statements for the year ended

31 December 2012



MOSTA LOCAL COUNCIL

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Statement of Council Members' and Executive Secretary's Responsibilities	1
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**STATEMENT OF COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S RESPONSIBILITIES
for the year ended 31 December 2012**

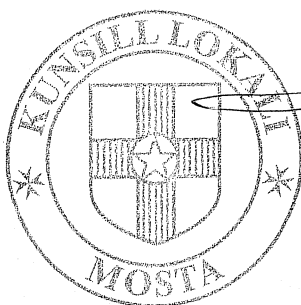
The Local Councils (Financial) Regulations 1993 require the Secretary to prepare a detailed Annual Administrative Report which includes a statement of the Council's statement of comprehensive income for the year and of the Council's retained funds at the end of the year. By virtue of the same regulations it is the duty of the Council and the 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 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 Wednesday 29th April 2013 and signed on its behalf by:



**Dr. Shirley Farrugia
Mayor**



**Mr. John J. Camilleri
Executive Secretary**

MOSTA LOCAL COUNCIL

Statement of Comprehensive Income for the year ended 31 December 2012


	Notes	Year ended 2012 €	Year ended 2011 €
Income			
Funds received from Central Government	3	1,008,980	950,997
Income raised under Council Bye-Laws	4	904	8,572
Income from Law Enforcement System	5	4,572	19,610
General Income	6	8,883	22,727
		<u>1,023,337</u>	<u>1,001,906</u>
Expenditure			
Personal emoluments	7	149,872	132,654
Operations and maintenance	8	738,466	595,626
Administrative and other expenditure	9	351,191	272,335
		<u>1,239,529</u>	<u>1,000,615</u>
Net Operating (Deficit) for the year	10	(216,192)	1,291
Finance income	11	1,514	1,512
Net Surplus/ (Deficit) for the year		<u>(214,678)</u>	<u>2,802</u>

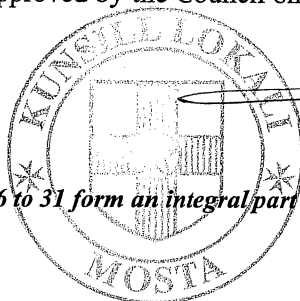
The notes on pages 6 to 31 form an integral part of these financial statements.

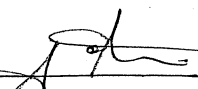
STATEMENT OF FINANCIAL POSITION
as at 31 December 2012

	Notes	Year ended 2012 €	Year ended 2011 €
Assets			
<i><u>Non-current assets</u></i>			
Property, plant and equipment	12	1,082,371	940,578
Deferred Expenditure	13	-	-
Total non-current assets		<u>1,082,371</u>	<u>940,578</u>
<i><u>Current assets</u></i>			
Inventories	15	17,473	16,831
Trade and other Receivables	14 & 21	1,299,895	829,523
Cash and cash equivalents	16	<u>659,255</u>	<u>515,244</u>
Total current assets		<u>1,976,623</u>	<u>1,361,598</u>
Total assets		<u>3,058,994</u>	<u>2,302,176</u>
Equity and liabilities			
<i><u>Reserves</u></i>			
Retained Earnings		<u>1,175,335</u>	<u>1,270,929</u>
Total Reserves		<u>1,175,335</u>	<u>1,270,929</u>
<i><u>Non-current liabilities</u></i>			
Trade and other payables	17, 18 & 19	<u>397,775</u>	<u>40,180</u>
Total non-current liabilities		<u>397,775</u>	<u>40,180</u>
<i><u>Current liabilities</u></i>			
Trade and other Payables	17, 18 & 19	<u>1,485,883</u>	<u>991,067</u>
Total current liabilities		<u>1,485,884</u>	<u>991,067</u>
Total liabilities		<u>1,883,659</u>	<u>1,031,247</u>
Total equity and liabilities		<u>3,058,994</u>	<u>2,302,176</u>

The financial statements were approved by the Council on Wednesday 29th April 2013 and signed on its behalf by:


Dr. Shirley Farrugia
Mayor




Mr. John J. Camilleri
Executive Secretary

The notes on pages 6 to 31 form an integral part of these financial statements.

MOSTA LOCAL COUNCIL

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

	Retained Earnings	Total Earnings
	€	€
At 1 January 2011	1,217,607	1,217,607
Total Comprehensive Surplus/(deficit) for the period	<u>2,802</u>	<u>2,802</u>
Difference on opening balances	<u>108,960</u>	<u>108,960</u>
At 31 December 2011	<u>1,329,369</u>	<u>1,329,369</u>
At 1 January 2012	1,329,369	1,329,369
Total Comprehensive Surplus/(Deficit) for the year	<u>(214,677)</u>	<u>(214,677)</u>
Prior year adjustment relating to an error in patchng costs	<u>60,644</u>	<u>60,644</u>
At 31 December 2012	<u>1,175,335</u>	<u>1,175,335</u>

The notes on pages 6 to 31 form an integral part of these financial statements.

Statement of Cash Flows
for the year ended 31 December 2012

	2012	2011
	€	€
Cash flows from operating activities		
Surplus/(deficit) for the year	(214,678)	2,802
Adjustments for:		
Depreciation	130,916	103,335
Investment income receivable	(1,514)	(1,512)
Movement in provision for doubtful debts	29,842	-
Release to income of grants during the year	(19,286)	-
Operating Surplus/(Deficit) before working capital changes	(74,720)	104,625
 Movements in working capital:		
Decrease/ (Increase) in Inventories	(642)	(6,489)
Decrease/ (Increase) in receivables	(17,561)	(362,651)
Decrease/ (Increase) in prepayments and accrued income	(11,003)	-
Increase / (Decrease) in payables	175,040	242,326
	(145,834)	(126,814)
Net cash generated by operating activities	71,115	(22,189)
 Cash flows from investing activities		
Purchase of property, plant and equipment	(305,120)	(49,659)
Interest received	1,514	1,512
Grants received	376,503	10,053
Net cash generated from/used in investing activities	72,897	(38,094)
 Net movement in cash and cash equivalents in the year	144,012	(60,283)
Cash and cash equivalents at beginning of year	515,243	575,527
Cash and equivalents at end of year	659,255	515,244

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The notes on pages 6 to 31 form an integral part of these financial statements.

MOSTA LOCAL COUNCIL

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

1. General Information

The Mosta 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 Civic Centre, Constitution Street, Mosta, MST 9059. These financial statements were approved for issue by the Council Member on the 20th February 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.

..... continued

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, 1993 (Chap. 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, as adopted by the EU.

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, 1993 (Cap 363).

New and amended standards adopted by the Local Council

Certain new standards, amendments and interpretations to existing standards have been published and effective for the current period, however these changes are not expected to have a material effect on the Local Council's financial statements.

- IAS 1 (amendment) - Presentation of financial statements (effective from 1 January 2010).
- IAS 7 (amendment) - Statement of Cash Flows. Amendments to reflect changes in other standards.
- IAS 17 (amendment) - Leases - Amendments to reflect changes in other standards.
- IAS 27 (revised) - Consolidated and separate financial statements (effective from 1 July 2009).
- IAS 36 (impairment of assets) - Amendments to reflect changes in other standards.
- IAS 38 (amendment) - Intangible Assets (effective from 1 July 2009).
- IAS 39 (amendment) - Financial Instruments: Recognition and measurement (effective from 1 January 2010).
- IFRS 2 (amendment) - Group Cash-Settled and Share-Based payment transactions (effective from 1 January 2010).
- IFRS 3 (revised) - Business Combinations (effective from 1 July 2009).
- IFRS 5 (amendment) - Measurement of Non-Current assets (or disposal groups classified as held-for-sale (effective from 1 January 2010).
- IFRIC 9 (amendment) and IAS 39 - Embedded derivatives (effective from 1 July 2009). Amendments to reflect changes in other standards.
- IFRIC 17 - Distribution of Non-Current Assets to owners (effective on or after 1 July 2009).
- IFRIC 18 - Transfer of Assets from customers (effective from 1 July 2009).
- IAS 24 - Related party disclosures (effective 1 January 2011)

MOSTA LOCAL COUNCIL

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

..... continued

New Relevant Standards and not yet adopted/not yet early adopted

The following standards and amendments to existing standards have been published and are mandatory (as applicable) for the Local Council's accounting periods beginning on or after 1 January 2011 or later periods and the Local Council has not yet early adopted them:

- IAS 32 (amendment) Financial Instruments: Presentation (effective from 1 February 2010).
- IAS 27 Consolidated and separate financial statements (effective from 1 July 2010).
- IAS 34 Interim Financial Reporting (effective from 1 January 2011).
- IFRS 3 (amendments) Business Combinations (effective from 1 January 2011).
- IFRS 7 (amendments) Financial Instruments (effective from 1 January 2011).
- IFRIC 13 Customer loyalty programmes (effective from 1 January 2011).
- IAS 12 (amendment) Income Taxes - IAS 12 (effective from 1 January 2012).
- IAS 1 (amendments) Presentation of Financial Statements (effective from 1 January 2013).
- IFRS 9 Financial Instruments (effective from 1 January 2013).

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Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, impairment and grants received for specific projects (which grants were treated through the balance sheet approach). Depreciation is calculated on a monthly basis using the reducing balance method at rates estimated to write down the cost of all assets over their expected useful life, other than land and trees, over their expected useful lives as follows:

	Rates in %
Land	0
Trees	0
Buildings	1
Office Furniture & Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Programmes (Projects)	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Road/Street Signs	100
Litter Bins	100
Playground Equipment	100
Street Lighting	100
Street Mirrors	100
Plants	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 surplus. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each year end. 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 Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Comprehensive Income Statement during the financial year in which they are incurred.

MOSTA LOCAL COUNCIL

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

..... continued

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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Impairment of financial assets other than inventories

At the end of each reporting period, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

In the case of financial assets that are carried at amortised cost, objective evidence of impairment includes observable data about the following loss events - significant difficulty of the issuer (or counterparty) and/or breach of contract.

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

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For loans, and receivables or, if there is objective evidence that an impairment loss has been incurred, the loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

In the case of other assets tested for impairment, the recoverable amount is the higher of fair value less costs to sell (which is the amount obtainable from sale at arm's length transaction between knowledgeable, willing parties, less the costs of disposal) and value in use (which is the present value of the future cash flows expected to be derived, discounted using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Impairment losses are recognised immediately in the statement of comprehensive income, unless the asset is carried at a revalued amount, in which case, the impairment loss is recognised directly against the asset's revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for the asset.

For loans and receivables, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly.

In the case of assets tested for impairment, an impairment loss recognised in a prior period is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but in a manner that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

Impairment reversals are recognised immediately in the comprehensive income statement, unless the asset is carried at a revalued amount, in which case, the impairment reversal is recognised directly in reserves, unless an impairment loss on the same asset was previously recognised in the comprehensive income statement.

MOSTA LOCAL COUNCIL

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

..... continued

Cash and cash equivalents

Cash and cash equivalents are carried in the Statement of Financial Position at face value. For the purpose of the Cash Flow Statement, cash and cash equivalents comprise cash in hand and balances held banks.

..... continued

Receivables

Receivables are recognised initially at the transaction price, less provision for impairment. A provision for impairment of general receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

A provision for impairment is established when there is objective evidence that the Council will not be able to collect all amounts receivable. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount to be received is impaired. Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Related Parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard No. 24.

Income recognition

Income in general is stated when there is reasonable certainty that the income would be receivable and thus can be accrued for. Other income such as that derived from the organisation of courses, cultural, sporting and social activities is only recognised on a cash basis.

Income from investment activities is recognised when the rights of receipt have been established.

Interest income from financial assets is recognised when it is probable that the economic benefits will flow to the Council and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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.

MOSTA LOCAL COUNCIL

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

..... continued

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 Central 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.

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.

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 Total Comprehensive Income for the period in which they are incurred.

..... continued

General Payables

Payables and accrued expenditure are recognised initially at the transaction price and subsequently measured at amortised cost. The difference between the proceeds and the amount payable is recognised over the period of the payable using the effective interest method.

Judgements in applying accounting policies and key sources of estimating uncertainty

In the process of applying the Council's accounting policies, the Council Members have made no judgements which can significantly affect the amounts recognised in the financial statements.

At the end of the reporting period, except as disclosed in note 22 , there were no key assumptions concerning the future, or any other key sources of estimating uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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.

Provisions

Provisions are recognised when the Council has a present obligation (legal or constructive) as a result of a past event, it is probable that the Council will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

MOSTA LOCAL COUNCIL

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

..... continued

3.

	2012	2011
	€	€
Funds Received from Central Government		
In terms of section 55 of the Local Councils Act, 1993	1,045,759	949,021
Supplementary government income	0	1,976
Deduction from government allocation	(36,779)	-
	<u>1,008,980</u>	<u>950,997</u>

4. **Income raised under Council Bye-Laws**

	2012	2011
	€	€
Income from hire of skips	554	4,927
Rent receivable	350	3,645
	<u>904</u>	<u>8,572</u>

The above income arise from the application of Legal Notices.

..... continued

5. Income raised under Law Enforcement System		2012	2011
		€	€
Fines and penalties	Received	(7,602)	9,497
	Accrued	-	2,226
	Kumitat Kongunt	-	6,837
	10% Admin fee	12,173	1,049
		<u>4,572</u>	<u>19,610</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, up to the 31 August 2011, was based on cash received from the Joint Committee.

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

- a) Receipts of funds from the Joint Committee up to the 31 August 2011;
- b) 10% on the contraventions accruing to all Regional Committees that were settled at the Council's cash point.

All amounts receivable from the Joint Committee have been fully provided for in these financial statements.

The negative amount of €7,602 is a write off of balance on LES debtors carried out during the same year.

MOSTA LOCAL COUNCIL

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

..... continued

6. General Income

	2012	2011
	€	€
Income from use of crane	6,829	5,884
Income from kiosk	1,902	1,817
Income from functions	564	72
Income from chairs and tables	5,371	-
Income from trenching	99	272
Reinstatement Water Services Corporation	(39,268)	2
Other Income	31,760	13,530
Other Income – Prior Year stale cheques deposit	126	-
Tender Document Fees	1,500	1,150
	<u>8,883</u>	<u>22,727</u>

During the current year a write off amounting to €39,628 was carried out after taking into account the amounts that crystallised after the carrying out of an exercise between the council and the Water Services Corporation, which shows a total revised receivable amount of €22,850.

7. Personal emoluments

	2012	2011
	€	€
Personal emoluments include, inter alia:		
Mayor's Honoraria & Allowance	12,850	12,728
Council Members' Allowance	13,494	18,871
Executive Salary and Allowance	28,248	24,643
Employees' Salaries	86,032	68,505
Social Security Contributions - Employer's Share	9,248	7,907
	<u>149,872</u>	<u>132,654</u>

..... continued

8. Operations and Maintenance

Operations and maintenance includes, inter alia:

	2012 €	2011 €
Repairs and Upkeep:		
Patching	232,478	46,030
Repairs to public property	3,670	23,895
Road signs	4,670	4,098
Road markings	4,539	8,375
Office furniture and equipment	822	174
Plant and machinery	161	157
Sundry repairs	10,493	3,892
Handyman repairs and upkeep	44,719	44,560
Street lighting	26,149	12,880
	<u>327,701</u>	<u>144,060</u>
Contractual Services:		
Refuse collection & recycling	274,269	309,519
Bring in sites	-	15
Bulky refuse collection	16,856	13,708
Skips	-	177
Road and street cleaning	69,245	78,260
Cleaning and maintenance public conveniences	7,428	7,997
Cleaning and maintenance parks and gardens	40,570	43,951
Cleaning and maintenance non-urban	1,100	1,431
Cleaning and maintenance council premises	-	471
LES related expenditure	1,297	(3,964)
	<u>410,765</u>	<u>451,567</u>
Total Operations and Maintenance expenses	<u>738,466</u>	<u>595,626</u>

MOSTA LOCAL COUNCIL

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

..... continued

8. Administration and Other Expenses

	2012	2011
	€	€
Accountancy services	4,153	6,197
Advertising and public relations expenses	3,694	2,085
Architectural Services	1,398	-
Auditing services	3,050	-
Bad Debts written off	31,403	-
Bank charges	567	294
Bank interest	-	-
Other office services	-	347
Cleaning materials	1,829	2,450
Community services	29,198	21,716
Conference and participation expenses	236	974
Depreciation of property, plant and equipment	130,916	103,335
Documentation	100	5
Donations	1,500	-
Engineering Services	12,350	47,070
Insurances	2,001	8,121
Management and operation services	-	667
Operating materials and supplies	4,485	1,066
Legal and professional fees	19,611	10,401
Uniforms	1,172	2,029
Library expenses	1,368	1,353
Parking	15	-
Postages	574	465
Printing and stationery	9,425	2,325
Provision for bad debts	29,842	-
Rent	15,182	27,974
Subscriptions	18	(45)
Sundry minor expenses	197	929
Telecommunications	10,245	6,275
Transport expenses	708	41

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

..... continued

Water and electricity	9,743	16,913
Day centre expenses	15,309	9,940
Youth Empowerment Programme	5,172	3,288
Permits and licenses	331	143
Stock movement of books	5,398	(4,022)
Total Administrative and other expenses	351,191	272,335

MOSTA LOCAL COUNCIL

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

..... continued

10. Surplus/(Deficit) for the year	Note	2012 €	2011 €
Surplus/(Deficit) for the year is stated after charging:			
Personal Emoluments	7	149,872	132,654
Depreciation on property, plant and equipment	9	130,916	103,335
Bad debts written off	9	31,403	-
Movement in provision for doubtful debts	9	29,842	-

11. Investment income	2012 €	2011 €
Bank interest	1,514	1,512

MOSTA LOCAL COUNCIL

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

..... continued

12. Property, plant and equipment

Cost	Trees	Office furniture & fittings	Comp & office equipment	Urban improvements	Pant & machinery	Motor Vehicles	Street signs mirrors & lights	Constructio n works	Special programme	Total
€	€	€	€	€	€	€	€	€	€	€
At 1 January 2012	6,734	155,076	122,509	316,941	52,544	1,584	127,500	2,540,720	2,076,351	5,399
Additions	-	103	8,530	-	-	-	950	27,425	268,113	305
Disposals	-	-	-	-	-	-	-	-	-	-
At 31 December 2012	6,734	155,179	131,039	316,941	52,544	1,584	128,450	2,568,145	2,344,463	5,705
Government Grants										
At 1 January & 31 December 2012	-	-	-	-	-	-	-	-2,933,196	2,933,196	-
Movement during the year	-	-	-	-	-	-	-	-	-	-
At 31 December 2012	-	-	-	-	-	-	-	-2,933,196	2,933,196	-
Depreciation										
At 1 January 2012	-	98,124	109,552	240,959	52,543	1,102	128,450	800,969	126,898	1,558
Current charge	-	4,140	3,285	7,259	-	88	43	68,224	47,980	131,0
Reversal on disposl	-	8	-	-	-	-	95	-	-	1
At 31 December 2012	-	102,256	112,836	248,218	52,543	1,190	128,398	869,193	174,878	1,689,5
N.B.V. at 31 December 2012	6,734	52,923	18,203	68,723	-	394	52	1,698,952	(763,610)	1,082,

MOSTA LOCAL COUNCIL

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

..... continued

12. Property, plant and equipment

Cost	Trees	Office furniture & fittings	Comp & office equipment	Urban improvements	Pant & machinery	Motor Vehicles	Street signs	Construct Special programme	Total
€	€	€	€	€	€	€	€	€	€
At 1 January 2011	6,734	155,132	122,467	365,689	52,458	1,584	127,568	1,315,146	3,384,460
Reclassifications	0	0	0	0	0	0	0	0	5,531,238
Additions	0	47	42	0	85	0	881	4,526	0
Disposals	0	0	0	0	0	0	0	0	44,077
At 31 December 2011	6,734	155,179	122,509	316,941	52,544	1,584	128,450	1,512,656	3,284,301
									5,580,898

Government Grants

At 1 January 2011	0	0	0	0	0	0	0	0	3,082,082
At 31 December 2011	0	0	0	0	0	0	0	0	3,082,082

Depreciation

At 1 January 2011	0	92,009	103,166	223,005	52,458	1,225	127,326	716,646	140,066
Current charge	0	6,122	6,541	17,390	2,484	72	56	84,198	(13,528)
At 31 December 2011	0	98,124	109,552	240,959	52,543	1,102	128,450	800,970	126,538
									1,559,236

N.B.V. at 31 December 2011

6,734	57,055	12,957	75,982	0	482	(1)	711,686	75,681	940,578
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13.1 Deferred Expenditure

	2012 €	2011 €
Right of use - Football Ground	-	-
Released to Income and Expenditure Account	-	-
	<hr/>	<hr/>
Amount to be released within one year	-	-
	<hr/>	<hr/>
Balance at the end of the year	-	-
	<hr/>	<hr/>
Amount to be released between one and two years	-	-
	<hr/>	<hr/>
Amount to be released between two and five years	-	-
	<hr/>	<hr/>

At year end there was no deferral of expenditure

MOSTA LOCAL COUNCIL

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

..... continued

14.	Notes	2012 €	2011 €
Receivables			
Falling due within One Year			
Receivables	14.1	106,222	92,195
Provision for bad debts	14.1	(47,695)	(51,177)
Other receivables		14,342	183,194
Prepayments, accrued income and deferred expenditure		1,259,885	605,311
Provision for impairment of receivables		(32,858)	-
		<u>1,299,896</u>	<u>829,523</u>

In the receivables for 2012 there is an amount of €14,342 of balances in the ledgers that are due to the local council which have been standing there for a long time. The council has decided to provide for doubtful debts for the whole amount. The previous year's balance was €19,001, which however has decreased after a council decision to write off as bad debt an amount of €4,659 during the current year. From the other receivables there was an amount at end of 2012 of €18,749 which has been due for more than 2 years and the council has decided to provide for doubtful debts for this whole amount as per instructions from the Department for Local Governance.

In the accrued income there is an amount of €8,900 which according to the council is due by the Water Services Corporation for reinstatements for the year 2012. The council has come to an arrangement with the Corporation with regards to the previous years' balances which were estimated at €13,950. This resulted in a write off to the profit and loss account of a substantial amount of €39,267 during 2012.

14.1		2012 €
Credit period analysis:		
Within credit period		18,176
Exceeded credit period but not impaired		21,477
Impaired and provided for Provision for doubtful debt-		<u>33,091</u>
		<u>72,744</u>

15.	2012 €	2011 €
Inventories		
Books held for resale and stationery	<u>17,473</u>	<u>16,831</u>

Inventories consisted of stocks of books on the locality and related topics which were purchased at normal selling price by the council and the intention is to dispose of them at same price. The above stock has been valued on this method.

..... continued
16. Cash and Cash Equivalents

Cash and cash equivalents in the cash flow statement comprise the following amounts in the Council's Statement of Affairs.

	2012 €	2011 €
Cash in hand	340	281
<i><u>Bank balances – operating accounts</u></i>		
APS current account	-	191
APS saving account	-	8,704
APS Fond Monument Pjazza	16,555	16,520
BOV current account	27,460	31,722
BOV savings account	339,989	142,966
BOV fixed account	5,823	5,823
<i>Sub-total</i>	<i>390,167</i>	<i>205,926</i>
<i><u>Bank balances – non-operating accounts</u></i>		
BOV EAFRD fund measure 323 account	117,309	121,050
BOV Archaeotour	195,090	194,040
BOV EARDF fund Measure 313 account	13,000	13,000
<i>Sub-total</i>	<i>325,399</i>	<i>328,090</i>
	715,566	534,298
Credit Bank Balance (un-presented cheques)	(56,311)	(19,054)
	<u>659,255</u>	<u>515,244</u>

Out of the balances of €659,101 in 2012 (€515,244 in 2011) an amount of €325,398 in 2012 (€328,090 in 2011) related to funds which are earmarked for use for specific EU related projects. Thus the operating funds at year end 2012 amounted to €389,827 (€205,926 in 2011)

MOSTA LOCAL COUNCIL

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

..... continued

17. Deferred Income

	2012 €	2011 €
Balance at the beginning of the year/period	40,180	-
Grants received during the year	379,175	43,050
Grants accrued as at year end	38,825	-
Released to income	(8,798)	(2,870)
Balance at the end of the year/period	449,383	40,180
Amount to be released within one year	51,607	2,870
Amount to be released between 1 and 2 years	46,607	2,870
Amount to be released between 2 and 5 years	139,822	8,610
Amount to be released after 5 years	211,346	25,830

Deferred income represents agreements between the Malta Local Council and other entities as per following list:

- PPP Programme for roads resurfacing – first programme (vide note 19 below for more detail)
- PPP Programme for roads resurfacing – second programme (vide note 19 below for more detail)
- The Presidents Creativity Award Scheme
- Grant for photovoltaic equipment
- Grant for works in Triq id-Dawr u Triq l-Istrungell.

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.

18. Trade and Other Payables

	2012 €	2011 €
Falling due within One Year		
Current payables accounts	661,970	520,378
Other payables	40,028	51,101
EU Projects deferred income	497,768	247,610
Accruals and deferred income	286,118	171,978
	1,485,884	991,067

..... continued

Falling due more than one Year

Payables due after more than 1 year

397,775

40,180

In the 2012 figure for 2012 and its comparative for 2011 the council has accrued for the following old balances for which documentation is scarce:

- Balance of €66,466 for patching works in previous years by ELL's Urban Services;
- Balance of €129,373 for constructions works by Tal-General in previous years
- Balances from previous years amounting to €30,854 relating to construction and embellishment works at Ta Mlit.

The current council is not in a position to ascertain the veracity of the amounts shown above. In one particular case there is also an ongoing case being heard by the Malta Centre for Arbitration.

Futhermore there is a creditor amounting to €13,370 for rents due to lands for which the current council was not in a position to ascertain the correctness or veracity of this amount.

19. Capital commitments

	2012 €	2011 €
Details of capital commitments at the accounting date are as follows:		
(i) <i>Road Resurfacing PPP 1 – 2012 to 2020</i>	-	-
Road Resurfacing PPP 1 – 2013	-	114,671
Road Resurfacing PPP 1 – 2014-2020	234,723	172,006
(ii) <i>Road Resurfacing PPP 1 – 2013 to 2017</i>		
Road Resurfacing PPP 2 – 2013	611,774	-
Road Resurfacing PPP 2 – 2014 to 2017	917,661	-
	1,764,158	286,677

The above represents commitments which the council had for 2011 and 2012.

With regards to the PPP 1 Contract the council has so far received an amount of €43,050 as a Central Government Grant. The amount for 2012 of the same amount as that of 2011 was not received by year end though a pro-rata amount has been accrued for under accrued income in these financial statements.

During the year 2012 no works on PPP2 were carried out though the council received the first tranche of the grant amounting to €300,000. The estimated value of PPP 2 Contract amounts to €1,529,435 of which the council will be receiving a grant from Central Government of €650,000 – inclusive of the amount already received and booked in 2012.

MOSTA LOCAL COUNCIL

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

..... continued

19. Contingent liabilities

There were no contingent liabilities in respect of bank guarantees at year end. However, at year end the council is involved in a number of legal disputes that could give rise to sums to be paid to third parties. These involve the following:

- a. A case instituted by a German Tourist for the liquidation of damages after the occurrence of an accident in the locality;
- b. A case in front of the Malta Centre for Arbitration from the supplier/contractor tal-General in connection with works carried out in the Mosta Square;
- c. A case in front of the Malta Centre for Arbitration with respect to a claim for damages on the motor vehicle of a certain Mr. Norman Galea;
- d. There is also a case in front of the Industrial Tribunal by a former employee of the council alleging termination without just cause.
- e. A case instituted on 05/03/2013 by Mr. Charles Pace agsint the local council.
- f. The Mosta Local Council has been served with a garnishee order amounting to €3,745

20. Prior Year Adjustment

In the current year the council recognized a prior year adjustment in the form of prior year expenditure amounting in total to €60,644 which related to prior year expenditure on patching of €50,467 and €10,177 resulting from the writing off of various negative balances on creditor accounts in the purchases ledger.

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20. 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 Mosta 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 Mosta 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 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	No Control
Cleansing Services Department	No Control
Employment & Training Corporation	No Control
Enemalta Corporation	No Control
Water Services Corporation	No Control
Wasteserv Malta Limited	No Control

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

	2012	2011
	€	€
Income - Annual Financial Allocation	1,008,980	950,997

MOSTA LOCAL COUNCIL

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

..... continued

21. 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 borrowings issued at variable rates expose the Council to cash flow interest rate risk. In general, the Council Members and Executive Secretary 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 are not deemed to be substantial in view of the nature of the assets and liabilities.

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Financial Risk Management continued

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 with any financial credit history. 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.

Included in the Council's receivables balance are the following receivables which are past due at the end of the reporting period net of an allowance for doubtful debts and excluding related party receivables. The credit period allowed by the Council to its debtors is 30 days.

<i>Credit risk</i>	2012 €	2011 €
30 - 60 days	1,245	
61 - 90 days	1,061	-
over 91 days		-
	39,291	-
	<u>41,597</u>	-

<i>Movement if provision for doubtful debts</i>	2012 €	2011 €
Provision at 1 January	51,177	51,177
Movements	<u>30,074</u>	<u>0-</u>
Provision at 31 December	<u>81,251</u>	<u>51,177-</u>

22. Post Balance Sheet events

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

MOSTA LOCAL COUNCIL

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

..... continued

23. Prior Year Adjustment

A prior year adjustment of an expense relating to patching works in 2011 is being accounted for in this year's statement of changes in equity. This amounts to €50,467 and relates to under-accrual in 2011 for patching works.

LOCAL COUNCIL MOSTA

Report of the Local Government Auditors to the Auditor General

We have audited the accompanying financial statements of LOCAL COUNCIL MOSTA, which comprise the statement of financial position on page 3 as of 31st December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes.

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 Disclaimer of Opinion

In accordance with the Local Enforcement System (LES) issued by the Ministry by virtue of article 72 of the Local Councils Act (Cap. 363), the income relating to contraventions was delegated to the local councils through Legal Notice 32 of 2000. The Council entered into a pooling agreement with a number of local councils within the Local Enforcement System and formed a Joint Committee to manage and administer this function up to September 2011, when this was delegated to Regional Committees. Due to the fact that no proper audited financial statements have been prepared by the Joint Committee, we could not obtain reasonable assurance on the completeness of the share of income or expenditure that could have been recorded in the financial statements as well as on any accrued income or liabilities present as at end of the current financial year.

The Council does not maintain a fixed asset register to record its acquisitions of property, plant and equipment. We could not perform practical satisfactory audit procedures to obtain reasonable assurance on the existence and completeness of the opening balances of property, plant and equipment as recorded in the financial statements and having a net book value of € 1,082,371 as well as on the completeness of the depreciation charged thereupon.

The Council has recognised the amount of €17,473 as inventories. The valuation included in the financial statements in relation to this amount is based on the selling price with which these inventories are being sold. This method of valuation is not in line with the requirements of IAS 2 – Inventories, which requires that inventories are valued at the lower of cost or net realisable value.

Included in receivables, the Council is recognising the amount of €20,476 due by the Water Services Corporation. We were not provided with documentary evidence showing that this amount is receivable by the Council and there were no practical alternative procedures to obtain reasonable assurance on the amount being recorded.

Accrued income includes an amount of €78,213 representing amounts to be recovered under EU Funding. The information and evidence provided by the Council in this respect was not sufficient for us to determine whether the recognition of these receivables was correctly recognised in the financial statements in line with the requirements of International Financial Reporting Standards. Furthermore, €3,730 of this amount should have been treated as Assets Not Yet Capitalised, thus the Council has overstated accrued income by €3,730 whereas loss as at year end and assets not yet capitalised were understated by the same amount. In connection with the same EU programmes, no information was provided on €237,081 recognised as payables in the financial statements.

As at year end, the Council has recognised supplier payables amounting to €661,970. The information and evidence provided by the Council, with respect to part of these supplier payables amounting to €331,682 was not sufficient for us to determine whether the recognition of these supplier payables was correctly accounted for and recognised in the financial statements in line with the requirements of International Financial Reporting Standards.

Accruals amounting to €226,694 and other creditors amounting to €13,370 were not adequately supported with supporting documentation to obtain reasonable assurance on the completeness and existence of these payables as at period end. In view of the above, there were no practical acceptable audit procedures we could perform to obtain reasonable assurance on the amount of misstatement in relation of accruals and other payables as recognised in the financial statements.

The Council recognised an accrued income of €609,454 in respect of the Public Private Partnership (PPP) Scheme – road resurfacing. This transaction does not entail appropriate recognition of the events since the Council should have at least reallocated the amount of €609,454 as road resurfacing works under construction with property, plant and equipment. The Council also failed to accrue for grants receivable of €43,050 in connection with the final portion of the scheme receivable but on the other hand it recognised the amount of €343,050 as long-term deferred income from grants under the same scheme. No proper documentation to support this amount was provided. Furthermore, the Council included with prepayments an amount of €10,045, which amount should have been deducted from the grant since this related to the release of grant to income. To this effect, receivables are overstated by €576,449, property, plant and equipment is understated by €609,454 and deferred income understated by €43,050.

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; IAS 2 – Inventories; IAS 7 – Statement of Cash Flows; IAS 16 – Property, Plant and Equipment; IAS 20 – Accounting for Government grants and disclosures; IAS 24 - Related Party Disclosures; IAS 36 – Impairment of Assets; IAS 37 – Provisions, Contingent Liabilities and Contingent Assets; IAS 39 – Financial Instruments: Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures.

The Council's statement of financial position shows a net current asset position of €490,739. According to memo 37/2002, Legal Notices 323 and 324 of 2002, the Council should have a net current asset value (as adjusted in line with the guidelines) of not less than 10% of the annual financial allocation. Nonetheless, the actual financial indicator as adjusted at 31st December 2012 stood at a negative of 12.8%. These indicators suggest that the going concern assumption used in the preparation of these financial statements is dependent on further sources of funds other than the annual financial allocation by Central Government, on the collection of debts due to the Council and on the continued support of the Council's creditors. Any adverse change in either of these assumptions above would not let the Council to be able to meet its financial obligations as they fall due without curtailing its future commitments.

Disclaimer of Opinion

Because of the significance of the matters referred to in the preceding paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion whether the financial statements give a true and fair view of the financial position of the Local Council Mosta as of 31st December 2012 and of its financial performance and its cash flows for the year then ended. Accordingly, we do not express an opinion on the financial statements.

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.

The Local Council (Financial) Procedures, 1996, require that the financial statements should be prepared in accordance with the International Financial Reporting Standards. These financial statements have not been prepared in line with the requirements of International Financial Reporting Standards.



This copy of the report has been signed by
Christian Vella (Partner) on its behalf

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

29th April 2013