



MOSTA LOCAL COUNCIL

Annual Report

and

Financial Statements

for the year ended 31 December 2013

REGISTRY

- 6 MAY 2014

NATIONAL AUDIT OFFICE

Prepared by

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ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2013

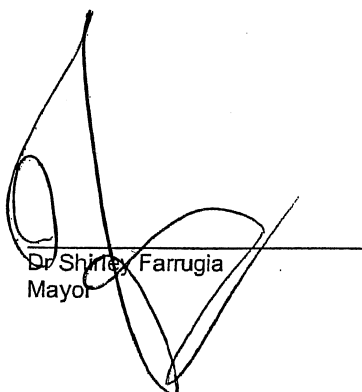
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Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2013

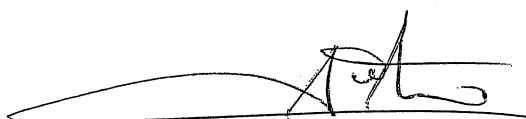
The Local Councils (Financial) Regulations' require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's comprehensive income for the year and of the Council's retained funds at the end of year. By virtue of the same regulations 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 Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Local Council on the 30 April 2014 and signed on its behalf by



Dr Shirley Farrugia
Mayor



John J. Camilleri
Acting Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

		2013 €	2012 €
	Notes		
INCOME			
Funds received from Central Government	4	1,148,565	1,008,980
Income raised under Local Council Bye-Laws	5	475	350
Income raised under Local Enforcement System	6	12,076	4,572
General Income	7	58,708	9,437
		<u>1,219,824</u>	<u>1,023,339</u>
EXPENDITURE			
Personal emoluments	9	(160,657)	(149,872)
Operations and maintenance	10	(448,927)	(738,466)
Administration and other expenditure	11	(439,010)	(351,192)
		<u>(1,048,594)</u>	<u>(1,239,530)</u>
Operating surplus/(deficit) for the year		171,230	(216,191)
Finance income	12	1,831	1,514
SURPLUS/(DEFICIT) FOR THE YEAR		<u>173,061</u>	<u>(214,677)</u>

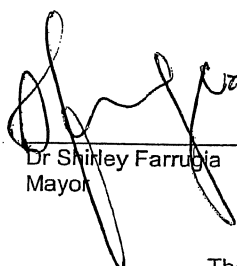
The notes on pages 8 to 25 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

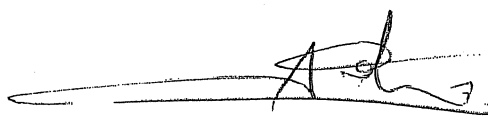
As at 31 December 2013

		2013 €	2012 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	13	1,521,840	1,082,371
		<u>1,521,840</u>	<u>1,082,371</u>
Current Assets			
Inventories	14	17,613	17,473
Receivables	15	600,421	1,299,895
Cash and Cash Equivalents	16	735,417	659,255
		<u>1,353,451</u>	<u>1,976,623</u>
Total Assets		<u>2,875,291</u>	<u>3,058,994</u>
EQUITY AND LIABILITIES			
Reserves			
Retained Fund		1,348,396	1,175,335
		<u>1,348,396</u>	<u>1,175,335</u>
Non-Current Liabilities			
Long-term borrowings	18	334,874	397,775
		<u>334,874</u>	<u>397,775</u>
Current Liabilities			
Payables	17	1,192,021	1,485,884
		<u>1,192,021</u>	<u>1,485,884</u>
Total Equity and Liabilities		<u>2,875,291</u>	<u>3,058,994</u>

These financial statements were approved by the Local Council on 30 April 2014 and signed on its behalf by:



Dr Shirley Farrugia
Mayor



John J. Camilleri
Acting Executive Secretary

The notes on pages 8 to 25 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Retained Funds €
At 1 January 2012	1,329,369
Deficit for the year	(214,677)
Prior year adjustment	60,643
At 31 December 2012	<u>1,175,335</u>
At 1 January 2013	1,175,335
Surplus for the year	<u>173,061</u>
At 31 December 2013	<u>1,348,396</u>

STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 €	2012 €
<i>Note</i>		
Cash flows from Operating Activities		
Surplus/(Deficit) for the year	213,800	(214,677)
Reconciliation to cash generated from operations:		
Depreciation	254,821	130,916
Deficit on disposal of property, plant & equipment	5	-
Provision for Doubtful Debtors	9,507	29,842
Interest receivable	(1,831)	(1,514)
Grant released	(74,111)	(19,286)
Operating Profit before Working Capital Changes	361,452	(74,719)
Movement in inventories	(140)	(642)
Movement in receivables	(13,163)	(17,561)
Movement in other receivables	712,637	(11,003)
Movement in payables and other payables	(293,863)	175,040
Cash generated from operating activities	766,923	71,115
Cash flows from Investing Activities		
Interest received	1,831	1,514
Purchase of property, plant & equipment	(1,029,472)	(305,120)
Proceeds from disposal of property, plant & equipment	310	-
Receipt of grants	272,073	376,503
Cash generated from investing activities	(755,258)	72,897
Cash flows from Financing Activities		
Movement in long term third party borrowings	64,497	-
Net Increase in Cash and Cash Equivalents	76,162	144,012
Cash and Cash Equivalents at the Beginning of the year	659,255	515,243
Cash and Cash Equivalents at the End of the year	735,417	659,255

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Notes to the Financial Statements for the period ended 31 December 2013

1. General Information

The Mosta 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 Civic Centre, Constitution Street, Mosta, MST 9059. These financial statements were approved for issue by the Council Members on 30 April 2014. The Local Council's presentation as well as functional currency is 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 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 (Cap. 363).

New and amended standards adopted by the Council

The Local Council has adopted the following new and amended standards as of 1 January 2013:

- The IASB issued amendments to IFRS 1 (on Government Loans) on 13 March 2012. The amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards are effective for annual periods beginning on or after 1 January 2013.
- On 12 May 2011, the IASB also issued IFRS 13 Fair Value Measurement. This Standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not require fair value measurements in addition to those already required or permitted by other IFRS. The Standard is applicable for annual periods beginning on or after 1 January 2013.
- On 16 June 2011, the IASB issued amendments to IAS 1, which amendments are entitled Presentation of Items of Other Comprehensive Income. These Amendments will require entities to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement. These amendments are effective for financial years beginning on or after 1 July 2012.
- On 16 June 2011, the IASB issued an amended version of IAS19 Employee Benefits. This represents the completion of the IASB's project to improve the accounting for pensions and other post-employment benefits. The amended version of IAS 19 comes into effect for financial years beginning on or after 1 January 2013.

Notes to the Financial Statements for the year ended 31 December 2013 (cont.)

Accounting Policies and Reporting Procedures (cont.)

Disclosure-Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) was issued in December 2011. These amendments require entities to disclose information so that users of its financial statements are able to evaluate the effect or potential effect of netting arrangements and similar agreements on the entity's financial position. It is required to be applied for annual periods beginning on or after 2013.

The amendments to IFRS 11 provide similar relief from the presentation or adjustment of comparative information for periods prior to the immediately preceding period, and from the disclosure requirements of paragraph 28(f) of IAS 8.

New important standards and amendments not yet adopted by the Council

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 2014 or later periods, but the Local Council has not early adopted them:

IFRS 9 (2009) and (2010) are effective for annual periods beginning on or after 1 January 2015, with early adoption permitted. IFRS 9 Financial Instruments (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009) financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flow. The Standard requires financial assets to be subsequently measured at amortised cost or at fair value. IFRS 9 (2010) introduces additional changes relating to financial liabilities. The new requirements in relation to financial liabilities address the problem of volatility in profit or loss arising from an issuer to measure its own debt at fair value. With the new requirements, any entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss.

IFRS 11 Joint Arrangements classifies joint arrangements on the basis of their substance by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case of IAS 31 Interests in Joint Ventures). Under IFRS 11, joint arrangements are classified as joint ventures or as joint operations. Joint ventures are accounted for using the equity method of consolidation since the use of proportionate consolidation for such arrangements has been eliminated. Joint operations are accounted for in a manner that is similar to the current accounting treatment applicable for jointly controlled assets and jointly controlled operations. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities-Non-monetary Contributions by Ventures.

On 12 May 2011, the International Accounting Standards Board (IASB) issued IFRS 11 Joint Arrangements. At the same time, the IASB issued a revised version of IAS 28 Investments in Associates and Joint Ventures. The new and revised Standards are applicable for annual periods beginning on or after 1 January 2013, with earlier application being permitted. However when endorsing these Standards the European Union has allowed that these become applicable for annual periods beginning on and after 1 January 2014, with earlier application being permitted.

IFRS 12 Disclosure of Interests in Other Entities (effective January 2014) addresses disclosure requirements for certain interest in other entities, including joint arrangements, associates, subsidiaries and unconsolidated structured entities. The objective of IFRS 12 is to require an entity to disclose information that enables users of its financial statements to evaluate (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of other interests on its financial position, financial performance and cash flows.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) was issued in December 2011. The amendments clarify (a) the meaning of 'currently has a legally enforceable right of set-off; and (b) that some gross settlement systems would be considered equivalent to net settlement if they eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle. The amendment is required to be applied for annual periods beginning on or after 1 January 2014.

Notes to the Financial Statements for the year ended 31 December 2013 (cont.)

Accounting Policies and Reporting Procedures (cont.)

The IASB issued Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) on 29 May 2013. The overall effect of the amendments is to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The amendments are applicable to annual periods beginning on or after 1 January 2014.

New important standards and amendments not yet adopted by the EU

A number of new International Financial Reporting Standards and amendments and revisions thereto were in issue but not yet effective during the financial year under review. These include the following:

Improvements to IFRS 2009-2011 was issued on 17 May 2012 and covers a number of limited improvements to existing IFRS, such as IFRS 1 in relation to repeat application and borrowing costs; IAS 1 in relation to clarification on comparative information; IAS 16 in relation to classification of servicing equipment; IAS 32 in relation to the tax effect on distribution to holders of equity instruments and IAS 34 in relation to interim financial reporting and segment information for total assets and liabilities.

The Councillors and Executive Secretary are assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Council anticipates that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

Intangible Fixed Assets

Computer Software

Computer software is valued at cost less accumulated depreciation and impairment losses to date. Depreciation to write off the cost is calculated on a monthly basis using the reducing balance method at 20% per annum.

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	Replacement basis
Playground Furniture	100
Traffic Signs	Replacement basis
Road Signs	Replacement basis
Street Mirrors	Replacement basis
Street Lights	100

Notes to the Financial Statements for the period ended 31 December 2013 (cont.)

Accounting Policies and Reporting Procedures (cont.).

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 statement of financial position 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 council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

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 Comprehensive Income.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes freight, handling and other direct costs. Costs of inventories include the transfer from retained funds of any gains/losses on qualifying cash flow hedges relating to purchases of stock items. However, borrowing costs and foreign exchange differences are excluded. Net realisable value is the price at which stocks can be sold in the course of Council activities less anticipated costs of selling. Provision is made where necessary for obsolete, slow moving and defective stocks.

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 Comprehensive Income.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds and the redemption value is recognised in the income and expenditure account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Local Council has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Notes to the Financial Statements for the period ended 31 December 2013 (cont.)

Accounting Policies and Reporting Procedures (cont.)

Trade and other payables

Trade and other payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material in which case trade and other payables are measured at amortised cost using the effective interest method.

Financial instruments

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of a financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs. They are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets of the Council are classified into loans and receivables upon initial recognition.

Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to loans and receivables are presented within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administration and other expenditure'.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Council's other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

Financial liabilities

The Council's financial liabilities include other payables. These are stated at their nominal amount which is a reasonable approximation of fair value.

All interest-related charges are included within 'finance costs'.

Related parties

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

Notes to the Financial Statements for the period ended 31 December 2013 (cont.)

Accounting Policies and Reporting Procedures (cont.)

Revenue

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

Income from central government is not recognised until there is reasonable assurance that the Council will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross and any deductions made for non-compliance are to be disclosed separately with expenses.

Local Enforcement System

The Mosta Local Council formed part of the North Joint Committee until August 2012. As from September 2012, the income recognised in the Income Statement was derived from the five Regional Committees.

Government grants

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement over the expected lives of the related assets.

Foreign currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the Local Council operates. These financial statements are presented in €, which is the Council's functional and presentation currency.

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

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Profits and losses

Only surpluses that were realised at the date of the Statement of Financial Position are recognised in these financial statements. All foreseeable liabilities and potential losses arising up to the said date are accounted for even if they become apparent between the said date and the date on which the financial statements are approved.

Cash and cash equivalents

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

Notes to the Financial Statements for the period ended 31 December 2013 (cont.)

Accounting Policies and Reporting Procedures (cont.)

Capital Management

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objectives are to ensure:

- that the Council's ability to continue as a going concern is still valid and
- that the Council maintains a positive working capital ratio.

To achieve the above, the Council carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was positive at the reporting date and has not changed significantly from the previous year. The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

3. Judgments in applying accounting policies and key sources of estimation

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Council, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

4. Funds received from central government

	2013	2012
	€	€
In terms of section 55 of the Local Councils Act	1,002,298	1,026,473
Supplementary Government Income	72,156	-
Deductions from government allocation	-	(36,779)
Grants Released	74,111	19,286
	<u>1,148,565</u>	<u>1,008,980</u>

5. Income raised from Bye-Laws

	2013	2012
	€	€
Use of facilities	475	350
	<u>475</u>	<u>350</u>

Notes to the Financial Statements for the period ended 31 December 2013 (cont.)

6. Local Enforcement system

	2013	2012
	€	€
Contraventions and other fines	12,076	4,572
	<u>12,076</u>	<u>4,572</u>

7. General Income

	2013	2012
	€	€
Cultural Events & sponsorships from NGOs	3,052	-
General Income	40,465	31,886
Tender Documents/Info Charges	2,300	1,500
Reinstatement Water Services Corporation	-	(39,268)
Insurance claims	1,269	-
Income from Permits	11,497	15,319
	<u>58,708</u>	<u>9,437</u>

8. Surplus for the year

	2013	2012
	€	€
Profit for the year is stated after charging		
Staff salaries	160,657	149,872
Depreciation of property, plant & equipment	254,821	130,916
Bad debts written off	-	31,403
Movement in provision for doubtful debts	9,507	29,842
	<u>9,507</u>	<u>29,842</u>

9. Personal Emoluments

	2013	2012
	€	€
Mayor's Remuneration	13,407	12,850
Councillors' Allowances	12,057	13,494
Executive Secretary Salary and Allowances	30,260	28,248
Employees' Salaries	94,673	86,032
Social Security Contributions	10,260	9,248
	<u>160,657</u>	<u>149,872</u>

Notes to the Financial Statements for the period ended 31 December 2013 (cont.)

10. Operations and Maintenance

	2013	2012
	€	€
<i>Repairs and Upkeep:</i>		
Office furniture and upkeep	1,162	822
Patching	38,212	232,478
Repairs to public property	2,773	3,670
Signs	5,845	4,670
Road Markings	5,892	4,539
Plant and machinery	74	161
Sundry repairs	518	10,493
Handyman repairs and upkeep	33,041	44,719
	<u>87,517</u>	<u>301,552</u>
<i>Contractual Services:</i>		
Refuse Collection	206,589	274,269
Bulky Refuse Collection	13,244	16,856
Road & Street Cleaning	65,794	69,245
Cleaning & Maintaining Non-Urban	1,804	1,100
Cleaning - Public Conveniences	10,431	7,428
Cleaning - Council Premises	165	-
Cleaning & Maintaining Parks & Gardens	42,177	40,570
Street Lighting	20,833	26,149
LES related expenditure	373	1,297
	<u>361,410</u>	<u>436,914</u>
Total Operations and Maintenance Costs	<u>448,927</u>	<u>738,466</u>

Notes to the Financial Statements for the period ended 31 December 2013 (cont.)

11. Administration and other expenditure

	2013	2012
	€	€
Utilities	16,254	19,988
Other repairs and upkeep	18,496	4,485
Rent	12,548	15,182
National and International Memberships	411	18
Office Services	17,957	13,002
Transport	482	708
Information Services	-	5,398
Insurance Coverage	1,883	2,001
Bank Charges	275	567
Professional Services	28,666	40,562
Tuition for courses and expenses	2,297	-
Entertainment	2,830	-
Conference Expenses	-	236
Community Services	71,236	51,062
Sundry Minor Expenses	-	297
Provision for Doubtful Debtors	9,507	29,842
Bad Debts written off	-	31,403
Donations	-	1,500
Public relations expenses	1,126	3,694
Permits and licenses	796	331
Loss on disposal of fixed asset	5	-
Depreciation	254,821	130,916
	<u>439,010</u>	<u>351,192</u>

12. Finance Income

	2013	2012
	€	€
Bank Interest Receivable	<u>1,831</u>	<u>1,514</u>
	<u>1,831</u>	<u>1,514</u>

Notes to the Financial Statements for the period ended 31 December 2013 (cont.)

13. Property, plant and equipment

	Trees	Comp & office equipment	Street signs mirrors & lights	Urban improvements	Plant, & machinery	Motor Vehicles	Office Furniture & fittings	Construction works	Special Programmes	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
At 1 January 2012	6,734	122,509	127,500	316,941	52,544	1,584	155,076	2,540,720	2,076,351	5,399,959
Additions	-	8,530	950	-	-	-	103	27,425	268,113	305,121
Disposals	-	-	-	-	-	-	-	-	-	-
At 31 December 2012	6,734	131,039	128,450	316,941	52,544	1,584	155,179	2,568,145	2,344,464	5,705,080
Depreciation										
At 1 January 2012	-	109,552	128,450	240,959	52,544	1,102	98,124	800,969	126,898	1,558,598
Charge for the year	-	3,284	43	7,259	-	88	4,140	68,224	47,980	131,018
On disposal	-	-	(95)	-	-	-	(8)	-	-	(103)
At 31 December 2012	-	112,836	128,398	248,218	52,544	1,190	102,256	869,193	174,878	1,689,513
Grants										
At 1 January 2012	-	-	-	-	-	-	-	-	-	-
At 31 December 2012	-	-	-	-	-	-	-	-	2,933,196	2,933,196
Net Book values										
At 31 December 2012	6,734	18,203	52	68,723	-	394	52,923	1,698,952	(763,610)	1,082,371

MOSTA LOCAL COUNCIL

Notes to the Financial Statements for the period ended 31 December 2013 (cont.)

13. Property, plant and equipment (cont.)

	Trees	Comp & office equipment	Street signs mirrors & lights	Urban improvements	Plant, & mach	Motor Vehicl es	Office Furn. & fittings	Constr. works	Special Programm es	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
At 1 January 2013	6,734	131,039	128,450	316,941	52,544	1,584	155,179	2,568,145	2,344,464	5,705,080
Additions	-	2,172	-	41,735	-	-	6,175	167,205	812,185	1,029,472
Disposals	-	-	-	-	-	(1,584)	-	-	-	(1,584)
At 31 December 2013	6,734	133,211	128,450	358,676	52,544	-	161,354	2,735,350	3,156,649	6,732,968
Depreciation										
At 1 January 2013	-	112,836	128,398	248,218	52,544	1,190	102,256	869,193	174,878	1,689,514
Charge for the year	-	4,075	52	11,046	-	79	4,432	186,616	48,521	254,821
On disposal	-	-	-	-	-	(1,269)	-	-	-	(1,269)
At 31 December 2013	-	117,930	128,450	259,264	52,544	-	106,688	1,055,809	174,878	1,943,066
Grants										
At 1 January 2013	-	-	-	-	-	-	-	-	-	-
At 31 December 2013	-	-	-	-	-	-	-	-	-	-
Net Book values										
At 31 December 2013	6,734	16,299	-	99,412	-	-	54,666	1,679,541	(334,812)	1,521,840

MOSTA LOCAL COUNCIL

Notes to the Financial Statements for the period ended 31 December 2013 (cont.)

14. Inventories

	2013	2012
	€	€
Books and other publications	<u>17,613</u>	<u>17,473</u>

15. Receivables

	2013	2012
	€	€
Receivables	38,832	25,669
Other receivables	39,674	14,342
Prepayments and accrued income	<u>521,915</u>	<u>1,259,884</u>
	<u>600,421</u>	<u>1,299,895</u>

Receivables

General receivables are analysed as follows:

	2013	2012
	€	€
Within credit period	38,832	4,192
Exceeded credit period but not impaired	-	21,477
Impaired and provided for	91,304	80,553
Provision for doubtful debts	<u>(91,304)</u>	<u>(80,553)</u>
	<u>38,832</u>	<u>25,669</u>

The Council has opened a Court Case in front of the Magisterial Court to recover the funds receivable from Green MT, which case will start to be heard in June 2014 by Magistrate Marsienne Farrugia. The amount receivable from Green MT is €9,507.

16. Cash & cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following statement of financial position amounts.

	2013	2012
	€	€
Cash at Bank	735,171	658,915
Cash in Hand	<u>246</u>	<u>340</u>
	<u>735,417</u>	<u>659,255</u>

Notes to the Financial Statements for the period ended 31 December 2013 (cont.)

17. Payables

	2013 €	2012 €
Payables	617,671	701,998
Accruals and deferred income	574,350	783,886
	<u>1,192,021</u>	<u>1,485,884</u>

18. Borrowings

	2013 €	2012 €
Non-current		
Third party borrowings	<u>334,874</u>	<u>397,775</u>
Borrowings		
Repayable between one and two years	133,478	182,141
Repayable between two and five years	141,554	105,400
Repayable in five years or more	<u>59,842</u>	<u>110,234</u>
	<u>334,874</u>	<u>397,775</u>

Third party loan is payable to a supplier under the Public Private Partnership scheme as per memo 45/2010 separated into two phases. One is repayable over a period of 9 years, 2013 to 2020 (Phase 1) and another is payable over a period of 4 years, 2013 to 2016 (Phase 2).

Long term amount payable under the scheme, exclusive of interest is €334,874

Notes to the Financial Statements for the period ended 31 December 2013 (cont.)

19. Deferred income

	2013 €	2012 €
Government grants		
At 1 January	449,383	40,180
Increase in year	659,301	428,489
Released in year	1,108,684 (74,111)	468,669 (19,286)
At 31 December	<u>1,034,573</u>	<u>449,383</u>
Current Deferred Income	<u>67,030</u>	<u>51,607</u>
Non-Current Deferred Income	<u>967,543</u>	<u>397,775</u>
Deferred Government Grants		
Deferred between one and two years	60,626	46,607
Deferred between two and five years	161,481	139,822
Deferred in five years or more	745,436	211,346
	<u>967,543</u>	<u>397,775</u>
Deferred after five years or more	<u>745,436</u>	<u>211,346</u>

20. Capital commitments

The Council is not aware of any capital commitments which are not provided for in the accounts. The Council is currently paying its obligations on the two phases of the PPP schemes, which amounts are provided for in these financial statements.

Notes to the Financial Statements for the period ended 31 December 2013 (cont.)

21. 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; This liability is covered by the Council's Insurance policy.
- 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 from the supplier/contractor V&C in connection with works carried out in the Mosta Square;
- d. A case in front of the Malta Centre for Arbitration from the contractors V&C and Philip Agius in connection with works carried out at Ta' Mliet in Mosta;
- e. 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;
- f. A case in front of the Small Claims Tribunal with respect to a claim for damages which case was instituted by Mr. Kevin Camilleri;
- g. A case instituted by Mr. Charles Pace against the Local Council about a bust of Nicolo Isuard.

22. Related party transactions

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Councils	Significant control
North Joint Committee (Local Enforcement)	Joint Control
North Regional Committee	Joint Control
Central Regional Committee	No control
Gozo Regional Committee	No control
South Eastern Regional Committee	No control
South Regional Committee	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Arms Limited	No control
Cleansing Services Department	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Police General Headquarters	No control
Department of Lands	No control
Airmalta plc	No control
Bank of Valletta plc	No control
MCAST	No control
National Library of Malta	No control
Office of the Prime Minister	No control
Office of the Commissioner for Data Protection	No control
Association of Local Councils' Secretaries	No control
Ministry for Resources and Rural Affairs	No control

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

	2013	2012
	€	€
Annual Financial Allocation	1,002,298	989,694

Notes to the Financial Statements for the period ended 31 December 2013 (cont.)

Related party transactions (cont.)

Key management compensation

Transactions with key management personnel are disclosed in note 7.

Ultimate controlling party

The ultimate controlling party of the local council is Central Government since the Council's main revenue is from the Government allocation received every quarter. Apart from the normal funds received from Government, Councils also receive funds relating to specific projects as well as other funds for the improvement and betterment of the locality.

23. Financial Risk Management

The Council's activities expose it to a variety of financial risks such as market risk, credit risk, liquidity risk and interest rate 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.

Credit risk

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk 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.

The maximum exposure to credit risk for amounts receivable at the reporting date, net of impairment losses, by type of customer is as follows:

- Receivables: € 48,599

Summary of financial assets and liabilities by category:

	2013	2012
	€	€
Current Assets		
Loans and receivables:		
Accounts and other receivables	78,506	40,011
Cash and Cash Equivalents	735,417	659,255
	<u>813,923</u>	<u>699,266</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	<u>617,671</u>	<u>701,998</u>

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 5 as of 31st December 2013, 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 in accordance with International Standards on Auditing. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

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 an appropriate 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 € 1,521,840 as well as on the completeness of the depreciation charged thereupon.

In its financial statements, the Council recognised the amount of €3,147 as assets not yet capitalised in respect of road resurfacing works being carried out under the Public Private Partnership scheme. Nevertheless, the total value of roads resurfaced under the PPP scheme and finalised at year end but not yet certified amount to €477,748. The amount of assets not yet capitalised as recognised and disclosed in the financial statements is understated by €474,599. Likewise, the liabilities of the Council may be understated with the same amount.

The Council has recognised the amount of €17,613 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 €29,375 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. Furthermore, accrued income includes an amount of €286,856 recoverable under EU Funding. No information and evidence was provided by the Council in this respect 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.

As at year end, the Council has recognised supplier payables amounting to €617,671. The information and evidence provided by the Council with respect to part of these supplier payables shows that the amount is misstated.

Other creditors amounting to €13,370 and deferred income of an aggregate value of €389,224 in respect of EU Projects were not adequately supported with supporting documentation to obtain reasonable assurance on the completeness and existence of these payables as at 31 December 2013. 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 other payables and deferred income as recognised in the financial statements.

The Council recognised €288,883 in respect of a grant received in previous years on account of a project in the zone known as *tal-Blata l-Gholja*. According to the calculations supporting this recognition as provided by the Council show that the amount recognised should have been €120,137. We were therefore unable to verify the resulting variance of €168,746. No further information or supporting documentation was provided by the Council about this variance and there were no practical alternative procedures to determine the correct amount being recognised and disclosed in the financial statements.

At year end, the Council recognised the value of €569,607 representing amounts due to contractors undertaking resurfacing works related to the PPP scheme. No adequate workings were provided for us to be able to obtain reasonable assurance on the amount being recognised and disclosed in the financial statements.

IFRS require that all applicable standards and their disclosure requirements are adhered to. These financial statements lack appropriate disclosures arising from IAS 24- Related Party Disclosures, IFRS 7- Financial Instruments: Disclosures and IAS 39 - Financial Instruments: Recognition & Measurement.

Disclaimer of Opinion

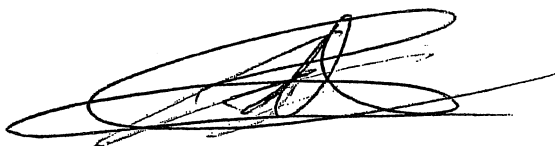
Because of the significance of the matters referred to in the preceding paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion whether the financial statements give a true and fair view of the financial position of the Local Council Mosta as of 31st December 2013 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.

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. As of 31 December 2013, the Council's minimum net current asset value (after certain adjustments) should have amounted to at least €100,230 being 10% of the annual allocation. Nonetheless, the actual financial indicator at 31st December 2013 stood at 1.14%.



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

Date: 30th April 2014