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Our Ref: NAO 107/2010/46
Your Ref:

8th April 2010

The Mayor and Executive Secretary
Pembroke Local Council
Pembroke

Dear Sir/Madam,

**AUDIT REPORT and FINANCIAL STATEMENTS
PERIOD ENDING 31 DECEMBER 2009**

In terms of Sections P2.06 (c.02) of the Local Councils (Audit) Procedures 2006, I am forwarding a copy of the Audit Report and Financial Statements together with the Management Letter for the financial period ending 31 December 2009.

After seeking the Council's approval, you are kindly requested to submit your response to the Director (Local Government), the Local Government Auditor, and to this Office as stipulated in Section P2.06 (d) of the same Procedures by not later than six weeks following receipt of this letter.

Yours sincerely



Tanya Mercieca
Audit Manager

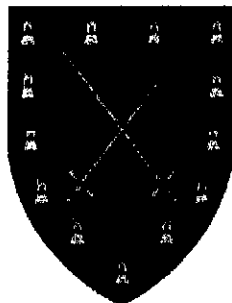


Council Lokali
Pembroke

09 APR 2010

46/2440/10/I

Encls.



LOCAL COUNCIL PEMBROKE
Report and Financial Statements
for the period ended 31 December 2009

PEMBROKE LOCAL COUNCIL

REPORT AND FINANCIAL STATEMENTS for
the period 1 April to 31 December 2009

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LOCAL COUNCIL PEMBROKE

Report of the Local Government Auditors to the Auditor General

We have audited the accompanying financial statements of LOCAL COUNCIL PEMBROKE, which comprise the statement of affairs on page 5 as of 31st December 2009, and the income statement, statement of changes in equity and cash flow statement 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. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed in the following paragraphs, 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We were not appointed auditors of the Council until 14th January 2010. The financial statements for the year ended 31st March 2009 were audited by other auditors. Their report, which was dated 17th June 2009, was qualified.

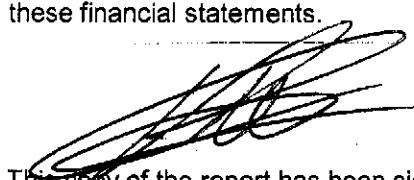
The Local Councils (Audit) Procedures, 2006 contain a specimen of the financial statements which Local Councils should adhere to. It further stipulates that in the case where this specimen is not in conformity with International Financial Reporting Standards (IFRSs) the latter should prevail. The council's financial statements for the period under review have been prepared in accordance with the specimen referred to above but do not take into consideration the additional requirements that emerge from the applicable IFRS. This contravenes the requirements of the Local Councils (Audit) Procedures, 2006.

The Council entered into a pooling agreement with a number of local councils within the Local Enforcement System. There were no alternative acceptable audit procedures we could perform to obtain reasonable assurance on the completeness of the share of income or expenses, which were recorded in the financial statements amounting to €10,434.

Opinion

In our opinion, except for the effect on the financial statements of the matters referred to in the preceding paragraphs, the financial statements give a true and fair view of the financial position of the Council as of 31 December 2009 and of its financial performance, changes in equity and its cash flows for the period then ended. These financial statements do not comply fully with the Local Council (Financial) Procedures, 1996 and have not been prepared in accordance with International Financial Reporting Standards

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 period. In line with Local Councils' generally accepted reporting procedures, the budget has been excluded from these financial statements.



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

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Certified Public Accountants
The Penthouse, Level 3
Palazzo Ca' Brugnera
Valley Road
Birkirkara BKR9024
Malta

Date: 30th March 2010

**PEMBROKE LOCAL COUNCIL
STATEMENT OF LOCAL COUNCIL MEMBERS' AND
EXECUTIVE SECRETARY'S RESPONSIBILITIES**

The Local Council (Financial) Regulations, 1993, 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 Act, the Local Councils (Financial) Regulations, 1993, and the Local Council (Financial) Procedures, 1996 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, CAP 363, the Local Councils (Financial) Regulations, 1993, and the Local Councils (Financial) Procedures, 1996. 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.

PEMBROKE LOCAL COUNCIL
STATEMENT OF INCOME AND EXPENDITURE
For the period 1 April to 31 December 2009

		1 Apr - 31 Dec 2009	1 Apr 2008 - 31 Mar 2009
	Notes	(9 months) Euro	(12 months) Euro
INCOME			
Funds received from Central Government	3	244,216	302,181
Income raised under Law Enforcement system	4	10,434	16,362
Income raised under Local Council Bye-Laws	5	1,255	4,341
Investment income	6	933	2,674
General income	7	7,247	20,964
		<hr/>	<hr/>
		264,085	346,522
		<hr/>	<hr/>
EXPENDITURE			
Personal emoluments	8	47,905	58,801
Operations and maintenance	9	154,629	190,106
Administration and other expenditure	10	83,414	158,595
		<hr/>	<hr/>
		285,946	407,502
		<hr/>	<hr/>
DEFICIT FOR THE PERIOD/YEAR		(€ 21,861)	(€ 60,980)
		<hr/>	<hr/>

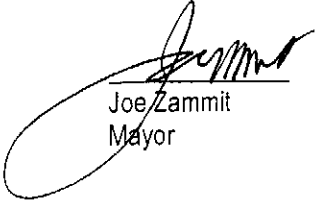
The notes on page 11 to 19 form part of these accounts


**PEMBROKE LOCAL COUNCIL
STATEMENT OF AFFAIRS
At 31 December 2009**

	Notes	1 Apr-31 Dec 2009 (9 months) Euro	1 Apr 2008 – 31 Mar 2009 (12 months) Euro
ASSETS			
Non-Current Assets			
Property, plant and equipment	11	466,433	480,648
Current Assets			
Inventories	12	0	930
Trade and other receivables	13	3,489	1,953
Cash and cash equivalents	14	79,956	81,267
Total Current Assets		83,445	84,150
TOTAL ASSETS		<u>€ 549,878</u>	<u>€ 564,798</u>
EQUITY AND LIABILITIES			
Equity			
Retained funds		390,765	398,595
Long Term Liabilities			
Bank Loan	15	88,332	92,507
Current Liabilities			
Trade and other payables	16	40,040	7,553
Provisions	17	30,742	66,143
Total Current Liabilities		70,782	73,696
TOTAL EQUITY AND LIABILITIES		<u>€ 549,878</u>	<u>€ 564,798</u>

The notes on pages 11 to 19 form part of these accounts

These financial Statements were approved by the Local Council on the 29 March 2010 and signed on its behalf by:


Joe Zammit
Mayor


Kevin Borg
Executive Secretary

PEMBROKE LOCAL COUNCIL
STATEMENT OF CHANGES IN EQUITY
For the period 1 April to 31 December 2009

	Retained Funds Euro	Total Euro
At 1 April 2008		
As previously reported	459,575	459,575
Prior Year Adjustment	14,031	14,031
	<hr/>	<hr/>
As restated (Deficit) for the year	473,606 (60,980)	473,606 (60,980)
	<hr/>	<hr/>
At 31 March 2009	412,626	412,626
	<hr/>	<hr/>
At 1 April 2009	412,626	412,626
Deficit for the year	(21,861)	(21,861)
	<hr/>	<hr/>
At 31 December 2009	390,765	390,765
	<hr/>	<hr/>
Equity interest	€ 390,765	€ 390,765
	<hr/>	<hr/>

PEMBROKE LOCAL COUNCIL
CASH FLOW STATEMENT
For the period 1 April to 31 December 2009

	Notes	1 Apr 2009 – 31 Dec 2009 (9 months) Euro	1 Apr 2008 – 31 Mar 2009 (12 months) Euro
Deficit for the period/year		(21,861)	(60,980)
Adjustments for:			
Depreciation		41,147	68,323
Interest Receivable		(933)	(2,674)
Provision for Bad LES Debts		896	0
Loss on Disposal of Fixed Assets		<u>2,295</u>	<u>0</u>
Operating Profit before Working Capital changes		<u>21,544</u>	<u>4,669</u>
Movement in working capital			
Decrease/(Increase) in Inventories		930	(930)
Decrease/(Increase) in Trade and other receivables		(2,432)	(1,188)
Increase/(Decrease) in Trade and other payables		<u>(2,914)</u>	<u>36,645</u>
Net cash inflow/(outflow) from operating activities		17,127	39,196
Cash flows from investing activities			
Acquisition of property, plant and equipment		(15,157)	(5,232)
Interest Received		<u>933</u>	<u>2,674</u>
Net cash inflow/(outflow) from investing activities		<u>(14,264)</u>	<u>(2,558)</u>
Cash flows from financing activities			
Repayment of loan		<u>(4,175)</u>	<u>(6,734)</u>
Net cash inflow/(outflow) from financing activities		(4,175)	(6,734)
Net increase/(decrease) in cash and cash equivalents		<u>(1,311)</u>	<u>29,904</u>
Analysis of changes in cash and cash equivalents during the year			
Cash and cash equivalents at beginning of year		81,267	51,363
Net increase/(decrease) in cash and cash equivalents		<u>(1,311)</u>	<u>29,904</u>
Cash and cash equivalents at end of year		<u>79,956</u>	<u>81,267</u>

The notes on page 11 to 19 form part of these accounts

PEMBROKE LOCAL COUNCIL
SCHEDULE OF SPECIAL NEEDS FUNDS
At 31 December 2009

Funds Received and Expended

	Brought Forward Euro	Received/ Reallocated Euro	Expended Euro	Carried Forward Euro
Special Programme – Pembroke Battery	1,481	-	-	1,481
Special Funds – Street Lighting	-	20,000	-	20,000
Special Funds – Photovoltaic Panels	-	4,100	-	4,100
	<hr/>	<hr/>	<hr/>	<hr/>
Total	1,481	24,100	-	25,581

Commitments

	Brought Forward Euro	Contracted this year Euro	Invoices Received Euro	Carried Forward Euro
Special Programme – Pembroke Battery	1,481	-	-	1,481
Special Funds – Street Lighting	-	20,000	-	20,000
Special Funds – Photovoltaic Panels	-	4,100	-	4,100
	<hr/>	<hr/>	<hr/>	<hr/>
Total	1,481	24,100	-	25,581

Capital Creditors

	Brought Forward Euro	Invoices Received Euro	Payments Made Euro	Carried Forward Euro
Special Funds Country Parks	-	-	-	-
Special Funds Roads Resurfacing	-	-	-	-
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Total	-	-	-	-

**PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the period 1 April to 31 December 2009**

1. GENERAL INFORMATION

Pembroke Local Council is the local authority of Pembroke setup in accordance with the Local Councils Act 1993. The office of the Council is at Triq Alamein, Pembroke.

The financial statements were authorised for issue by the Council on the 26 January 2010.

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 where it is 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 principle accounting policies and reporting procedures used by the 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

Pembroke Local Council forms part of the Group H Joint Committee, since September 2002. The amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the Joint Committee after deducting the related expenses.

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

(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:

	%
Land	0.0
Trees	0.0
Buildings	1.0
Office Furniture and Fittings	7.5
Construction works	10.0
Urban Improvements (street furniture)	10.0
Special Programs (Projects)	10.0
Office Equipment	20.0
Motor Vehicles	20.0
Plant and Machinery	20.0
Computer Equipment	25.0
Plants	100.0
Litter Bins	100.0
Playground Furniture	100.0
Traffic Signs	100.0
Road Signs	100.0
Street Mirrors	100.0
Street Lights	100.0

(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 cost, 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.

**PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

(f) Amounts Receivable

Amounts receivable are recognized initially at fair value and subsequently measured at amortized 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 receivable. The amount of the provision is the difference between the carrying amount of the asset in the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized 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 €, which is the Council's functional and present currency.

Transactions denominated in foreign currencies are translated into € at rates of exchange in operation on the dates of 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 Affairs.

(h) Profit 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.

(h) Cash and Equivalents

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

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

3. FUNDS RECEIVED FROM CENTRAL GOVERNMENT

	1 Apr-31 Dec 2009 (9 months)	1 Apr 2008 - 31 Mar 2009 (12 months)
In terms of Section 55 of the Local Councils Act, 1993	€ 244,216	€ 302,181
In terms of Section 58 of the Local Councils Act, 1993	€ 0	€ 0
	<u>244,216</u>	<u>302,181</u>
Less amount of special needs utilised for capital expenditure	<u>0</u>	<u>0</u>
	<u>244,216</u>	<u>302,181</u>

4. LOCAL ENFORCEMENT INCOME

	1 Apr-31 Dec 2009 (9 months) Euro	1 Apr 2008 - 31 Mar 2009 (12 months) Euro
Fines and penalties	8,183	15,362
Received	2,251	1,000
Accrued		
	<u>€ 10,434</u>	<u>€ 16,362</u>

5. INCOME RAISED UNDER LOCAL COUNCIL BYE-LAWS

	1 Apr-31 Dec 2009 (9 months) Euro	1 Apr 2008 - 31 Mar 2009 (12 months) Euro
Income from permits	789	4,341
Income re Library	466	-
	<u>€ 1,255</u>	<u>€ 4,341</u>

6. INVESTMENT INCOME

	1 Apr-31 Dec 2009 (9 months) €	1 Apr 2008 - 31 Mar 2009 (12 months) €
Bank Interests	<u>933</u>	<u>2,674</u>

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

7. GENERAL INCOME

	1 Apr – 31 Dec 2009 (9 months)	1 Apr 2008 – 31 Mar 2009 (12 months)
Tender Documents	1,400	2,700
Donations and Sponsorships	4,850	600
Contributions	352	12,770
Others	645	4,894
	<u>€ 7,247</u>	<u>€ 20,964</u>

8. PERSONAL EMOLUMENTS

	1 Apr – 31 Dec 2009 (9 months)	1 Apr 2008 – 31 Mar 2009 (12 months)
Personal Emoluments include, <i>inter alia</i>		
Mayor's Allowance	4,500	5,777
Executive Secretary Salary and Allowances	17,990	20,039
Employees' Salaries	22,174	28,986
Social Security Contributions	3,241	3,999
	<u>€ 47,905</u>	<u>€ 58,801</u>

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

	1 Apr – 31 Dec 2009 (9 months) Euro	1 Apr 2008 - 31 Mar 2009 (12 months) Euro
9. OPERATIONS AND MAINTENANCE EXPENSES		
Operations and maintenance includes, <i>inter alia</i>		
REPAIRS AND UPKEEP		
Roads and street pavements (patching works)	26,407	50,946
Public Property	22,591	11,795
Office furniture & equipment	896	132
Plant & Equipment	0	47
Street Signs	1,611	3,489
Other repairs & upkeep	580	983
Road Markings	2,707	2,671
	€ 54,792	€ 70,063
CONTRACTUAL SERVICES		
Refuse collection	25,699	27,491
Bulky refuse collection	7,440	13,742
Bring in Sites	2,621	-
Hire of skips	248	-
Road and street cleaning	18,180	23,997
Cleaning and maintenance of non-urban roads	7,335	8,191
Cleaning and maintenance parks and gardens	10,979	14,561
Cleaning and maintenance of verges	10,800	14,387
Cleaning and maintenance council premises	1,512	2,206
Street lighting	2,840	4,837
Other Contractual Services	12,183	10,631
	€ 99,837	€ 120,043
TOTAL OPERATIONS AND MAINTENANCE EXPENSES	€ 154,629	€ 190,106

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

	1 Apr - 31 Dec 2009 (9 months) Euro	1 Apr 2008 - 31 Mar 2009 (12 months) Euro
10. ADMINISTRATIVE AND OTHER EXPENSES		
Depreciation	41,147	68,323
Water, Electricity & Telecommunications	(3,146)	16,898
Other repairs and upkeep	0	0
Rent	912	905
National and international memberships	681	983
Office Services	6,355	5,449
Insurance	1,929	3,426
Library expenses	992	295
Staff Training	0	1,230
Travel	156	3,963
Transport	2,732	2,886
Advertising & Public relations	467	2,956
Professional services	12,117	22,543
Provision for Bad LES Debts	896	0
Community and hospitality	14,020	22,592
Loss on disposal of fixed assets	2,295	0
Sundry minor expenses	250	692
Bank Charges	23	56
Bank Interest on Loan	1,588	5,398
TOTAL ADMINISTRATIVE EXPENSES	€ 83,414	€ 158,595

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

11. PROPERTY, PLANT AND EQUIPMENT

	Office Furniture, Fixtures & Fittings €	Office Equipment €	New Street Signs €	Urban Improvements €	Construction €	Special Programmes €	Trees €	Plant & Machinery €	Total €
Cost									
At 1 April 2009	26,847	69,816	11,787	288,908	540,653	653,922	15,604	12,381	1,619,918
Additions	284	301	0	14,198	0	0	0	414	15,197
Transferred	-345	345	0	0	0	-237	237	0	0
Disposals	-1,206	-8,185	0	-91	0	-26	0	-5,159	-14,667
At 31st December 2009	25,580	62,276	11,787	303,015	540,653	653,660	15,841	7,636	1,620,448
Grants									
At 1 April 2009	0	3,494	0	60,436	0	653,923	0	0	717,852
Transferred during the year	0	0	0	0	0	0	0	0	0
At 31st December 2009	0	3,494	0	60,436	0	653,923	0	0	717,852
Depreciation									
At 1 April 2009	7,721	35,855	11,787	139,834	201,815	0	15,604	8,803	421,418
Prior Year Adjustment	-19	803	0	-12,058	-2,753	0	0	-5	-14,031
Transferred	0	0	0	-32,162	32,162	-237	237	0	0
Charge for the period	1,013	5,702	0	10,511	23,548	0	0	373	41,147
Released on Disposal	-743	-7,472	0	-44	0	-26	0	-4,136	-12,372
At 31st December 2009	7,971	34,939	11,787	106,080	254,772	-263	15,841	5,035	436,162
Net Book Value									
At 31st December 2009	17,609	23,843	0	136,499	285,882	-0	-0	2,601	466,433

**PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

11. PROPERTY, PLANT AND EQUIPMENT (cont.)

	Office Furniture, Fixtures & Fittings €	Office Equipment €	New Street Signs €	Urban Improvements €	Construction €	Special Programmes €	Trees €	Plant & Machinery €	Total €
Cost									
At 1 April 2008	26,129	67,710	11,787	288,908	538,581	653,922	15,604	12,045	1,614,686
Additions	718	2,106	0	0	2,073	0	0	336	5,232
At 31st March 2009	26,847	69,816	11,787	288,908	540,653	653,922	15,604	12,381	1,619,918
Grants									
At 1 April 2008	0	3,494	0	60,436	0	653,923	0	0	717,852
Transferred during the year	0	0	0	0	0	0	0	0	0
At 31st March 2009	0	3,494	0	60,436	0	653,923	0	0	717,852
Depreciation									
At 1 April 2008	5,901	25,221	11,787	113,064	173,319	0	15,604	8,199	353,095
Charge for the period	1,819	10,634	0	26,770	28,496	0	0	604	68,323
At 31st March 2009	7,721	35,855	11,787	139,834	201,815	0	15,604	8,803	421,418
Net Book Value									
At 31st March 2009	19,126	30,466	0	88,638	338,838	-0	0	3,578	480,648

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

12. INVENTORIES

	1 Apr-31 Dec 2009 (9 months)	1 Apr 2008- 31 Mar 2009 (12 months)
Stationery	0	930

13. TRADE AND OTHER RECEIVABLES

	1 Apr – 31 Dec 2009 (9 months) Euro	1 Apr 2008- 31 Mar 2009 (12 months) Euro
Pre-Pooling LES Debtors	8,489	7,593
Provision for Bad LES debts	(8,489)	(7,593)
Prepayments and Accrued income	3,489	1,953
	<u>3,489</u>	<u>1,953</u>

Prepayments include prepayments of Local Council property rental and insurance premium.

14. CASH AND CASH EQUIVALENT

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the cash flow statement comprise the following amounts in the Local Council's Statement of Affairs:

	1 Apr – 31 Dec 2009 (9 months) Euro	1 Apr 2008 – 31 Mar 2009 (12 months) Euro
Petty cash	233	233
Bank balances - Ordinary Funds	79,723	81,034
	<u>€ 79,956</u>	<u>€ 81,267</u>

15. LONG TERM LIABILITIES

	Euro	Euro
Bank Loan – Long Term portion	88,332	92,507

Note: The bank loan is secured by the fact that the Government subvention is channelled through an account opened with Volksbank Malta Limited. The loan bears interest at MIBOR plus 1.45% per annum and is repayable by monthly instalments of €537 inclusive of interest and will be cleared within 20 years from drawdown.

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

16. TRADE AND OTHER PAYABLES

	1 Apr – 31 Dec 2009 (9 months) Euro	1 Apr 2008 – 31 Mar 2009 (12 months) Euro
Bank Loan – current portion	6,444	6,036
Trade Payables	8,016	37
Special needs funds unutilized	25,580	1,480
	<u>40,040</u>	<u>7,553</u>

17. PROVISIONS

Provisions include estimates for goods and services received prior to 31 December 2009 and for which invoices have not yet been received by the Local Council.

	1 Apr-31 Dec 2009 (9 months) Euro	1 Apr 2008 – 31 Mar 2009 (12 months) Euro
Accruals and Deferred Income	<u>30,742</u>	<u>66,143</u>

18. CONTINGENT LIABILITIES

The council has no contingent liabilities.

19. CAPITAL COMMITMENTS

	1 Apr – 31 Dec 2009 (9 months) Euro	1 Apr 2008 – 31 Mar 2009 (12 months) Euro
- Capital expenditure that has been approved but not yet contracted for.		
(i) Photovoltaic Panels	<u>8,200</u>	<u>0</u>
	€ 8,200	€ 0

3a

Our Aims

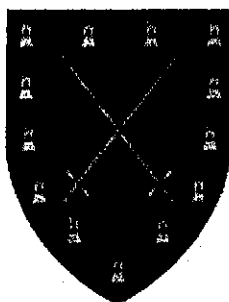
LOCAL COUNCIL PEMBROKE

Report to Management

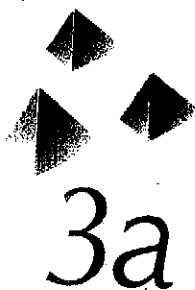
for the financial period ended 31 December 2009

LOCAL COUNCIL PEMBROKE

Report to Management
for the financial period ended 31 December 2009



11/12/2009



30 March 2010

The Mayor
LOCAL COUNCIL PEMBROKE
Alamein Street
PEMBROKE

Dear Sir,

REPORT TO MANAGEMENT

As you are well aware, our firm has been appointed by the National Audit Office to carry out the annual audit of the financial statements of your Council. Our engagement includes the obligation on our part to prepare a report addressed to the Council, explaining weaknesses and recommendations that emanate from the review of your systems as part of our audit. You will understand that our examination cannot be expected to disclose every weakness and therefore the matters dealt with in this report are not necessarily the only shortcomings, which exist. This report is intended as a source of guidance for the Council to refine its systems for better compliance, internal controls and governance. The controls will also be used by the National Audit Office to compile its own report on Local Councils.

For clarity purposes, this report is distributed to your council, the National Audit Office and the Department of Local councils. The contents of this report shall not be quoted in part or in full or used in any way other than for the above-mentioned scope, without our prior written consent.

During the course of our audit for the period ended 31 December 2009, we have examined the principal accounting records, systems and controls in use by the Council to enable it to ensure as far as possible, the accuracy and reliability of its records and to safeguard its assets. Additionally, we also examined the level of your Council's compliance with the Local Councils Act (1993), the Financial Procedures (1996), the various Legal Notices and Local Councils Department Memos globally issued to Local Councils in the Maltese Islands.

We remain at the Council's disposal for any clarification required regarding this report. We shall be happy to render assistance should you decide to implement any of the recommendations.

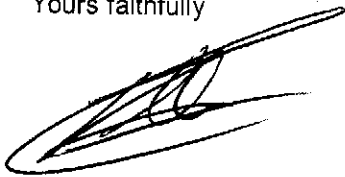
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Finally, we take this opportunity to thank Mr. Kevin Borg and his Council's administrative team for their valuable assistance and co-operation rendered to us at all times during the course of our audit.

Yours faithfully

A handwritten signature in black ink, appearing to be 'Christian Vella', written over a horizontal line.

Christian Vella
Partner

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1. FOLLOW-UP: MANAGEMENT REPORT - YEAR ENDED 31 MARCH 2009

1.1. Plant register reconciliation

The Council has addressed the matter and the Fixed Asset Register is now in agreement with the nominal ledger.

1.2. Plant register details

Although the Council has addressed some issues which were noted in previous year's management letter, mainly being that of tagging equipment in order to facilitate identification, there are still matters which the Council has not yet addressed. Therefore, we draw your attention to paragraph 5.1 of our management report.

1.3. Creditors

The Council has not addressed the matter during the period and we therefore draw your attention to paragraph 9.1 of our management report.

1.4. Local Enforcement System

Since the Council does not have direct control on this matter, as it is dependent on third party reports, it could not address the problem in full and therefore we draw your attention to paragraph 2.1 of our management report.

1.5. Income

The Council has not addressed the matter during the period and we therefore draw your attention to paragraph 8.1 of our management report.

1.6. Insurance

The Council has not addressed the matter during the period and we therefore draw your attention to paragraph 5.4 of our management report.

1.7. Expenditure – Pembroke Athleta and Luxol

The Council has addressed this matter.

1.8. Quotations

The Council has not addressed the matter during the period and we therefore draw your attention to paragraph 4.2 of our management report.

1.9. Financial Statements

The Council has not addressed the matter and we draw your attention to paragraph 11.1 of our management report.

2. INCOME

2.1. Local Enforcement System

By the date of conclusion of our audit work, the Council had still not received the audited annual report of the LES Group H Joint Committee for the year ended 31 December 2009. During the year under review, the Council has been correctly recording cash receipts received from the Joint Committee, by identifying between LES pooling and pre-pooling receipts.

As at 31st December 2009 the Council has also recognised the amount of €1,355 in accrued income from pooling surpluses. This amount was correctly accrued for, since in January 2010 the Council received such income, and the receipt was vouched to post year end bank deposits.

However, in view of the absence of an audited annual report for the Joint Committee as at 31st December 2009, we could not rely on third party financial information as provided by the Joint Committee to provide reasonable assurance on the amounts being recorded in the financial statements as income from the Local Enforcement System. We have qualified our audit report in this respect.

3. PERSONAL EMOLUMENTS

3.1. FSS statutory documentation

When we analysed the FSS documentation submitted with the Inland Revenue Department it was noted that the amount of the March 2009 Performance Bonus was omitted from the FSS documentation. As a result, no FSS tax has been deducted from this performance bonus. This infringes the provisions of the Income Tax Act and the Final Settlement System Regulations.

Following the immediate communication of our observations, the Council carried out the necessary adjustments.

3.2. Employment Contracts

During the course of our audit, we observed that an employee was engaged on a part-time basis with the Council. However her contract of employment remained unsigned.

Please note that when an employee is engaged in employment, the respective contract should be signed immediately before the first day of employment.

We therefore recommend that in the future the Council ensures that all contracts of employment are signed before employees start their assignment. Given the fact that in this particular case the employee is no longer working with the Council, her employment contract will remain unsigned.

4. CONTRACTS, TENDERING AND PROCUREMENT PROCEDURES

4.1. Tendering Procedures

Over all, the Council abides by all tendering procedures when the amount of expenditure exceeds €4,659. It was however noted, that in the case of tender 05/2009, which was awarded to Carmel Mifsud, the Tender Form for Goods and Services was not fully filled up.

We recommend that the Council continues with its efforts to comply with the tendering procedures in all instances and ensures that all forms are properly and fully filled up.

4.2. Quotation procedures

During our testing we noted an instance where the Council has expended supplies of the same nature amounting to more than €1,165 from a particular supplier and no quotations were obtained. It was further noted that a particular invoice exceeded the quoted price by 25.4%.

It is recommended that the Council should obtain three quotations for expenditure of the same nature and exceeding €1,165 from the same supplier. Additionally, if the supplier will be providing extra services other than those quoted in the original quotation, the Council should issue a fresh call for quotations.

4.3. VAT Fiscal Receipts

It was noted that there were some supplier/service providers who are not providing a VAT fiscal receipt in terms of the VAT Act (1998).

We advise that the Council continues with its efforts in order to collect the VAT fiscal receipt for every good and service paid for. If the supplier in question remains not compliant even after being warned by the Council, then this supplier should not be further considered for procurement purposes.

5. PROPERTY, PLANT AND EQUIPMENT

5.1. The upkeep of the Fixed Asset Register (FAR)

The Fixed Asset Register (FAR) is not being maintained in the appropriate manner as stipulated by the Local Council Procedures (1996 – Finance) KLP 1/96, P1.16b. This was also brought to the attention of the Council in previous years.

The descriptions lack fundamental details about the asset being capitalised, and its location. For example, the description of the FAR consists of "road resurfacing" and "upgrading works" under the construction category, "tools" under the plant and machinery category and "other IT equipment" under the Office Computer Equipment category. It was also noted that some items in the Office Computer Equipment category are not identified by a separate code for each component, such as COMP047 includes 3 computers. These entries do not have sufficient details to enable us to identify and verify the existence of the asset concerned.

In view of the above, it is recommended that the FAR would be revised and we are proposing some matters to take into account during the revision process of the FAR:

- 5.1.1. The description of the asset in the FAR card should contain the highest degree of detail possible. The detail should not be of a generic nature such as "office equipment", "construction", "trees", "street signs" or "road resurfacing".
- 5.1.2. There should be a common reference in the description of the asset in the FAR and the related transaction in the nominal ledger. This makes reconciliations between the two ledgers easier in case of variances and discrepancies.
- 5.1.3. The FAR card should contain the exact location of the asset so that in case when the asset is subject to theft, vandalism, fire or any other damage, these could be identified without any problems. This would be useful for insurance claims and asset disposal adjustments.

5.2. Capital Commitments

During our review of the financial statements, it was noted that a capital commitment, of approximately €20,000 for Street Lighting in Triq il-Beatu Dun Gorg Preca and Triq il-Mediterran, which were committed for and for which the Council received funds under the Special Projects Funds Scheme, were completely omitted from Note 19 – Capital Commitments in the Financial Statements.

This is not in conformity with the requirements of IAS 16 – Property, Plant and Equipment and therefore we recommend that the future capital commitments are properly assessed and disclosed, so as not to misguide users of financial statements.

5.3. Capital Expenditure against Revenue Expenditure

During substantive testing of the nominal ledger we identified instances where expenditure of a capital nature, was recorded as expenditure of a revenue nature.

Although these were reclassified during the audit, we advise that appropriate distinction between the two classes of expenditure be made during the bookkeeping process.

5.4. Insurance Policy

The Council's insurance policy in respect of assets insured has not been reviewed on an annual basis, with the consequence of over and under insurance of different categories of Property, plant and equipment. This was also highlighted by the Council's previous auditors.

Hence, it is suggested that the Council reviews its insurance cover once the FAR has been fully updated and revised.

6. INVENTORIES

6.1. Stock of stationery

The Council has recognised the amount of €1,600 in stock. During the audit this amount was identified as being that of stationery used for the conduct of office operations.

IAS 2 defines inventories as including assets held for sale in the ordinary course of business (finished goods), assets in the production process for sale in the ordinary course of business (work in progress), and materials and supplies that are consumed in production (raw materials).

Although this matter in itself is not in breach of any procedures, we suggest that stationery is expensed in the period in which it is purchased. Following our suggestion, the Council adjusted the financial statements accordingly.

7. RECEIVABLES

7.1. Doubtful receivables.

The Council is recording the amount of €7,593 as pre-pooling tickets of the Local Enforcement System. It is also providing a provision for doubtful LES pre-pooling debtors equivalent to this amount. On the other hand, the amount due from LES pre-pooling tickets according to LES report 622 reads €8,489. We therefore recommend that at the end of every financial year, the accounting records are reconciled to this LES report 622 and the provision is also updated accordingly. Following our recommendation, the Council made the necessary adjustments.

8. CASH AND CASH EQUIVALENTS

8.1. Cash Deposits

During the course of our audit, it was observed that the Council is still making cash deposits once a week, even though the previous auditors recommended that cash deposits need to be made more frequently, as required by the Local Council Procedures (1996).

It is therefore recommended that the Council effects cash deposits at least twice a week, as stipulated in Local Council Procedures (1996) – Finance KLP1/96 P1.14 (C.09).

9. PAYABLES

9.1. Supplier Statements

The Council is still not obtaining monthly statements from its suppliers, as is required in Memo 08/2002. This issue was highlighted by the Council's previous auditors; however it has not yet been addressed.

We recommend that the Council obtains such statements so as to reconcile the amount due to its suppliers regularly, and should there be any variances, these will be identified immediately and appropriate action taken.

9.2. Accrued expenditure

As at 31st December 2009, the council recognized the following amounts in accrued expenditure:

- €7,000 payable to Ell's Urban Services Limited.
- €3,200 payable to Wise Owl Publications Limited.
- €4,000 relating to the installation of a lighting system near Pembroke Atletta and Triq San F. Preci.

During the audit fieldwork we noted that the above mentioned expenses need not be accrued for the following reasons:

- The amount payable to Ell's Urban Services Limited has been payable since December 2007, and yet no invoice was issued. We were given to understand that the works done were faulty, and the supplier never invoiced the Council. Therefore in this case, a disclosure note as contingent liability would have been appropriate. Additionally, the Council should seek legal advice on whether this amount is now payable or not.
- The amount payable to Wise Owl Publications Limited relates to work on a publication to be launched by the Council. This work is still in progress and the delivery of the final product will take place during the financial year ending 31st December 2010.

- The amount of €4,000 is payable in respect of a project for which certain funds from Central Government have been obtained. Nonetheless, the work on the referred project has not yet started by 31st December 2009.

By the conclusion of our audit fieldwork the necessary audit adjustments were reflected in the financial statements.

10. OTHER DISCLOSURES IN THE FINANCIAL STATEMENTS

10.1. Disclosures required in respect of certain IFRS

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 are not compliant in all respects with the requirements of these standards and in fact disclosures emanating from certain accounting standards seem to be missing.

We recommend that financial statements are prepared in accordance with International Financial Reporting Standards and all necessary disclosures are made. In this respect, we have qualified our audit report.

10.2. Disclosures required in respect of Financial Procedures

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 period. In line with Local Councils' generally accepted reporting procedures, the budget has been excluded from these financial statements.

11. GENERAL

11.1. Financial Statements presentation

During our review of the financial statements we noted that expenditure on services for the procurement of bring-in-sites amounting to €2,621 was completely omitted.

Upon further analysis of the matter, it transpires that this expenditure item was set off from the annual allocation of the Council.

It is imperative that in the financial statements and any other Council financial reporting, the income and expenditure should be recognised and disclosed separately and not net off into one figure component. The Council made the necessary adjustments to address our observation above.

The following areas were also noted during our final review of the financial statements, which need attention for the next financial year:

- In page 3, Statement of Local Council Members' and Executive Secretary's Responsibilities, a "year" is referred to rather than a "period".
- Casting throughout the financial statements was not accurate.
- In page 7, Cash Flow Statement, line for Acquisition of property, plant and equipment should be €15,197 rather than €15,157.
- Note 1 – General: date of re-approval of financial statements was not updated.
- Notes 3, 12 and 15 lack neat finishing and presentation.
- Note 4 – Local Enforcement System: the amount disclosed as received and accrued should be amalgamated as they represent a share of surplus.

- Note 5 – Income raised under Local Council Bye-Laws: income from permits and library do not form part of the Council's list of published bye-laws. Therefore these should have been reclassified with Note 7 – General Income.
- Note 18 – Contingent Liabilities: such note is not needed if the Council has no contingent liabilities during a particular year or period.

11.2. Prior year adjustment

During the year under review, a prior year adjustment was recognised in the financial statements to amend previous years' misstatements. However, the necessary classifications and disclosures have not been carried out in line with IAS 8 – Accounting policies, changes in accounting estimates and errors.

Therefore, since last year figures have not been restated and no disclosure note has been included, financial statements' users could be misguided.