
Mqabba Local Council

**Annual Audit Report
31st March 2009**

Mqabba Local Council

Financial Statements

Year ended 31st March 2009

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Mqabba Local Council

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

Year ended 31st March 2009

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's income and expenditure for the year and of the Local Council's retained funds at the end of the year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the Financial Statements forming part of the report present fairly, in accordance with accounting policies applicable to Local Councils, the 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 Local Councils Act, the Local Councils (Financial) Regulations, and the Local Councils (Financial) Procedures issued in terms of the said Act.

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

Mqabba Local Council

Report of the Local Government Auditor to the Auditor General Year ended 31st March 2009

I have audited the accompanying financial statements of Mqabba Local Council which comprise the balance sheet as at 31st March 2009, the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Respective responsibilities of the Local Council and Local Government Auditor

As described on page 1, these financial statements are the responsibility of the Executive Secretary and the Local Council members. My responsibility is to express an opinion on these financial statements based on my audit.

Basis of opinion

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

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Financial Statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Financial Statements. I believe that my audit provides a reasonable basis for my opinion.

Qualified opinion arising from omission of budget figures :

As from 1st April, 1996, Local Councils were required to change their method accounting from a cash-based system to an accruals-based system. However, budgets compiled by the Local Council continued to be prepared on a cash basis and have therefore been excluded from the Financial Statements.

Opinion

The Local Council made a deficit of Eur 14,491 during the year ended 31st March 2009.

In my opinion, the Financial Statements have been prepared in accordance with International Financial Reporting Standards and give a true and fair view, in accordance with accounting policies set out in note 1 thereto, of the income and expenditure of the Local Council for the year ended 31st March 2009 and its retained funds as at that date, and except for the matters described in the above paragraphs, comply with the Local Councils Act, Cap 363, the Local Councils (Financial) Regulations and the Local Councils (Financial) Procedures issued in terms of the said Act.

ANTHONY J. CASSAR Ph.D., F.C.M.A., F.I.A., C.P.A.
Registered Auditor

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Date:

Mqabba Local Council

Statement of income and expenditure
Year ended 31st March 2009

	Note	2008-09 Eur	2007-08 Eur
Income			
Funds received from central government	3	194,891	192,527
Income raised under Local Enforcement System	4	29,339	6,650
Investment income	5	1,072	1,484
General income	6	5,232	6,200
		<u>230,534</u>	<u>206,861</u>
Expenditure			
Personal emoluments	7	45,378	43,313
Operations and maintenance	8	141,245	103,654
Administration and other expenditure	9	58,402	57,899
		<u>245,025</u>	<u>204,866</u>
(Deficit)/Surplus for the year		<u>(14,491)</u>	<u>1,995</u>

Mqabba Local Council

Statement of affairs

31st March 2009

	Note	2008-09 Eur	2007-08 Eur
Assets			
Non-current Assets			
Property, plant and equipment	10a-b	354,741	392,112
		<u>354,741</u>	<u>392,112</u>
Current Assets			
Inventories	11	4,052	4,156
Receivables	12	31,233	24,299
Cash and cash equivalents	13	64,856	24,292
		<u>100,141</u>	<u>52,747</u>
Total Assets		<u>454,882</u>	<u>444,859</u>
Reserves and Liabilities			
Reserves			
Retained Fund		<u>398,361</u>	<u>412,852</u>
Current Liabilities			
Payables	14	<u>56,521</u>	<u>32,007</u>
		<u>56,521</u>	<u>32,007</u>
Total Equity and Liabilities		<u>454,882</u>	<u>444,859</u>

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

Mayor

Executive Secretary

Date : 28/5/2009

Mqabba Local Council**Statement of changes in equity**
Year ended 31st March 2009

	Retained fund Eur
At 31st March 2007	
Surplus for the year	410,857
	1,995
At 31st March 2008	412,852
Deficit for the year	(14,491)
At 31st March 2009	<u>398,361</u>

Mqabba Local Council

Cash flow statement

Year ended 31st March 2009

	Note	2008-09 Eur	2007-08 Eur
Cash flows from operating activities			
(Deficit)/Surplus for the year		(14,491)	1,995
Adjustments for:			
Depreciation		29,797	35,813
Increase in provision for doubtful LES debtors		14,057	8,197
Surplus for the year before working capital movements		29,363	46,005
Movement in inventories		104	(1,021)
Movement in receivables		(20,991)	(99)
Movement in payables		24,514	(130,744)
Net cash generated from/(used in) operating activities		32,990	(85,859)
Cash flows from investing activities			
Payment to acquire property, plant and equipment		(2,908)	(4,515)
Net cash used in investing activities		(2,908)	(4,515)
Cash flows from financing activities			
Grants transferred during the year		10,482	10,482
Net cash flows from financing activities		10,482	10,482
Movement in cash and cash equivalents		40,564	(79,892)
Cash and cash equivalents at the beginning of the year		24,292	104,184
Cash and cash equivalents at the end of the year	13	64,856	24,292

Mqabba Local Council

Notes to the financial statements 31st March 2009

Note

1 General information

Mqabba Local Council is the local authority of Mqabba set up in accordance with the Local Councils Act. The office of the Local Council is situated at 29, Parish Street, Mqabba.

2 Accounting policies and reporting procedures

These Financial Statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act, Cap 363. The financial statements are prepared under the historical cost convention as modified to include fair values stated in the accounting policies below. These Financial Statements are prepared in accordance to the requirements of International Financial Reporting Standards and comply with the Local Councils Act, Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

The principal accounting policies and reporting procedures used by Local Councils are as follows :

a) Revenue recognition

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

b) Local Enforcement System

Mqabba Local Council forms part of Region 1 Joint Committee. The amount disclosed in the financial statements under Local Enforcement System Income represents the share of profit derived from the Joint Committee after deducting the related expenses.

c) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss to date. Depreciation is calculated on a monthly basis using the reducing balance method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows :

Trees	%
Land	0
Buildings	0
Office furniture and fittings	1
Construction works	7.5
Special programmes	10
Urban improvements (Street Furniture)	10
Office equipment	10
Plant & Machinery	20
Motor Vehicles	20
Computer equipment	20
Plants	25
New street signs	100
Litter Bins	100
Playground Furniture	100
Street Lights	100
Street Mirrors	100

Mqabba Local Council

Notes to the financial statements

31st March 2009

Note

d) Government Grants

Government grants are accounted for on a systematic basis in the Income and Expenditure Account over the periods necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related costs, then the grant is accounted for when it becomes receivable.

e) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Income and Expenditure.

f) Amounts receivable

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Local Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Income and Expenditure.

g) Foreign Currencies

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Local Council operates. These Financial Statements are presented in Euro, which is the Local Council's functional and present currency.

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

h) Profits and Losses

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

i) Cash and cash equivalents

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

Mqabba Local Council

Notes to the financial statements

31st March 2009

Note

3	<u>Funds received from central government</u>	2008-09	2007-08
		Eur	Eur
	In terms of section 55 of the Local Councils Act (Cap 363)	194,891	192,527
		194,891	192,527
4	<u>Local enforcement system income</u>	2008-09	2007-08
		Eur	Eur
	Fines & penalties receiveable	29,339	6,650
		29,339	6,650
5	<u>Investment income</u>	2008-09	2007-08
		Eur	Eur
	Bank interest receiveable	1,072	1,484
		1,072	1,484
6	<u>General Income</u>	2008-09	2007-08
		Eur	Eur
	Income from tender documents	460	116
	Income from permits	3,132	5,054
	Sundry contributions & donations	1,640	1,030
		5,232	6,200
7	<u>Personal emoluments</u>	2008-09	2007-08
		Eur	Eur
	Personal emoluments include, inter alia :		
	Mayor's allowance	5,760	5,492
	Executive Secretary's salary and allowances	23,083	22,075
	Employees' salaries	13,632	12,928
	Social security contributions	2,903	2,818
		45,378	43,313

Mqabba Local Council

Notes to the financial statements

Year ended 31st March 2009

Note

8 Operations and maintenance

	2008-09	2007-08
	Eur	Eur
Repairs and upkeep:		
Road and street pavements	42,376	8,781
Street signs	1,672	382
Road markings	1,121	674
Other	2,932	411
	<u>48,101</u>	<u>10,248</u>
Contractual services:		
Refuse collection	22,711	22,711
Bulky refuse collection	438	431
Road and street cleaning	17,291	17,123
Waste disposal	3,987	3,502
Cleaning and maintenance - public conveniences	3,443	3,045
Cleaning and maintenance - parks and gardens	3,575	3,585
Cleaning and maintenance - non-urban	0	885
Cleaning and maintenance - council premises	1,304	1,572
Local enforcement system expenses	20,238	23,214
Increase in provision for doubtful LES debtors	14,057	8,197
Street lighting	4,352	7,538
Other	1,748	1,603
	<u>93,144</u>	<u>93,406</u>
	<u>141,245</u>	<u>103,654</u>

Mqabba Local Council

Notes to the financial statements

Year ended 31st March 2009

Note

9 Administration and other expenditure

	2008-09	2007-08
	Eur	Eur
Utilities	4,520	5,759
Materials & supplies	2,151	592
Rent	1,398	1,398
Office services	2,384	1,842
Travelling expenses	571	405
Information services	4,744	3,393
Professional services	5,928	2,771
Sponsorships & donations	0	186
Community services & events	6,078	5,740
National & international participation	831	0
Depreciation	29,797	35,813
	<u>58,402</u>	<u>57,899</u>

Mqabba Local Council

Notes to the financial statements
31st March 2009

Note

10a Property, Plant and Equipment

	Buildings Eur	Office furniture & fixtures Eur	Plant & machinery Eur	Computer equipment Eur	Office equipment Eur	Urban improvements Eur	New street signs Eur	Construction works Eur	Special programmes Eur	Total Eur
Cost - as at 1st April 2008	106,324	11,393	573	8,796	5,823	309,819	1,526	423,471	360,680	1,228,405
Additions new this year	0	1,603	0	1,225	80	0	0	0	0	2,908
Prior year adjustments	0	0	0	0	0	0	0	0	0	0
Cost - as at 31st March 2009	106,324	12,996	573	10,021	5,903	309,819	1,526	423,471	360,680	1,231,313
Grants - as at 1st April 2008	0	0	0	2,637	0	244,749	0	32,956	360,680	641,022
Transferred during the year	0	0	0	0	0	10,482	0	0	0	10,482
Prior year adjustments	0	0	0	0	0	0	0	0	0	0
Grants - as at 31st March 2009	0	0	0	2,637	0	255,231	0	32,956	360,680	651,504
Acc.depreciation - as at 1st April 2008	5,438	6,312	368	4,388	4,225	36,937	1,526	136,077	0	195,271
Charge for the year	1,008	461	41	743	335	1,765	0	25,444	0	29,797
Prior year adjustments	0	0	0	0	0	0	0	0	0	0
Acc.depreciation - as at 31st March 2009	6,446	6,773	409	5,131	4,560	38,702	1,526	161,521	0	225,068
Net book value - as at 31st March 2009	99,878	6,223	164	2,253	1,343	15,886	0	228,994	0	354,741

Notes to the financial statements
31st March 2009

Note

10b Property, Plant and Equipment

Cost - as at 1st April 2007	Eur	machinery	equipment	Office equipment	Urban improvements	New street signs	Construction works	Special programmes	Total
Additions new this year	Eur								Eur
Prior year adjustments									
Cost - as at 31st March 2008									
	106,324	11,393	573	8,796	5,823	309,819	423,471	360,680	1,223,890
									4,515
									0
Grants - as at 1st April 2007									1,228,405
Transferred during the year									0
Prior year adjustments	0	0	0	2,637	0	244,749	22,474	360,680	630,540
Grants - as at 31st March 2008	0	0	0	0	0	0	10,482	0	10,482
	0	0	0	0	0	0	0	0	0
	0	0	0	2,637	0	244,749	32,956	360,680	641,022
Acc.depreciation - as at 1st April 2007	4,419	5,900	317	3,797	3,825	31,868	107,806	0	159,458
Charge for the year	1,019	412	51	591	400	5,069	28,271	0	35,813
Prior year adjustments	0	0	0	0	0	0	0	0	0
Acc.depreciation - as at 31st March 2008	5,438	6,312	368	4,388	4,225	36,937	136,077	0	195,271
Net book value - as at 31st March 2008	100,886	5,081	205	1,771	1,598	28,133	254,438	0	392,112

Mqabba Local Council

Notes to the financial statements 31st March 2009

Note

11 Inventories

	2008-09	2007-08
	Eur	Eur
Stock	4,052	4,156
	<u>4,052</u>	<u>4,156</u>

12 Receivables

	2008-09	2007-08
	Eur	Eur
Local enforcement system debtors	30,752	21,109
Prepayments & accrued income	481	3,190
	<u>31,233</u>	<u>24,299</u>

LES debtors are stated net of a provision for doubtful debts of Eur 41,518 (2007-08 Eur 27,461).

13 Cash and cash equivalents

	2008-09	2007-08
	Eur	Eur
Cash in hand	100	100
Bank balances :		
Current account	(7,120)	(5,269)
Savings accounts	71,876	29,461
	<u>64,856</u>	<u>24,292</u>

14 Payables

	2008-09	2007-08
	Eur	Eur
Creditors	38,049	17,367
Accruals	18,472	14,640
	<u>56,521</u>	<u>32,007</u>

15 Capital commitments

	2008-09	2007-08
	Eur	Eur
Authorised but not contracted for	0	63,672
Authorised and contracted for	0	950
	<u>0</u>	<u>64,622</u>