

Mqabba Local Council

Financial Performance

Year ended

Year ended

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## **Mqabba Local Council**

### **Annual Audit Report 31st March 2008**

# Mqabba Local Council

## Financial Statements

Year ended **31st March 2008**

Executive Secretary's Responsibilities

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## Mqabba Local Council

Statement of Income and expenditure  
Year ended 31st March 2008

	Note	2007-08 Eur	2006-07 Eur
<b>Income</b>			
Funds received from central government	3	192,527	190,135
Income raised under Local Enforcement System	4	6,650	3,557
Investment income	5	1,484	1,950
General income	6	6,200	5,073
		<u>206,861</u>	<u>200,715</u>
<b>Expenditure</b>			
Personal emoluments	7	43,313	41,591
Operations and maintenance	8	103,654	72,947
Administration and other expenditure	9	57,899	60,130
		<u>204,866</u>	<u>174,668</u>
<b>Surplus for the year</b>		<u>1,995</u>	<u>26,047</u>

**Mqabba Local Council****Statement of affairs**

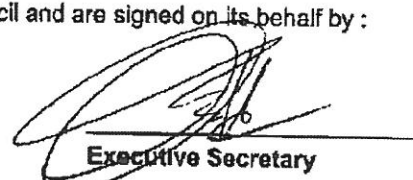
31st March 2008

	<b>Note</b>	<b>2007-08</b>	<b>2006-07</b>
		<b>Eur</b>	<b>Eur</b>
<b>Assets</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	<b>10a-b</b>	392,112	433,892
		<u>392,112</u>	<u>433,892</u>
<b>Current Assets</b>			
Inventories	<b>11</b>	4,156	3,135
Receivables	<b>12</b>	24,299	32,397
Cash and cash equivalents	<b>13</b>	24,292	104,184
		<u>52,747</u>	<u>139,716</u>
<b>Total Assets</b>		<u>444,859</u>	<u>573,608</u>
<b>Reserves and Liabilities</b>			
<b>Reserves</b>			
Retained Fund		412,852	410,857
<b>Current Liabilities</b>			
Payables	<b>14</b>	32,007	162,751
		<u>32,007</u>	<u>162,751</u>
<b>Total Equity and Liabilities</b>		<u>444,859</u>	<u>573,608</u>

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



\_\_\_\_\_  
Mayor



\_\_\_\_\_  
Executive Secretary

Date :

9/6/08

# Mqabba Local Council

## Statement of changes in equity

Year ended 31st March 2008

	Retained fund Eur
At 31st March 2006	384,810
Surplus for the year	26,047
At 31st March 2007	410,857
Surplus for the year	1,995
At 31st March 2008	412,852

## Mqabba Local Council

## Cash flow statement

Year ended 31st March 2008

	Note	2007-08 Eur	2006-07 Eur
<b>Cash flows from operating activities</b>			
Surplus for the year		1,995	26,047
Adjustments for:			
Depreciation		35,813	29,019
Increase in provision for doubtful LES debtors		8,197	5,101
<b>Surplus for the year before working capital movements</b>		46,005	60,167
Movement in inventories		(1,021)	72
Movement in receivables		(99)	(1,048)
Movement in payables		(130,744)	(6,131)
<b>Net cash (used in)/generated from operating activities</b>		(85,859)	53,060
<b>Cash flows from investing activities</b>			
Payment to acquire property, plant and equipment		(4,515)	(129,366)
<b>Net cash used in investing activities</b>		(4,515)	(129,366)
<b>Cash flows from financing activities</b>			
Grants transferred during the year		10,482	22,474
<b>Net cash flows from financing activities</b>		10,482	22,474
<b>Movement in cash and cash equivalents</b>		(79,892)	(53,832)
<b>Cash and cash equivalents at the beginning of the year</b>		104,184	158,016
<b>Cash and cash equivalents at the end of the year</b>	13	24,292	104,184

# Mqabba Local Council

## Notes to the financial statements

31st March 2008

### 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	0
Land	0
Buildings	1
Office furniture and fittings	7.5
Construction works	10
Special programmes	10
Urban improvements (Street Furniture)	10
Office equipment	20
Plant & Machinery	20
Motor Vehicles	20
Computer equipment	25
Plants	100
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 2008

#### 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 2008

Note		
<b>3</b>	<b><u>Funds received from central government</u></b>	
		<b>2007-08</b>
		<b>Eur</b>
	In terms of section 55 of the Local Councils Act (Cap 363)	
		192,527
		192,527
		<b>2006-07</b>
		<b>Eur</b>
		190,135
		190,135
<b>4</b>	<b><u>Local enforcement system income</u></b>	
		<b>2007-08</b>
		<b>Eur</b>
	Fines & penalties receiveable	
		6,650
		6,650
		<b>2006-07</b>
		<b>Eur</b>
		3,557
		3,557
<b>5</b>	<b><u>Investment income</u></b>	
		<b>2007-08</b>
		<b>Eur</b>
	Bank interest receiveable	
		1,484
		1,484
		<b>2006-07</b>
		<b>Eur</b>
		1,950
		1,950
<b>6</b>	<b><u>General Income</u></b>	
		<b>2007-08</b>
		<b>Eur</b>
	Income from tender documents	
		116
	Income from permits	
		5,054
	Sundry contributions & donations	
		1,030
		6,200
		<b>2006-07</b>
		<b>Eur</b>
		0
		3,158
		1,915
		5,073
<b>7</b>	<b><u>Personal emoluments</u></b>	
		<b>2007-08</b>
		<b>Eur</b>
	Personal emoluments include, inter alia :	
	Mayor's allowance	
		5,492
	Executive Secretary's salary and allowances	
		22,075
	Employees' salaries	
		12,928
	Social security contributions	
		2,818
		43,313
		<b>2006-07</b>
		<b>Eur</b>
		5,297
		21,370
		12,245
		2,679
		41,591

# Mqabba Local Council

## Notes to the financial statements

Year ended 31st March 2008

Note

### 8 Operations and maintenance

	2007-08	2006-07
	Eur	Eur
<b>Repairs and upkeep:</b>		
Road and street pavements	8,781	5,027
Street signs	382	2,071
Road markings	674	771
Other	411	1,172
	<u>10,248</u>	<u>9,041</u>
 <b>Contractual services:</b>		
Refuse collection	22,711	22,986
Bulky refuse collection	431	1,325
Road and street cleaning	15,799	15,274
Waste disposal	3,502	3,613
Cleaning and maintenance - public conveniences	3,045	3,035
Cleaning and maintenance - parks and gardens	3,585	3,585
Cleaning and maintenance - non-urban	885	708
Cleaning and maintenance - council premises	1,572	1,421
Local enforcement system expenses	23,214	23
Increase in provision for doubtful LES debtors	8,197	5,101
Street lighting	7,538	5,183
Other	2,927	1,652
	<u>93,406</u>	<u>63,906</u>
	 <u>103,654</u>	 <u>72,947</u>

# Mqabba Local Council

## Notes to the financial statements

Year ended 31st March 2008

### Note

#### 9 Administration and other expenditure

	2007-08	2006-07
	<u>Eur</u>	<u>Eur</u>
Utilities	5,759	3,759
Materials & supplies	592	1,985
Rent	1,398	1,398
Office services	1,842	1,712
Travelling expenses	405	771
Information services	3,393	3,259
Professional services	2,771	11,933
Sponsorships & donations	186	268
Community services & events	5,740	6,026
Depreciation	35,813	29,019
	<u>57,899</u>	<u>60,130</u>

# Mqabba Local Council

## Notes to the financial statements 31st March 2008

Note

### 10a Property, Plant and Equipment

	Buildings Eur	Office furniture & fittings 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 2007	106,324	11,393	573	8,796	5,823	309,819	1,526	423,471	360,680	1,223,890
Additions new this year	0	0	0	0	0	4,515	0	0	0	4,515
Prior year adjustments	0	0	0	0	0	0	0	0	0	0
Cost - as at 31st March 2008	106,324	11,393	573	8,796	5,823	309,819	1,526	423,471	360,680	1,228,405
Grants - as at 1st April 2007	0	0	0	2,637	0	244,749	0	22,474	360,680	630,540
Transferred during the year	0	0	0	0	0	0	0	10,482	0	10,482
Prior year adjustments	0	0	0	0	0	0	0	0	0	0
Grants - as at 31st March 2008	0	0	0	2,637	0	244,749	0	32,956	360,680	841,022
Acc.depreciation - as at 1st April 2007	4,419	5,900	317	3,797	3,825	31,868	1,526	107,806	0	159,458
Charge for the year	1,019	412	51	591	400	5,069	0	28,271	0	35,813
Prior year adjustments	0	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	1,526	136,077	0	195,271
Net book value - as at 31st March 2008	100,886	5,081	205	1,771	1,598	28,133	0	254,438	0	392,112

# Mqabba Local Council

## Notes to the financial statements 31st March 2008

Note

### 10b Property, Plant and Equipment

Cost - as at 1st April 2006

Additions new this year

Prior year adjustments

Cost - as at 31st March 2007

Grants - as at 1st April 2006

Transferred during the year

Prior year adjustments

Grants - as at 31st March 2007

Acc.depreciation - as at 1st April 2006

Charge for the year

Prior year adjustments

Acc.depreciation - as at 31st March 2007

Net book value - as at 31st March 2007

	Buildings Eur	Office furniture & fittings 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 2006	106,324	11,393	573	7,445	5,823	307,517	1,526	293,243	360,680	1,094,524
Additions new this year	0	0	0	1,351	0	(2,213)	0	130,228	0	129,366
Prior year adjustments	0	0	0	0	0	0	0	0	0	0
Cost - as at 31st March 2007	106,324	11,393	573	8,796	5,823	305,304	1,526	423,471	360,680	1,223,890
Grants - as at 1st April 2006	0	0	0	2,637	0	244,749	0	0	360,680	608,066
Transferred during the year	0	0	0	0	0	0	0	22,474	0	22,474
Prior year adjustments	0	0	0	0	0	0	0	0	0	0
Grants - as at 31st March 2007	0	0	0	2,637	0	244,749	0	22,474	360,680	630,540
Acc.depreciation - as at 1st April 2006	3,359	5,455	252	3,357	3,324	28,861	1,526	84,475	0	130,439
Charge for the year	1,030	445	65	440	501	3,207	0	23,331	0	28,019
Prior year adjustments	0	0	0	0	0	0	0	0	0	0
Acc.depreciation - as at 31st March 2007	4,419	5,900	317	3,797	3,825	31,868	1,526	107,806	0	158,458
Net book value - as at 31st March 2007	101,905	5,493	256	2,362	1,998	28,687	0	293,191	0	433,892

# Mqabba Local Council

## Notes to the financial statements 31st March 2008

### Note

#### 11 Inventories

	2007-08	2006-07
	Eur	Eur
Stock	4,156	3,135
	<u>4,156</u>	<u>3,135</u>

#### 12 Receivables

	2007-08	2006-07
	Eur	Eur
Local enforcement system debtors	21,109	28,877
Prepayments & accrued income	3,190	3,520
	<u>24,299</u>	<u>32,397</u>

LES debtors are stated net of a provision for doubtful debts of Eur 27,461 (2006-07 Eur 19,264).

#### 13 Cash and cash equivalents

	2007-08	2006-07
	Eur	Eur
Cash in hand	100	116
Bank balances :		
Current account	(5,269)	(7,738)
Savings accounts	29,461	87,119
Fixed account	0	24,687
	<u>24,292</u>	<u>104,184</u>

#### 14 Payables

	2007-08	2006-07
	Eur	Eur
Creditors	17,367	97,734
Accruals	14,640	16,350
Other creditors	0	1,409
Deferred income	0	47,258
	<u>32,007</u>	<u>162,751</u>

#### 15 Capital commitments

	2007-08	2006-07
	Eur	Eur
Authorised but not contracted for	63,672	55,451
Authorised and contracted for	950	0
	<u>64,622</u>	<u>55,451</u>

## Mqabba Local Council

### Statement of Local Council Members' and Executive Secretary's Responsibilities Year ended 31st March 2008

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 2008

I have audited the accompanying financial statements of Mqabba Local Council which comprise the balance sheet as at 31st March 2008, 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 shortage of liquid funds :

As at 31st March 2008 the Local Council's current accounts were overdrawn by Eur 5,269 while liabilities payable within one year amounted to Eur 32,007. Therefore the Local Council's overall current liabilities outstanding as at 31st March 2008 were Eur 37,276. Liquid funds were represented by cash in hand of Eur 100 and savings accounts amounting to Eur 29,461 i.e. total liquid funds amounted to Eur 29,561. Consequently the Local Council's liquid funds fall short of current liabilities by Eur 7,715.

#### 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 365 during the year ended 31st March 2008.

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 2008 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: