

Qrendi Local Council

Annual Audit Report 31st December 2013

Prepared by:

Christopher Spiteri 22/4/2014

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Qrendi Local Council

Financial Statements

Year ended 31st December 2013

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Qrendi Local Council

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

Year ended 31st 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 Local Council's financial position 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 comprehensive income of the Local Council for the year and its financial position 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.

Mayor

Date: 21.04.14

Executive Secretary

Qrendi Local Council

Statement of Comprehensive Income
Year ended 31st December 2013

	Note	2013 Eur	2012 Eur
Income			
Funds received from central government	3	342,023	324,735
Income raised under Local Enforcement System	4	1,625	3,784
Investment income	5	1,543	1,033
General income	6	4,337	2,893
		349,528	332,445
Expenditure			
Personal emoluments	7	68,019	68,251
Operations and maintenance	8	227,676	152,864
Administration and other expenditure	9	138,113	110,651
		433,808	331,766
(Loss)/Profit for the year		(84,280)	679

Qrendi Local Council

Statement of Financial Position

31st December 2013

Assets		2013 Eur	2012 Eur
Non-current Assets			
Property, plant and equipment	10	882,905	614,262
		<u>882,905</u>	<u>614,262</u>
Current Assets			
Receivables	11	79,546	169,917
Cash and cash equivalents	12	229,095	320,240
		<u>308,641</u>	<u>490,157</u>
Total Assets		<u><u>1,191,546</u></u>	<u><u>1,104,419</u></u>
Reserves and Liabilities			
Reserves			
Retained Fund		<u>617,955</u>	<u>702,235</u>
Non-current Liabilities			
Amounts falling due after one year	13	<u>290,556</u>	<u>306,537</u>
Current Liabilities			
Payables	14	<u>283,035</u>	<u>95,647</u>
Total Reserves and Liabilities		<u><u>1,191,546</u></u>	<u><u>1,104,419</u></u>

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

Mayor

Date : 21 Dec 13

Executive Secretary

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Qrendi Local Council

Statement of changes in equity
Year ended 31st December 2013

	Retained fund Eur
At 31st December 2011	701,556
Profit for the year	679
At 31st December 2012	702,235
Loss for the year	(84,280)
At 31st December 2013	617,955



Qrendi Local Council

Statement of Cash Flows
Year ended 31st December 2013

	Note	2,013 Eur	2,012 Eur
Cash flows from operating activities			
(Loss)/Profit for the year		(84,280)	679
<i>Adjustments for:</i>			
Depreciation		77,487	52,957
Interest received		(1,543)	(1,033)
Government grant released		(15,981)	(2,238)
Increase in provision for doubtful LES debtors		8,647	6,719
(Loss)/Profit for the year before working capital movements		(15,670)	57,084
Increase in receivables		874	5,947
Increase in payables		187,388	2,536
Net cash generated from operating activities		172,592	65,567
Cash flows from investing activities			
Payment to acquire property, plant and equipment		(346,130)	(136,901)
Interest received		1,543	1,033
Net cash used in investing activities		(344,587)	(135,868)
Cash flows from financing activities			
Grants received		80,850	90,234
		80,850	90,234
Net increase in cash and cash equivalents		(91,145)	19,933
Cash and cash equivalents at the beginning of the year		320,240	300,307
Cash and cash equivalents at the end of the year	12	229,095	320,240

Qrendi Local Council

Notes to the financial statements

31st December 2013

Note

1 General information

Qrendi Local Council is the local authority of Qrendi set up in accordance with the Local Councils Act. The office of the Local Council is situated at 7, Triq il-Knisja, Qrendi.

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. All revenue - funds received from central government, local enforcement system income, investment income and general income, is accounted for in the statement of comprehensive income as it accrues.

b) **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
Playground Furniture	100
Street Lights	100
New street signs	
Litter Bins	Replacement basis
Street Mirrors	Replacement basis
	Replacement basis

Qrendi Local Council

Notes to the financial statements 31st December 2013

Note

c) Government Grants

Government grants are accounted for on a systematic basis in the Statement of Comprehensive Income 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.

d) 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 Comprehensive Income.

e) 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 Comprehensive Income.

f) 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 Financial Position.

g) Profits and Losses

Only profits 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.

h) Cash and cash equivalents

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

Qrendi Local Council

Notes to the financial statements

31st December 2013

Note

3 Funds received from central government

	2013 Eur	2012 Eur
In terms of section 55 of the Local Councils Act (Cap 363)	314,252	318,497
Other supplementary government income	8,129	0
Other government income	19,642	6,238
	<u>342,023</u>	<u>324,735</u>

4 Local enforcement system income

	2013 Eur	2012 Eur
Contraventions	1,625	3,784
	<u>1,625</u>	<u>3,784</u>

5 Investment income

	2013 Eur	2012 Eur
Bank interest receivable	1,543	1,033
	<u>1,543</u>	<u>1,033</u>

6 General Income

	2013 Eur	2012 Eur
Other income	4,337	2,893
	<u>4,337</u>	<u>2,893</u>

7 Personal emoluments

	2013 Eur	2012 Eur
Personal emoluments include, inter alia :		
Mayor's allowance	7,904	8,284
Councillors' allowance	4,800	4,800
Executive secretary's salary	26,285	26,073
Employees' salaries	25,087	24,875
Social security contributions	3,943	4,219
	<u>68,019</u>	<u>68,251</u>

Qrendi Local Council

Notes to the financial statements
Year ended 31st December 2013

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8 Operations and maintenance

	2013 Eur	2012 Eur
Repairs and upkeep:		
Road asphaltting	105,126	24,977
Road markings	4,547	7,775
Signs	3,422	1,115
Other	1,570	211
	<u>114,665</u>	<u>34,078</u>
 Contractual services:		
Refuse collection	25,534	24,064
Bulky refuse collection	1,350	1,445
Bring-in Sites	240	0
Road and street cleaning	25,754	27,764
Waste disposal	17,204	18,492
Cleaning and maintenance - public conveniences	18,204	23,612
Cleaning and maintenance - parks and gardens	12,811	12,910
Cleaning and maintenance - non-urban	4,950	6,223
Cleaning and maintenance - council premises	1,434	1,348
Local enforcement system expenses	1,386	728
Street lighting	4,144	2,200
	<u>113,011</u>	<u>118,786</u>
	<u>227,676</u>	<u>152,864</u>

Qrendi Local Council

Notes to the financial statements
Year ended 31st December 2013

Note

9 Administration and other expenditure

	2013 Eur	2012 Eur
Utilities	4,491	4,604
Materials & supplies	5,980	1,623
Office services	7,312	11,470
Rent	3,926	5,850
National and international memberships	1,534	1,779
Transport	411	800
Information services	1,856	2,742
Other contactual services	2,318	1,456
Professional services	5,301	10,455
Lease of equipment	362	307
Community services & events	18,488	9,889
Depreciation	77,487	52,957
Increase in provision for doubtful LES debtors	8,647	6,719
	<u>138,113</u>	<u>110,651</u>

10a Property, Plant and Equipment

	Cost - as at 1st January 2013	Additions new/ (disposal) this year	Cost - as at 31st December 2013	Grants - as at 1st January 2013	Transferred during the year	Grants - as at 31st December 2013	Acc.depreciation - as at 1st January 2013	Charge for the year	Acc.depreciation - as at 31st December 2013	Net book value - as at 31st December 2013
Office furniture & fittings	19,204	145	19,349	0	0	0	13,185	455	13,640	5,709
Office equipment	39,225	897	40,122	2,637	0	2,637	28,949	1,639	30,588	6,897
Urban improvements	166,633	44,404	211,037	0	0	0	56,019	13,901	69,920	141,117
New street signs	5,280	0	5,280	0	0	0	5,280	0	5,280	0
Construction works	918,135	415,565	1,333,700	18,868	0	18,868	524,158	61,492	585,650	729,182
Special programmes	127,998	0	127,998	127,998	0	127,998	0	0	0	0
Assets under construction	114,881	(114,881)	0	0	0	0	0	0	0	0
Total	1,391,356	346,130	1,737,486	149,503	0	149,503	627,591	77,487	705,078	882,905

10b	Property, Plant and Equipment								
	Office furniture & fittings	Eur	19,145	39,225	165,807	5,280	897,000	127,998	0
		Eur	59	0	826	0	21,135	0	114,881
			19,204	39,225	166,633	5,280	918,135	127,998	114,881
	Cost - as at 31st January 2012								
	Cost - as at 31st December 2012								
	Grants - as at 1st January 2012		0	2,637	0	0	18,868	127,998	0
	Transferred during the year		0	0	0	0	0	0	0
	Grants - as at 31st December 2012		0	2,637	0	0	18,868	127,998	0
	Acc.depreciation - as at 1st January 2012		12,701	27,039	43,805	5,280	485,809	0	0
	Charge for the year		484	1,910	12,214	0	38,349	0	0
	Acc.depreciation - as at 31st December 2012		13,185	28,949	56,019	5,280	524,158	0	0
	Net book value - as at 31st December 2012		6,019	7,639	110,614	0	375,109	0	114,881
									614,262

Qrendi Local Council

Notes to the financial statements 31st December 2013

Note

11 Receivables

	2013 Eur	2012 Eur
Local enforcement system debtors	2,341	11,161
Accrued income	72,116	152,966
Prepayments	2,980	3,502
Other debtors	2,109	2,288
	<u>79,546</u>	<u>169,917</u>

LES debtors are stated net of a provision for doubtful debts of Eur 81,997 (31st December 2012 - Eur 73,350).

12 Cash and cash equivalents

	2013 Eur	2012 Eur
Cash in hand	205	205
Bank balances :		
Current accounts	166,099	6,001
Savings accounts	47,229	301,963
Fixed accounts	15,562	12,071
	<u>229,095</u>	<u>320,240</u>

13 Amounts falling due after one year

	2013 Eur	2012 Eur
Deferred income	290,556	306,537
	<u>290,556</u>	<u>306,537</u>

14 Payables

	2013 Eur	2012 Eur
Creditors	224,251	40,521
Accruals	9,882	6,224
Special needs funds yet unspent	22,781	22,781
Deferred income	26,121	26,121
	<u>283,035</u>	<u>95,647</u>

15 Related party transactions

During the year the Local Council effected transactions with related parties mainly in connection with income and expenditure transactions as disclosed in notes 3, 4, 6, 8 and 9 to these financial statements. The following material transactions were carried out with related parties:

	2013 Eur	2012 Eur
Funds received from central government	342,023	324,735
	<u>342,023</u>	<u>324,735</u>

Qrendi Local Council

Notes to the financial statements 31st December 2013

Note

16 Financial instruments

The Local Council has an exposure to the following risks arising from the use of financial instruments within its activities:

- Credit risk
- Market risk

This note presents information about the Local Council's exposure to each of the above risks, policies and processes for measuring and managing risk, and the Local Council's management of capital. Further quantitative disclosures are included in these financial statements.

The responsibility for the management of risk is vested in the Executive Secretary. Accordingly, it is the Executive Secretary who has the overall responsibility for establishing an appropriate risk management framework.

Credit risk

Credit risk is the risk of financial loss to the Local Council if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Local Council's receivables and bank balances.

The Local Council's cash is placed with prime financial institutions.

Receivables are presented net of impairment charges for bad and doubtful debts. However, in the opinion of the Executive Secretary, credit risk with respect to receivables is limited in view of the reputable nature of the Local Council's debtor base for whom there is no history of default.

Capital management

It is the policy of the Executive Secretary to maintain an adequate capital base in order to sustain the future development of the Local Council and safeguard the ability of the Local Council to continue as a going concern. In this respect, the Executive Secretary monitors the operations and results of the Local Council.

Fair values

At 31st December 2013 and 2012 the carrying amounts of cash at bank, receivables, payables and amounts falling due after one year reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments and the relatively short period of time between the organisation of the instruments and their expected realisation.