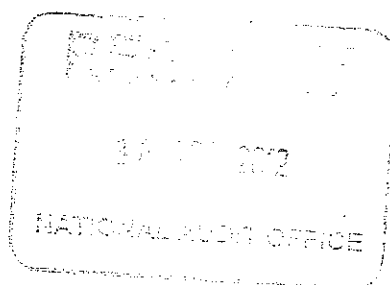




SAN GILJAN

## **SAN GILJAN LOCAL COUNCIL**

### **Annual Report and Financial Statements 1 January – 31 December 2011**



**Prepared by JCA Limited**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
31 DECEMBER 2011**

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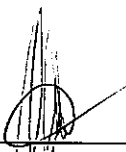

## Financial Statements for the year ended 31 December 2011

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

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

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

Approved by the Council and signed on its behalf on 17<sup>th</sup> April 2012 by:

  
\_\_\_\_\_  
Peter Bonello  
Mayor  
\_\_\_\_\_  
Helen Walker  
Executive Secretary

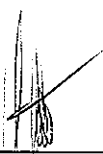
# STATEMENT OF FINANCIAL POSITION


As at 31 December 2011

	Notes	2011 €	2010 €
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	3	216,899	225,483
		<u>216,899</u>	<u>225,483</u>
<b>Current Assets</b>			
Receivables	4	60,778	89,509
Cash and Cash Equivalents	5	625,822	491,394
		<u>686,600</u>	<u>580,903</u>
<b>Total Assets</b>		<u>903,499</u>	<u>806,386</u>
<b>RESERVES AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Retained Fund		613,009	580,611
<b>Non-current Liabilities</b>			
Long term borrowings	6	77,201	81,145
Deferred Income	7	106,590	-
<b>Liabilities</b>			
Payables	8	99,143	137,074
Current portion of long term borrowings	6	7,556	7,556
<b>TOTAL RESERVES AND LIABILITIES</b>		<u>903,499</u>	<u>806,386</u>

The notes on pages 8 to 20 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on 17<sup>th</sup> April 2012 and signed on its behalf by:

  
 Peter Bonello  
 Mayor

  
 Helen Walker  
 Executive Secretary

# STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

		2011 €	2010 €
<b>REVENUE</b>	<b>Notes</b>		
Funds received from central government	9	582,608	590,969
Income raised under Local Council Bye-Laws	10	25,591	25,622
Income raised under Law Enforcement System	11	225,431	248,726
General Income	13	10,232	87,278
		<u>843,862</u>	<u>952,595</u>
 <b>EXPENDITURE</b>			
Personal emoluments	14	(124,155)	(129,347)
Operations and maintenance	15	(535,290)	(586,209)
Administration and other expenditure	16	(150,271)	(233,666)
		<u>(809,716)</u>	<u>(949,222)</u>
 <b>Operating Income for the year</b>		<b>34,146</b>	<b>3,373</b>
 Investment income	12	1,864	944
Finance costs	17	(3,612)	(3,593)
<b>Total Comprehensive Income for the year</b>		<u><u>32,398</u></u>	<u><u>724</u></u>

The notes on pages 8 to 20 are an integral part of the financial statements.

**STATEMENT OF CHANGES IN EQUITY**

Year ended 31 December 2011

	Retained Funds 2011 €	Retained Funds 2010 €
At 1 January	580,611	579,887
Total Comprehensive Income for the year	32,398	724
At 31 December	<u>613,009</u>	<u>580,611</u>

The notes on pages 8 to 20 are an integral part of the financial statements.

# STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	2011 €	2010 €
	Note	
<b>Cash Flows from Operating Activities</b>		
Total Comprehensive Income for the year	32,398	724
Adjustments for:		
Depreciation	8,562	92,641
Interest received	(1,864)	(944)
Interest payable	3,612	3,593
Operating Profit before Working Capital Changes	42,708	96,014
Decrease in inventories	-	2,999
Decrease in receivables	71,377	87,738
Increase/(Decrease) in payables	6,558	(178,069)
Net Cash inflow from operating Activities	120,643	8,682
Interest payable	(3,612)	(3,593)
	117,031	5,089
<b>Cash flows from Investing Activities</b>		
Purchase of Property, Plant and Equipment	22	(21,578)
Interest receivable	1,864	944
Cash Flow used in Investing Activities	1,886	(20,634)
<b>Cash flows from financing activities</b>		
Repayment of bank loans	(3,944)	(3,963)
Increase in grants	19,455	82,655
Cash and cash equivalents	134,428	63,147
Cash and Cash Equivalents at the Beginning of year	491,394	428,247
Cash and Cash Equivalents at the End of year	5 625,822	491,394

The notes on pages 8 to 20 are an integral part of the financial statements.

**Notes to the Financial Statements for the period ended 31 December 2011**

**1. General Information**

San Giljan Local Council is the local authority of San Giljan setup in accordance with the Local Councils Act.

The office of the Local Council is situated at Triq Forrest, San Giljan.

**2. Accounting Policies and Reporting Procedures**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**a. Accounting convention**

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 as adopted by the EU 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.

**b. Standards, amendments and interpretations to existing standards**

**Annual Improvements:** 2010 made several minor amendments to a number of IFRSs. None of the changes to IFRSs and interpretations has had, or is expected to have, a material impact on the council's financial statements.

**Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the council**

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the council.

Council members anticipate that all of the relevant pronouncements will be adopted in the council's accounting policies for the first period beginning after the effective date of the pronouncement.

Information on new standards, amendments and interpretations that are expected to be relevant to the Council's financial statements is provided below. Certain other new standards and interpretations have been issued but are not relevant and therefore are not expected to have a material impact on the council's financial statements.

**IFRS 9 Financial Instruments (effective from 1 January 2013)**

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. IFRS 9 is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Council members have yet to assess the impact that this amendment is likely to have on the financial statements of the council. However, they do not expect to implement the amendments until all chapters of IFRS 9 have been published and they can comprehensively assess the impact of all changes.



**Notes to the Financial Statements for the period ended 31 December 2011 – continued**

**c. 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.

**d. Local Enforcement System**

San Giljan Local Council forms part of Group H Joint Committee. During 2011 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 as well as the administrative fee of 10% that is now chargeable to the respective Regional Committees for contraventions paid at the Council.

**e. 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
Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	Replacement basis
Playground furniture	100
Traffic and Road Signs	Replacement basis
Street Mirrors	Replacement basis
Street Lights	100

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each financial reporting date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

**Notes to the Financial Statements for the period ended 31 December 2011 – continued**

**f. Government Grants**

Government grants are accounted for on the Income Approach according to IAS 20. They 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 cost, then the grant is accounted for when it becomes receivable.

**g. 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.

**h. Amounts Receivable**

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

**i. 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 Council's functional and present currency.

**j. Surplus and deficits**

Only surpluses that were realised at the date of the Statement of Financial Position are recognised in these Financial Statements. All foreseeable liabilities and potential deficits 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.

**k. Cash and 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.

**Notes to the Financial Statements for the year ended 31 December 2011 - continued**

**l. Related parties**

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24.

During the year under review, the Local Council's related party that exercises a significant control was the Department for Local Government. The parties that exercise no control were Water Services Corporation and Malta Environment and Planning Authority whereas there was joint control with the Gozo Joint Committee.

**m. Payables**

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

Amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

**n. Financial Instruments**

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

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

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

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

**Financial assets**

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

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

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

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

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

**Notes to the Financial Statements for the year ended 31 December 2011 - continued**

**Financial liabilities**

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

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

**o. Critical accounting estimates and judgements**

The preparation of financial statements in conformity with IFRS requires council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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

**p. Borrowings**

Borrowings are initially recognised at cost, being the fair value of the consideration received and including acquisition charges associated with the borrowing.

Subsequent to initial recognition, all interest-bearing borrowings, other than liabilities held for trading, are subsequently measured at amortised cost, using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on settlement. Liabilities which are held for trading are subsequently measured at fair value.

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

San Giljan Local Council

Notes to the Financial Statements for the period ended 31 December 2011 - continued

**3a Property, Plant and Equipment**

<b>Tangible Assets</b>	<b>Property</b>	<b>Office Furniture / fittings</b>	<b>Computer Equipment</b>	<b>Urban Improvements</b>	<b>Assets Not yet Capitalised</b>	<b>New Street Signs</b>	<b>Construction</b>	<b>Special Programmes</b>	<b>Total</b>
<b>Cost</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>		<b>€</b>
At 1 January 2011	185,798	63,363	37,809	23,214	-	9,707	216,686	1,423,105	1,959,682
Additions	-	-	175	-	-	-	-	-	175
Adjustment								(197)	(197)
At 31 December 2011	185,798	63,363	37,984	23,214	-	9,707	216,686	1,422,908	1,959,660
<b>Grants</b>									
At 1 January 2011	-	-	-	-	-	-	-	(1,139,777)	(1,139,777)
Additions	-	-	-	-	-	-	-	-	-
At 31 December 2011	-	-	-	-	-	-	-	(1,139,777)	(1,139,777)
<b>Depreciation</b>									
At 1 January 2011	(12,047)	(53,689)	(24,116)	(17,811)	-	(9,051)	(216,686)	(261,022)	(594,422)
Charge for the year	(1,730)	(701)	(3,078)	(516)	-	(425)	-	(2,112)	(8,562)
At 31 December 2011	(13,777)	(54,390)	(27,194)	(18,327)	-	(9,476)	(216,686)	(263,134)	(602,984)
<b>Net Book Value</b>									
At 31 December 2011	172,021	8,973	10,790	4,887	-	231	-	19,997	216,899

**Notes to the Financial Statements for the period ended 31 December 2011 - continued**

**3b Property, Plant and Equipment**

<b>Tangible Assets</b>	<b>Property</b>	<b>Office Furniture / fittings</b>	<b>Computer Equipment</b>	<b>Urban Improvements</b>	<b>Assets Not yet Capitalised</b>	<b>New Street Signs</b>	<b>Construction</b>	<b>Special Programmes</b>	<b>Total</b>
<b>Cost</b>	€	€	€	€	€	€	€	€	€
At 1 January 2010	185,798	62,508	34,318	23,214	70	9,341	216,686	1,406,169	1,938,104
Additions	-	855	3,491	-	-	366	-	16,936	21,648
Transfers	-	-	-	-	(70)	-	-	-	(70)
At 31 December 2010	185,798	63,363	37,809	23,214	-	9,707	216,686	1,423,105	1,959,682
<b>Grants</b>									
At 1 January 2010	-	-	-	-	-	-	-	(1,057,122)	(1,057,122)
Additions	-	-	-	-	-	-	-	(82,655)	(82,655)
At 31 December 2010	-	-	-	-	-	-	-	(1,139,777)	(1,139,777)
<b>Depreciation</b>									
At 1 January 2010	(10,317)	(50,548)	(23,362)	(17,617)	-	(8,985)	(176,716)	(214,236)	(501,781)
Charge for the year	(1,730)	(3,141)	(754)	(194)	-	(66)	(39,970)	(46,786)	(92,641)
At 31 December 2010	(12,047)	(53,689)	(24,116)	(17,811)	-	(9,051)	(216,686)	(261,022)	(594,422)
<b>Net Book Value</b>									
At 31 December 2010	173,751	9,674	13,693	5,403	-	656	-	22,306	225,483

**Notes to the Financial Statements for the period ended 31 December 2011 – continued**

	2011	2010
	€	€
<b>4 Receivables</b>		
Receivables	55,064	87,973
Prepayments and accrued income	5,714	1,536
	<u>60,778</u>	<u>89,509</u>

**Receivables**

Within the credit period	60,778	89,509
Exceeded credit period but not yet impaired	-	-
	<u>60,778</u>	<u>89,509</u>

**5 Cash and Cash Equivalents**

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

	2011	2010
	€	€
Bank Balances:		
Current Accounts	625,589	491,161
Cash in hand	233	233
Cash at bank and in hand	<u>625,822</u>	<u>491,394</u>

**6 Long term and short term borrowings**

	2011	2010
	€	€
Long term portion of bank loan	77,201	81,145
Short term portion of bank loan	7,556	7,556
	<u>84,757</u>	<u>88,701</u>

These borrowings relate to the loan taken to acquire the Council's premises

**Interest rate exposure**

	2011	2010
	€	€
At fixed rates	84,757	88,701
	<u>84,757</u>	<u>88,701</u>

Effective interest rates at the date of the statement of financial position

	2011	2010
	%	%
At fixed rates	3.9	3.9

**Notes to the Financial Statements for the period ended 31 December 2011 – continued**

Long term and short term borrowings	2011	2010
	€	€
Between 1 and 2 years	15,112	15,112
Between 2 and 5 years	22,668	22,668
Over 5 years	46,977	50,921
	<u>84,757</u>	<u>88,701</u>

**7 Deferred Income**

	2011	2010
	€	€
Between 1 and 2 years	19,394	-
Between 2 and 5 years	22,681	-
Over 5 years	64,515	-
	<u>106,590</u>	<u>-</u>

**8 Payables**

	2011	2010
	€	€
Accounts payable	34,701	20,607
Deferred Income	-	44,490
Accruals	64,442	71,977
	<u>99,143</u>	<u>137,074</u>

	2011	2010
	€	€
<b>9 Funds received from Central Government</b>		
In terms of section 55 of the Local Councils Act (CAP 363)	577,370	590,969
Other Government Income	5,238	-
	<u>582,608</u>	<u>590,969</u>

	2011	2010
	€	€
<b>10 Income raised under Local Council Bye-Laws</b>		
Income from contravention of Bye-Laws	25,591	25,622

	2011	2010
	€	€
<b>11 Local Enforcement Income</b>		
Fines and penalties	224,391	187,246
Received		
Accrued	1,040	61,480
	<u>225,431</u>	<u>248,726</u>

	2011	2010
	€	€
<b>12 Investment income</b>		
Bank Interest Receivable	1,864	944
	<u>1,864</u>	<u>944</u>



**Notes to the Financial Statements for the period ended 31 December 2011 – continued**

	2011	2010
	€	€
<b>13 General Income</b>		
Income from MEPA	-	45,279
Income from tender documents	2,094	-
Income from Sponsorships	-	25
Other	7,188	40,332
Contributions and donations	950	1,642
	<u>10,232</u>	<u>87,278</u>
<b>14 Personal Emoluments</b>		
	2011	2010
	€	€
Personal emoluments include, inter alia:		
Mayor's Allowance	5,706	13,386
Councillors' Allowance	8,586	
Executive Secretary salary and allowances	30,245	28,545
Employees' Salaries	71,370	79,391
Social Security Contributions	8,248	8,025
	<u>124,155</u>	<u>129,347</u>
<b>15 Operations and Maintenance</b>		
	2011	2010
Operations and maintenance includes, inter alia:	€	€
<b>Repairs and Upkeep:</b>		
Road and Street Pavements (patching works)	113,142	177,896
Street signs	3,779	8,955
Road markings	11,833	14,365
Other	2,116	19,325
Total	<u>130,870</u>	<u>220,541</u>
<b>Contractual Services:</b>		
	2011	2010
	€	€
Refuse Collection	142,178	156,068
Bulky Refuse Collection	13,716	7,517
Road and Street Cleaning	165,411	128,723
Cleaning and Maintenance - Public Conveniences	17,528	18,337
Cleaning and Maintenance - Parks and gardens	17,801	17,703
Support Services	3,795	4,388
Street Lighting	27,344	18,538
Other	16,647	14,394
	<u>404,420</u>	<u>365,668</u>
Total Operations and Maintenance Expenses	<u>535,290</u>	<u>586,209</u>

**Notes to the Financial Statements for the period ended 31 December 2011 – continued**

<b>16 Administration and other expenditure</b>	<b>2011</b>	<b>2010</b>
	€	€
Utilities	8,070	21,428
Other repairs and upkeep	7,619	2,667
Rent	1,500	1,500
National and International Memberships	688	1,037
Office Services	12,768	15,921
Travel	4,401	5,250
Transport	567	1,001
Bank charges	199	495
Other contractual services	6,079	27,972
Professional Services	36,012	6,622
Community services and events	60,059	57,132
Training	1,668	-
Penalty	2,079	-
Depreciation	8,562	92,641
	<u>150,271</u>	<u>233,666</u>

<b>17 Finance Cost</b>	<b>2011</b>	<b>2010</b>
	€	€
Interest on bank loan	3,612	3,593
	<u>3,612</u>	<u>3,593</u>

**18 Capital Commitments**

	<b>2011</b>	<b>2010</b>
	€	€
Approved but not yet contracted for:	<u>99,411</u>	<u>190,491</u>

Approved but not yet contracted for:

Construction	95,911	190,491
Office furniture and fittings	2,500	-
Office equipment	1,000	-
	<u>99,411</u>	<u>190,491</u>

**Notes to the Financial Statements for the period ended 31 December 2011 – continued**

**19 Financial Instruments and Related Parties Disclosures**

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

Name of entity	Nature of relationship
Department of Local Councils	Significant control
Joint Committee (Local Enforcement)	Joint control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control
Regional Committee	No control

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

	2011	2010
	€	€
Significant control:		
Annual financial allocation	<u>577,371</u>	<u>590,969</u>

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

The Council also receives revenue from other Government entities such as Water Services Corporation for trenching works carried out in the locality, and for the reinstatement of roads as a result of the trenching works.

**20. Risk management objectives and policies**

The Council's activities expose it to credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Council is not exposed to any market risk. The Council's risk management is coordinated by the council members and focuses on actively securing the council's short to medium term cash flow by minimising exposure to financial risks.

The most significant financial risks to which the council is exposed are described below.

**20.1 Credit risk**

The council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period, as summarised below:

	2011	2010
	€	€
Class of financial assets – carrying amounts		
Trade and other receivables	55,064	87,973
Cash and Cash Equivalents	<u>625,822</u>	<u>491,394</u>
	<u>680,886</u>	<u>579,367</u>

The council continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The council's policy is to deal with only creditworthy counterparties.

The council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See note 4 for further information on impairment or financial assets that are past due.

**Financial Statements for the year ended 31 December 2011**

**Independent Auditor's report**

**Notes to the Financial Statements for the period ended 31 December 2011 – continued**

None of the council's financial assets is secured by collateral or other credit enhancements

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

**20.2 Liquidity risk**

The council's exposure to liquidity risk arises from its obligations to meet its financial liabilities which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funds to meet the council's obligations when they become due.

The council manage its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. The council's liquidity is deemed to be sufficient in view of an excess of financial assets.

	2011	2010
	€	€
Payables	99,143	92,584
Current portion of long term borrowings	<u>7,556</u>	<u>7,556</u>
	<u>106,699</u>	<u>100,140</u>
Long term and short term borrowings	2011	2010
	€	€
Current within 1 year	7,556	7,556
Due in 1 to 5 years	30,224	30,224
Due after 5 years	<u>46,977</u>	<u>50,921</u>
	<u>84,757</u>	<u>88,701</u>

**20.3 Summary of the financial assets and liabilities by category**

The carrying amounts of the Council's financial assets and liabilities as recognised at the reporting dates under review are categorised as follows:

	2011	2010
	€	€
<b>Current Assets</b>		
Loans and receivables:		
Trade and other receivables	55,064	87,973
Cash and Cash Equivalents	<u>625,822</u>	<u>491,394</u>
	<u>680,886</u>	<u>579,367</u>
<b>Non-current Liabilities</b>		
Financial liabilities measured at amortised costs:		
Borrowings	77,201	81,145
<b>Current Liabilities</b>		
Financial liabilities measured at amortised costs:		
Payables	99,143	92,584
Borrowings	<u>7,556</u>	<u>7,556</u>
	<u>106,699</u>	<u>100,140</u>

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Our Ref: NAO 107/2010/52  
Your Ref:

2<sup>nd</sup> May 2012

The Mayor and Executive Secretary  
St Julians Local Council  
St Julian's


Dear Sir/Madam,

**AUDIT REPORT and FINANCIAL STATEMENTS  
YEAR ENDING 31 DECEMBER 2011**

In terms of Section 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 year ending 31 December 2011.

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 faithfully,



**Tanya Mercieca**  
A/ Asst. Auditor General

Encls.



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Our ref: ABC/scl/035112

17 April 2012

Dear Sir,

**Financial statements for the year ended 31 December 2011**

During the course of our audit for the year ended 31 December 2011 we have reviewed the accounting system and procedures operated by your council. We have also reviewed the operations of the council and how they conform to the Local Councils Act, 1993, the Financial Regulations issued in terms of this Act, and the supplementary Financial Procedures. We set out in this report the more important points that arose as a result of our review.

**1 Previous management letter**

**1.1 Income**

We are pleased to note that the council has accounted for grants under the income approach.

We did not come across instances where income was classified wrongly.

No differences were highlighted during our proof in total test of the investment income receivable on the bank accounts of the council.

The council is still issuing invoices manually using Word (refer to note 2.8).

The council is depositing its general income and income raised under bye laws on a regular basis.

We still identified instances where income was recorded when received rather than when invoice was issued (refer to notes 2.1 to 2.4).

**1.2 Payroll**

There were still discrepancies between the personnel emoluments as per accounting records and the amounts declared in the statutory forms that are submitted to the Inland Revenue Department (refer to note 5.1).

There were no differences found in the mayor's honorarium this year. However, the council did not request a refund of the over-payment in 2010 in accordance with memo 7/2011 (refer to note 5.3).

We are pleased to note that this year the council has deducted the tax on the mayor's and councillors' allowances at a rate of 20% in accordance with the memo 26/2010.

Certain councillors' allowances were not paid in accordance with the number of meetings attended in accordance with Article 32(2) of the Local Councils Act (refer to notes 8.3 to 8.5).

We have determined instances when a letter of excuse or circumstances to support councillors' absenteeism from a meeting was not provided (refer to note 8.3).

We are pleased to note that the council has properly disclosed categories of personnel emoluments for 2011 in the note to the financial statements. However, 2010 comparatives were not corrected.

### 1.3 Expenditure

Our tests on petty cash expenditure revealed payments which were not supported by a tax invoice addressed to the council but by a cash register chit (refer to note 4.12).

No payments in the form of a donation were identified.

We are pleased to note that there were no payments which exceeded the amount stipulated by the Local Councils Act amounting to €23.29.

The council did not make frequent purchases of the same items from petty cash.

Petty cash expenditures were all recorded in the month that purchase was made.

We still identified variances between the asset value as per accounts and the value insured (refer to note 4.1).

The council has again accounted for rent expense on a cash basis (refer to note 6.4).

The council is still paying a fixed amount to the executive secretary for making use of her personal car and mobile (refer to note 4.3).

We did not come across instances of reimbursement to the mayor.

We only encountered one instance where the council made a direct order and exceeded the amount stipulated by the Procedures (refer to note 4.5).

We did not encounter instances where suppliers' invoices lack necessary details.

We did not encounter instances where contracts on awarded tenders had expired.

We came across a contract where the duration of the contract was more than that allowed by the Local Councils (Tendering) Procedures (refer to note 4.10).

We did not encounter instances where the council did not publish the advert for tenders on the Government Gazette and other local newspaper.



#### **1.4 Local Enforcement System**

We were unable to determine the amount receivable from Joint Committee as no audited financial statements were provided to us (refer to note 2.6).

#### **1.5 Fixed assets**

The council failed to obtain a signed quotation relating to one purchase of capital expenditure (refer to note 3.2).

We did not encounter instances where fixed asset additions were recognised in the wrong accounting period.

Fixed asset additions agree to the nominal accounts.

We are pleased to note that the council has prepared a fixed asset register and it agrees to the accounts.

A minor difference was found when testing depreciation charge for the year (refer to note 3.1).

Street signs are not accounted for on the replacement basis and have a net book value (refer to note 3.1).

The council has satisfactorily depreciated urban improvements at the rate specified by the Local Councils (Financial) Procedures.

We did not encounter instances where third parties donated capital expenditure to the council.

#### **1.6 Accounting treatment of grants**

We did not come across instances where we were not provided with documentation relating to grants.

Moreover, we did not encounter instances where capital expenditure was overstated.

We are pleased to note that the council has understood the income approach method.

Although, we were not provided with a breakdown of the grant balance amounting to € 1,139,777, the plant register agreed to the accounts. This enabled us to identify the breakdown of the grant balance.

We were provided with a breakdown of deferred income.

The council still did not apportion deferred income properly into short and long term (refer to note 2.5).

#### **1.7 Bank and cash**

The bank reconciliations have been prepared and we have determined no discrepancies this year.

There were no discrepancies found this year while testing the unrepresented cheques and also all cheque details were correctly included in the bank reconciliation.

The council only has 'view only' access to its bank accounts.

**1.8 Prepayments**

No differences were noted during the testing of prepayments, except for a small difference related to rent prepaid (refer to note 6.4).

**1.9 Creditors**

The council still did not provide us with all creditors' statements at year end (refer to note 7.1).

No discrepancies were noted in the council's trade and other payables.

The council is still in dispute with WasteServ Malta Limited and will not pay for the amount in excess of that allocated to them by Central Government (refer to note 7.3).

We are pleased to note that no errors were noted during our cut off testing procedures.

**1.10 Council meetings**

Minutes were not bound (refer to note 8.1).

We encountered instances where the time of meetings held was not in accordance with the Procedures. However, on further investigation, we were informed that there was the consensus of all councillors.

**1.11 Electronic site**

The council has successfully uploaded all schedules of payments on the electronic site of local councils.

**1.12 Groupings**

Expenses are still not being allocated to nominal accounts consistently from year to year (refer to note 11.1).

**1.13 Chart of accounts**

The council still has thirty-two nominal accounts opened in relation to fixed assets (refer to note 12.1).

**1.14 Bank loan**

The bank loan was not properly classified into short and long term portions (refer to note 10.1).

**1.15 Financial statements**

Errors and misclassifications were still identified in the cash flow (refer to note 9.6).

Anticipated capital expenditure agrees to the disclosures provided in the financial statements.

Financial statements were not fully compliant with International Financial Reporting Standards (refer to notes 9.1 to 9.5).

The council still failed to disclose a note relating to contingent liabilities (refer to note 9.8).

#### 1.16 Accounting services

We are pleased to note considerable improvements by the council relating to the updating of the books of account and preparation of financial statements.

## 2 Income

### Accounting for income

- 2.1 Whilst testing other Government income for the current year we noted an amount of € 738.40 relating to 2010 which was posted in 2011 (Lifelong Learning Scheme).
- 2.2 Moreover, when testing general income we came across an amount of € 2,420.18 regarding the 'move together poster exhibition project' pertaining to 2009. This was wrongly recognised as income in the books of account instead of setting it off against accrued income. We have proposed an adjustment for the € 2,420.18 and this was correctly reflected in the final set of financial statements.
- 2.3 When testing income from regional committees, we determined that an amount receivable of € 295.71 relating to December 2011 was not accrued for. We proposed an adjustment to recognise this income and this has been incorporated in the financial statements.
- 2.4 These instances indicate that these amounts were accounted for on a cash basis rather than on an accruals basis. We recommend that every effort is made to account for income on an accruals basis in accordance with International Financial Reporting Standards and generally accepted accounting principles.

### Deferred and accrued income relating to grants

- 2.5 The council is still not properly apportioning deferred income into its short term and long term components and making these disclosures in the notes to the financial statements. The apportionment should be based on the period within which the income from the grant is expected to be released. We have proposed an adjustment to reclassify deferred income into current and non-current. The council has included the above mentioned reclassification in the audited financial statements.

### Income from joint committee

- 2.6 At the time of our audit, the audited financial statements of the joint (pre-regional) committee for 2011 were not made available to us. Although the amounts received were traced to the bank statement, our audit opinion was qualified due to a limitation of scope with respect to LES income.
- 2.7 We urge the council to put more pressure on the joint committee to supply timely audited financial statements in order to ascertain that all amounts due are included in the council's financial statements.

### Invoices

- 2.8 We are disappointed to note that the council is still issuing invoices manually using Word. We reiterate our recommendation that the council should make use of the invoicing tool in the accounting software. If this is part of the accounting software the

council can ensure that all outstanding debtors are included in the debtors' list generated by the software as at year end.

### **3 Fixed assets**

#### **Depreciation charge**

- 3.1 A minimal difference amounting to € 194 was identified in the depreciation charge. This arose mainly due to depreciation charged on street signs. May we remind the council that as per memo 121/2011 the council must treat street signs on a replacement basis, and not depreciate these as an asset. In addition we noted that street signs have a net book value of € 231 at the year end. Prior to the use of the replacement basis, these items were depreciated using a rate of 100%. Therefore the net book value should be nil.

#### **Fixed asset additions**

- 3.2 When testing additions, we came across an amount of € 175 for office equipment for which no signed quotation was obtained. We understand that the council had informed itself of prices over the internet. However, may we remind the council that in accordance to the Local Councils (Financials) Procedures the council must obtain one signed quotation for purchases between € 23.29 and € 1,164.69.

### **4 Expenditure**

#### **Asset insurance**

- 4.1 We reviewed the council's insurance policies and noted the following discrepancies between the insurance cover and cost as per nominal ledger/plant register:

<b>Asset</b>	<b>Value as per policy €</b>	<b>Value as per books €</b>
Buildings, fixtures, fittings, and electronic equipment	264,142	287,144

- 4.2 We recommend that the council looks into the matter and updates its policies accordingly in order to avoid any problems should it need to make a claim. Local Councils (Financial) Procedures, 1996 state that the value of assets should be reviewed periodically to assess the adequacy of insurance coverage.

#### **Reimbursements**

- 4.3 We regret to note that the council is still providing the executive secretary with a fixed amount for making use of her personal mobile and car for council purposes.
- 4.4 We reiterate our recommendation that effective control is exercised and reimbursement is only made if it is council-related, on a call-by-call basis and on a mileage basis. This is because such procedures present the council with a danger of having to pay for mobile calls and fuel expenses that are not actually incurred in the performance of council duties.

#### Procurement procedures

- 4.5 During our audit of procurement procedures, we noted a payment which exceeded € 23.39 to Paperclip yet no quotation was obtained. This purchase amounted to € 183.15.
- 4.6 May we remind you that in accordance with the Local Councils (Financial) Procedures, 1996 the councils should obtain at least one signed quotation for purchases exceeding € 23.39. In addition, as stated in memo 1/2010, all calls for quotations must be published on the Government Gazette.

#### Tendering procedures

- 4.7 Whilst testing tenders we noted that, although a schedule of tenders is completed and correctly witnessed when the tender box is opened, the list is not underlined to indicate cut-off after the last tenderer to indicate the end of the list.
- 4.8 We recommend that this procedure is adopted to reflect good business practice and to obviate the possibility of the addition of further tenders at a later time.
- 4.9 For tender number CM 52-04/2011 (contract manager), the executive secretary did not allow at least 30 days from the date of publication of the tender and the closing date for the submission of tenders. This breaches the requirements of the Local Councils Tendering (Procedures) 1996.
- 4.10 We noted that a contract for the collection of mixed household waste was entered into with Velljo Limited for a period of four years. May we take the opportunity to remind you that the Tendering Procedures (1996) dictate that the duration of a contract cannot exceed three years, and extended to no more than four years.
- 4.11 Whilst we appreciate the difficulty which the council may encounter in certain instances, we must recommend that the stipulated Procedures should be respected since the council would not only be complying with all the relevant requirements but would also be operating in a system which guarantees the required degree of control over purchases of services and supplies.

#### Petty cash expenditure

- 4.12 The council has continued to support petty cash payments by cash register chits. Below are some instances which we came across when performing the audit fieldwork:

Date	Details	€
30.03.2011	Newspapers Hompesch Stationery	15.60
27.09.2011	Spinola Paint Store	8.00
08.11.2011	Spinola Paint Store	8.30
23.05.2011	Scotts Supermarket	9.99
14.10.2011	MCA parking fee	2.00
06.07.2011	Arriva bus ticket-delivery of documents to LCD	1.20
20.06.2011	Arena Laundry Ltd-cleaning material and supplies	23.07
21.02.2011	Scotts Supermarket	5.30

- 4.13 This is in contravention of the Local Councils (Financial) Procedures, 1996 which specifically require that supplies are only made on the provision of a proper tax invoice which is addressed to the council. This ensures that only expenditure incurred in the furtherance of the council's operations is paid by the council.

- 4.14 Petty cash payments are properly approved in council meetings. We suggest that the description of purchases is more specific rather than general, such as "consumables", to ensure proper control over petty cash expenditure.

#### **Festa ta' Lapsi**

- 4.15 In meeting 47 the council unanimously approved the allocation of € 3,500 for Il-Festa ta' Lapsi. However the total expenditure for this activity was in excess of € 18,000. Of this amount € 4,500 was refunded by Government under the Activities' Initiatives Scheme (memo 65/2011).
- 4.16 The council should seek guidance from the Department as to whether this activity, although not described as locality day, should be governed by the requirements of memo 8/2011. This memo states that amounts expended on locality day (together with that spent on meals/receptions) should not exceed € 3,500 or 0.5% of the allocation, whichever is the higher. We would also like to mention that once council has approved a budgeted amount for an activity, it should endeavour to adhere to the amount agreed upon in meeting.

### **5 Payroll**

#### **Reconciliation of nominal ledger to statutory forms**

- 5.1 Whilst testing the wages reconciliation of the council, we came across an unreconciled discrepancy of € 129.70 between the personnel emoluments in the accounting records and the amounts declared in FS5 forms that are sent to the Inland Revenue Department.
- 5.2 It is important that FSS forms agree to payroll expenditure as per accounts to ensure that all amounts paid are properly declared to the CIR. We therefore suggest that these are reconciled on a monthly basis and any identified differences are investigated and adjusted.
- 5.3 In 2010, the mayor was overpaid an amount of € 3,839.79 for his honorarium. We proposed an audit adjustment to show this amount as a prepayment but this was not posted in the council's books of account. In the council's reply to our management letter, the council stated "*the amounts given to the Council's mayor are not being requested as a refund from the Mayor as per memo 7/2011. The council therefore feels that Audit Journal Entry 1 is no longer applicable.*"
- 5.4 This is not in line with memo 7/2011, which states that honoraria paid in excess of two thirds of the honoraria paid to members of parliament can either be offset against future honoraria or be refunded by the mayor. (It also adds that the council may choose to wait until the matter is resolved and then recalculate the honorarium. In view of the uncertainty as to when the matter will be resolved we recommend that the amount is either refunded or offset.) Therefore we have again proposed an audit adjustment of € 3,839.75 to show the amount as a prepayment of the honorarium and this should either be offset against future payments or refunded.

### **6 Debtors**

#### **Receivables**

- 6.1 When testing receivables we noted that the council erroneously classified an amount of € 30,911.26 relating to UIF funds as a debtor instead of accrued income. It is

important to distinguish between accrued income and debtors in order to avoid the possibility of double counting in future.

- 6.2 One debtor, Schranz Limited, is disputing the balance of € 1,623.15 shown in the council's books of account with respect to crane permits. In that company's reply to our confirmation request, it stated that the property in question was transferred and therefore the balance was no longer due by it.
- 6.3 We recommend that the council follows up this balance and either claims the balance due from the new owner of the property or else determines if the amount is not recoverable. In the latter case a provision for doubtful debts should be created.

#### **Prepayments**

- 6.4 We noted that no provision was made for prepaid rent expense amounting to € 29. Instead the council has recognised the full amount (€ 1,500) paid during the year under review as an expense. No adjustment was proposed as the amount is deemed to be insignificant. We recommend that the council's annual charges are reviewed to determine whether any element of an invoiced amount is a prepayment.

### **7 Creditors**

#### **Trade creditors**

- 7.1 Contrary to the relevant Procedures, the council did not request monthly statements from suppliers and we were not provided with statements for creditors at year end. Memos issued from time to time by the DLG specifically state that the council should obtain monthly statements and uses these to reconcile supplier balances.
- 7.2 We repeat our recommendation that the council requests monthly statements and regularly reconciles creditors' balances in the accounts to these statements.

#### **WasteServ Malta Limited**

- 7.3 When reconciling the balance due to WasteServ Malta Limited it was noted that the council has not recognised in full invoices received from WasteServ Malta Limited. This follows instructions received from LCA through circular 43/2010 dated 26 July 2010 wherein it was stated that the council is not to pay tipping fees in excess of the Government tipping fees allocated. At the reporting date the amount in dispute was € 11,111.91.
- 7.4 We recommend that the council discusses this matter again in meeting and formally registers the council's stand on the issue. The dispute has been in existence since the end of 2009 and, if not resolved in the foreseeable future, the disputed amount will reach a very significant amount. At this stage it is not possible to determine the outcome of negotiations between the LCA and WasteServ Malta Limited. However, if a decision is taken by Government in favour of the supplier, the council will be faced with a substantial bill to pay. Meanwhile the disputed amount of € 11,111.91 should be shown as a contingent liability in the financial statements.
- 7.5 Prudence dictates that a provision should be made for all foreseeable losses. We understand that the council is awaiting the outcome of discussions between the LCA and WasteServ Malta Limited. As a consequence of the above we have qualified our audit report.

## 8 Meetings and minutes of meetings

### Minutes

- 8.1 Whilst reviewing the minutes of the council we observed that these are properly filed but are not bound at the end of each financial period.
- 8.2 In its reply to the management letter last year, the council replied that *"the binding of the council minutes will involve an expense which the council feels is not justified"*. We would like to remind the council that this is a requirement of the Local Councils (Office) Procedures and therefore cannot be ignored on the basis of the cost involved. Board minutes are a permanent, unchangeable record of all meetings held by the council and decisions made and should be given due importance.

### Attendance

- 8.3 When reviewing the minutes, we noted that two councillors failed to attend meeting number 39 on the 13 January 2011 yet the full annual allowance was paid. We did not identify a letter of excuse or circumstances which supported these councillors' absence from this meeting.
- 8.4 We also noted that allowances were calculated on the basis of 12 meetings rather than on the basis of the 13 meetings held.
- 8.5 In accordance with memo 89/2009, the allowance given to the mayor and the councillors should be paid in proportion to the number of meetings they attend out of all meetings held. However, if one of the above has a valid reason for not attending, he/she must submit a letter to the executive secretary justifying the reason for his/her absence. The reason behind the absence shall be discussed by the council and the executive secretary has to attach the letter to the minutes. Accordingly, the council has to deduct the appropriate allowance where councillors failed to attend meetings and no valid reasons for their absence were minuted (with letter attached).

## 9 Financial statements

### Presentation of financial statements

- 9.1 We would like to point out that, in accordance with the DLG's communications and instructions all local councils' financial statements have to be prepared in conformity with International Financial Reporting Standards (IFRS). The council's financial statements are not IFRS compliant.
- 9.2 For example, the unaudited financial statements do not give the qualitative and quantitative disclosures required by IFRS 7, Financial Instruments: Disclosures. In addition, certain disclosures required by IAS 1, Presentation of Financial Statements, regarding capital management and risk management policies have been omitted. However, after our recommendation the council has included the risk management policies.
- 9.3 Receivables are not properly distinguishing between trade receivables, other receivables, prepayments and accrued income. Furthermore accrued income is grouped with receivables in the notes to the financial statements instead of with prepayments and accrued income.



9.4 Other payables are wrongly recognised in the financial statements as trade payables.

9.5 (We have also noted that the note on borrowings does not specify terms, such as interest rates and security.)

#### **Cash flow statement**

9.6 We identified some shortcomings in the cash flow statement including the adjustment for the non-cash release of income from grants and cash receipts of grants from Government. The cash flow statement was adjusted following notification of these errors.

9.7 We recommend that the cash flow statement is prepared correctly and reflects actual cash movements in accordance with IAS 7, Cash Flow Statements.

#### **Contingent liability**

9.8 In reviewing the bank confirmation letter received on the 12 March 2012 we noted a bank guarantee amounting to € 5,000 relating to the 'Balluta accessibility project' in case the council causes any damages. The council failed to disclose the bank guarantee in the notes to the financial statements. We recommend the council discloses the amount as a contingent liability in accordance with IAS 37 and the specimen format financial statements.

9.9 Furthermore, € 5,000 in HSBC account 0020 4331 3002 has been blocked by the bank to cover the guaranteed amount. Therefore the note regarding bank balances should state that there is a restriction on this amount in accordance with IAS 7, Cash Flow Statements.

9.10 We recommend that these disclosures are made in accordance with International Financial Reporting Standards and Local Councils (Financial) Procedures to ensure that full disclosure is made of the council's contingent liabilities and restrictions on funds.

### **10 Bank loan**

10.1 When re-performing loan calculations to measure the loan into its short-and-long-term portions, we did not agree with the amount shown as payable within one year in the financial statements by € 4,045. We used the monthly instalments and interest rates as stated in the bank confirmation letter received on 12 March 2012.

10.2 We advise the council to amend its calculation in line with the current bank loan agreement. The current portion should be based on the discounted value as at the year end and should not include interest. The present overstatement of the current position of the loan will reflect adversely on the council's liquidity position and FSI. The council has corrected the short-term and long-term portion of bank loan in the audited financial statements, based on our proposed reclassification.

### **11 Posting/grouping of accounts**

11.1 We identified various instances where income and expenses were posted in different accounts or grouped in different line items for each of the reporting periods presented. For example, personnel emolument's figures for 2011 and 2010 are not comparable since payments have been grouped in different line items.



- 11.2 We recommend that account postings should be applied consistently from year to year to ensure the comparability of figures presented in the financial statements.

## **12 Chart of accounts**

- 12.1 The council has continued with thirty two nominal accounts open in relation to fixed assets. We reiterate our recommendation that effective action be taken to reduce the number of nominal accounts for fixed assets to that stipulated in the Local Councils (Financial) Procedures.

## **13 Reply to management letter**

- 13.1 The council sent its reply to our management letter (dated 3 May 2011) on 24 June 2011. A number of responses were not specific in nature but were simply given as "noted".
- 13.2 We look forward to receiving the council's response to this management letter, confirming that the council has discussed the letter and outlining specifically what action is to be taken to remedy the above mentioned weaknesses and errors. We would like to remind the council that in accordance with memo 121/2011, the reply must be received by 13 June 2012 or six weeks after receipt of the letter from the Auditor General.

## **14 Theft from premises**

- 14.1 On 7 December 2011 the council's premises were burgled and € 331.85 cash in hand and six bottles of whisky were stolen. The council duly filed a police report and this formed the basis for an insurance claim.

We were unable to ascertain where this amount was expensed and furthermore noted that no provision has been made for an amount claimed from the insurance company.

- 14.2 We recommend that the amount stolen is shown as a separate line item in the financial statements in order to disclose the nature of the item and avoid distortion of other expenses. We further recommend that, if the claim has been accepted by the insurance company, the council accrues the amount agreed upon to match the amount expensed in the statement of comprehensive income.

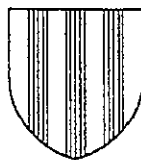
## **Conclusion**

We would like to point out that the matters dealt with in this report came to our notice during the conduct of our normal audit procedures which are primarily designed for the purpose of expressing an opinion on the financial statements of the council. In consequence our work did not encompass a detailed review of all aspects of the system and cannot be relied upon necessarily to disclose defalcation or other irregularities or to include all possible improvements in internal control that a more extensive special examination might develop.

We would like to take this opportunity to thank Ms Helen Walker and her staff for their co-operation and assistance during the course of the audit.

Yours faithfully,

*Grant Thornton*



SAN GILJAN

## Kunsill Lokali San Giljan

Triq Forrest, San Giljan, STJ 2033,  
Tel : 21 373111 21 375376 Fax : 21 373444  
e-mail:- sangiljan.lc@gov.mt

17<sup>th</sup> May 2012

Our Ref: K0500/062&200-08/12 – MM  
Min 2/K7/12

Your Ref: NAO 107/2010/52

The Hon. Dr. Lawrence Gonzi  
Prime Minister  
Office of the Prime Minister  
Auberge de Castille  
Valletta

Thro' Department for Local Government

Honourable Prime Minister,

### ***Re: Audit for the year ended 31<sup>st</sup> December, 2011***

We refer to the management letter dated 27<sup>th</sup> March, 2012. Please find hereunder the Council's comments:

#### **2. INCOME**

The proposed adjustments relating to income were accounted for and reflected in the financial statements presented after the audit.

The deferred income was correctly calculated, but the amount was not transferred to income. In fact there were no adjustments by the auditors to the workings. There was a relocation of the current year amount that was released against income as recommended by the auditor.

Regarding the income from the joint committee, the audited financial statements were received after the audit had taken place.

Invoices will, from 2012, be issued through the accounting software. During 2011 the Council was concentrating on the improvements that were pointed out by the auditors in point 1 of this management letter.

#### **3. FIXED ASSETS**

The street signs that are still showing in the fixed assets register will be fully depreciated during 2012.

The fixed assets purchased amounting to €175 was a purchase made by a direct order. This amount does not exceed €1,164.69 referred to in the financial procedures and is within the range that can be procured by direct order.

#### 4. EXPENDITURE

Asset Insurance is usually calculated at replacement cost. The buildings for example are usually calculated at rebuild and finishing cost for insurance purposes, since in the case of a disaster, the Council will still have title to the land on which the property is built.

The reimbursements noted again by the auditors relate to a Council decision that was taken years ago.

As far as I am aware quotations are required for procurements that exceed €1,164.69

Regarding the tender for refuse collection, all Local Councils were allowed to issue a contract for 4 years. This is evident from the revised specifications received by the Local Council from the Department for Local Councils. Vide Memo 26/2009.

With regards to Tender No. RM52-04/2011 (Contract Manager) we do not agree that the Secretary did not allow at least 30 days from date of publication of the tender and the closing date for the submission of tenders. Kindly see copy of advert issued in Government Gazzett.

The auditor has pointed out 8 instances where they feel that adequate cash register chits were not received by the Council. All the purchases listed were supported by a cash register fiscal receipt; just to point out that the Arriva bus ticket is a receipt in itself.

As the auditors know, the fact that the Council does not have a VAT number does not enable suppliers who have a cash register to issue a fiscal receipt addressed to the Council. The only information that can be entered on VAT registers is the customers VAT number, so this does not apply in the case of the Local Council.

The feast of Lapsi is specific to the Locality. One must consider that this was the first time that this activity was held and it was difficult to predict the exact cost of this event. In future better budgeting can be made from past experience.

#### 5. PAYROLL

There was no discrepancy between the FS7 at the end of the year and the amounts entered in accounting records. A reconciliation of the payroll was given to the auditors while they were on site.

The amount of the honorarium that the auditors are pointing out as being overpaid have been accounted for as recommended.

#### 6. DEBTORS

The UIF due from MEPA was entered directly to the debtor account as soon as this amount became due. There was no duplication of this amount in the accounts. This amount was relocated to accrued income by the auditors and the Council transferred the funds as proposed by the auditors.

The Council will be following up on the debt which is still outstanding by Schranz Limited in order to determine the recoverability of this amount. The necessary provision will be made in

the accounts once the situation is clarified and a decision is taken by the Council on how best to proceed on the matter.

#### Prepayments

The recommendation made the auditor has been noted and more care will be taken in the future.

### 7. CREDITORS

The Council requests monthly statements from suppliers every time a payment is made to the supplier. There is a note at the bottom of each payment voucher asking creditors to send an updated statement. The Council cannot impose that suppliers send monthly statements, it can ask for them as it has done repetitively.

#### Wasteserv Limited

- The Council is as concerned as the auditor about this situation. The Council however has no control over the situation. The Council would like to point out that during 2011 the invoices from Wasteserv were entered in full in their accounting records and the amount that was not entered relates to previous years when the Council felt that the amount in dispute was clearly not due to the Supplier.

The Council would appreciate if the parties negotiating would try to come to an agreement, so as not to need to inflate creditors with amounts that exceed the budget that was awarded to the Council for this service.

### 8. MEETING AND MINUTES OF MEETINGS

This will be looked into and the binding of the minutes will eventually be done.

### 9. FINANCIAL STATEMENTS

- The points mentioned by the auditor regarding the financial statements were taken into consideration when preparing the financial statements post audit. This was brought to the attention of the accountant and further attention will be taken in the future.

### 10. BANK LOAN

The new agreement and the revised settlement terms will be looked into. It must be noted that the calculations were made based on the current repayments being made by the Council to the bank in order to pay off the loan in accordance to the signed agreement with the bank.

### 11. POSTING/GROUPING OF ACCOUNTS

During 2011 there was a change in the Council's accountant, so certain expenditure could have been interpreted in a different way to the previous accountant. These discrepancies should not arise in the future.

One must note however that during the current year the accounts were prepared in order to distinguish between the expenses incurred in relation to Paceville and St Julians wherever this

was possible. This is mainly because the hamlet of Paceville has its own budget and income and expenditure needs to be as easy to identify as possible.

**12. CHART OF ACCOUNTS**

The accounts mentioned in relation to fixed assets have been created in order to be able to have a clear picture at a glance of capital project costs.

**13. MANAGEMENT LETTER REPLY**

Point noted.

**14. THEFT FROM PREMISES**

The amount of cash stolen from the Council premises amounting to €331.85 was accounted for under sundry minor expenses. The insurance claim was not accounted for since it is highly unlikely that the Council will receive any form of compensation from the insurance company, even though the necessary insurance policies were in place at the time of the incident.

Yours sincerely,



Peter Bonello  
Mayor

cc: - Director of Audit  
- Grant Thornton

It-28 ta' Ottubru, 2011

12,169

# KUNSILL LOKALI SAN GILJAN

# SAN GILJAN LOCAL COUNCIL

Il-Kunsill Lokali San Giljan jgħarraf illi:-

The San Giljan Local Council notifies that:-

Sal-10.30 a.m. ta' nhar it-Tlieta, id-29 ta' Novembru 2011 fil-kaxxa tal-offerti fl-Uffiċċju Amministrattiv tal-Kunsill jintlaqgħu offerti magħluqin u mmarkati "Offerta għal Servizz ta' Contract Manager tal-Kunsill Lokali - Offerta Nru. CM 52 - 04/2011, għal:-

Sealed tenders marked "Tender for the Service for Local Council Contract Manager - Tender No. CM 52 - 04/2011 are to be submitted in the tender box at the Council's Administrative Office by not later than 10.30 a.m. on Tuesday, 29th November 2011, for:-

Avviż Nru. CM 52 - 04/2011. Servizz ta' Contract Manager tal-Kunsill Lokali.

Advt. No. CM 52 - 04/2011. Service for Local Council Contract Manager.

Għandu jithallas dritt ta' €35.00 għal kull kopja tad-dokument tal-offerta.

A fee of €35.00 is to be paid for each copy of tender document.

○ dokumenti tal-offerta jistgħu jingabru mill-Uffiċċju Amministrattiv tal-Kunsill, Triq Forrest, San Giljan STJ 2033, fuq dritt tal-ħlas.

Tender documents may be collected from the Council's Administrative Office, Triq Forrest, St Julians STJ 2033 against the respective payment.

L-offerti jinfetħu fil-pubbliku minnufih wara l-ħin tal-għeluq kif stipulat.

Tenders will be opened in public immediately after the closing time stipulated.

Il-Kunsill iżomm id-dritt li jirrifjuta anke l-aktar offerta vantaġġuża.

The Council reserves the right to refuse even the most advantageous offer.

It-28 ta' Ottubru, 2011

28th October, 2011

## AVVIŻI TAL-QORTI - COURT NOTICES

○ Lista ta' persuni kkwalifikati biex joqogħdu u li għandhom iservu bħala Primi Ġurati u Ġurati Ordinariji fil-Qorti Kriminali fil-ġuri li għandu jsir fil-21 ta' Novembru, 2011. skont l-olu 606 tal-Kodiċi Kriminali (Kap. 9, Ediz. Riv.).

List of persons duly qualified and subject to serve as Foreman and Jurors in the Criminal Court during the trial by jury to be held on the 21st November, 2011, in terms of section 606 of the Criminal Code (Cap. 9, Rev. Ed.).

### PRIM ĠURATI

Aquilina Mark, Steward, Tarxien  
Attard George Olaf, Accountant, Sliema  
Attard Martin, Assistant, Luqa  
Buttigieg-neè Agius Carmen, Clerk, Żejtun  
Dimech Emanuel, Clerk, Birkirkara  
Fiorentino Joseph, Clerk, Luqa  
Ghigo Geoffrey, Bank Employec, Marsaskala  
Saliba Joseph, Draughtsman, Żejtun  
Vella Franco, Messenger, Msida  
Vella Patricia, Pharmacist, Mellieħa

Bongailas Ann Marie, Secretary, Żabbar  
Borg Anthony, Public Officer, Naxxar  
Borg Charmaine, Clerk, Tarxien  
Borg Peter, Public Officer, Msida  
Bugeja Rosann, Unemployed, Birgu  
Buhagiar neè Farrugia Ingrid, Clerk, Balzan  
Camilleri Adrian, Clerk, Siġġiewi  
Camilleri neè Mifsud Marica, University Graduate, Żurrieq  
Caruana Albert, Handyman, San Giljan  
Cassar Ruben, Public Officer, Sannat  
Chetcuti neè Sciberras Catherine, Pharmacy Technician, Kalkara  
Chircop Pasquale Lino, Electrical Engineer, Mosta  
Downham Doris, Housewife, Gżira  
Ebejer neè Galea Margaret, Public Officer, Marsaskala  
Fenech Adrian, Scientific Officer, Tarxien.

### ĠURATI ORDINARIJI

Aquilina Delmar Claudine, Machine Operator, Msida  
Attard Anita, Teacher, Gżira  
Bonello Edward John, Bank Employee, Pietà



# ADVERTS FOR TENDERS AND QUOTATIONS - DEPARTMENT FOR LOCAL GOVERNMENT



**H'Attard Local Council** 6, Main Street, Attard BZN04 - Tel: 21411111 - Fax: 21411414 - Email: attard.lc@gov.mt

The H'Attard Local Council is requesting expressions at the Council Administrative Offices up to noon 30th November 2011 for:  
 • Upgrading of the Playing Field equipment at Gulen l-Istazzjon in Triq il-Gemma and open air gym equipment in Gulen Hal Warda, Triq Hal Warda, H'Attard.  
 Interested persons are to supply the Council with different options of playing field and open air gym equipment for the existing spaces found in these gardens.  
 Drawings of the areas concerned will be supplied.

Marjica Mifsud, Executive Secretary



**Ghajnsielem Local Council** 11, "Bernardina House", Piazza tad-Dehra, Ghajnsielem GSM1200 - Tel: 21561515 - Fax: 21560909 - Email: ghajnsielem.lc@gov.mt

The Ghajnsielem Local Council notifies the general public that sealed tenders will be received at the Council Administrative Offices up till noon on 4th November, 2011 for:  
 • Tender GHJN 07/2011 - Supply of roof sheet foam panels  
 The Ghajnsielem Local Council notifies the general public that sealed tenders/quotations will be received at the Council Administrative Offices up till noon on 25th November, 2011 for:  
 • Quotation OTN 01/2011 - Hiring of mobile toilets  
 • Quotation OTN 02/2011 - Purchase of A4 brochure stands  
 • Quotation OTN 03/2011 - Supply and delivery of civic couch (standard size) with head rest  
 • Tender GHJN 08/2011 - Supply and installation of office furniture for the new civic centre  
 • Tender GHJN 09/2011 - Supply and delivery of office seating  
 • Tender GHJN 10/2011 - Services of an accountant  
 A fee of €40 is to be paid for each copy of the Tender document while a fee of €25 is to be paid for each copy of the quotation documents. Tenders will be opened in public at the same office immediately after closing time.  
 Ghajnsielem Local Council reserves the right to refuse any or all tenders submitted, even the most advantageous. For further details please contact the Executive Secretary on the Local Council's telephone number.

Amanda Abela, Executive Secretary



**L-Isla Local Council** 2/4 Triq San Guzepp, Isla ISL1229 - Tel: 21662424 / 27013004 - Fax: 2166256 - Email: isla.lc@gov.mt

L-Isla Local Council notifies that sealed quotations will be received at the Local Council Office by not later than noon on Wednesday, 9th November 2011, for:

• Quotation no. SLC Q14/2011 - Printing of Diary/Directory 2012 (fee €25)  
 Relative documents may be collected from the Local Council's Administrative Office during office hours, Monday to Friday from 9.00 am to 4.00 pm. Sealed quotations will be received at the Local Council Administration Office.  
 Quotations will be opened in public immediately after closing date.  
 The Isla Local Council reserves the right to refuse any quotation, even the most advantageous.  
 Further details may be obtained from the Local Council.

Arthur Perici, Executive Secretary



**San Gġiljan Local Council** Forrest Street, San Gġiljan STJ 2033 - Tel: 21373111 / 21375376 - Fax: 21373444 - Email: sangiljan.lc@gov.mt

The San Gġiljan Local Council notifies the general public that sealed tenders will be received at the San Gġiljan Local Council Administrative Offices up to 10.30a.m. on Tuesday 29th November 2011.  
 • Tender No CM 52 - 04/2011 - Service for Local Council Contract Manager.  
 For further details please contact the Executive Secretary on the Local Council's telephone number.

Helen Walker, Executive Secretary



**San Pawl il-Baħar Local Council** 552, Triq San Pawl, San Pawl il-Baħar SPB 3418 - Tel: 21585801 - Fax: 21583058 - Email: sanpawil-bahar.lc@gov.mt

The San Pawl il-Baħar Local Council notifies that sealed quotations will be received at the Local Council's Administrative Office up to noon on Friday 11th November 2011 for:  
 • Quotation no. SPBLC-Q 10-2011 - Designing, developing and hosting of a website  
 For further details please contact the Executive Secretary on the Local Council's telephone number.

John J. Camilleri, Executive Secretary



**Tas-Sliema Local Council** Triq Depiro, Sliema SLM 2037 - Tel: 21337633 - Fax: 21345333 - Email: sliema.lc@gov.mt

The Tas-Sliema Local Council notifies that sealed Expressions of Interest marked with the relevant reference are to be deposited in the tender box at the Council's Administrative Office by not later than Tuesday 22nd November, 2011 at 15.00hrs for the following:  
 • EOI 01/2011 - Provision of public parking facilities within the locality of Tas-Sliema (Document Fee: nil)  
 Relevant documents may be collected from the Council's Administrative Office, during office hours. Expressions of Interest will be opened in public on the same day after the closing time stipulated. The Council reserves the right to refuse any expression of interest, even the most advantageous.

Svetlana R. Curmi, Executive Secretary

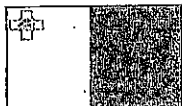


**Il-Belt Valletta Local Council** 31, South Street, Valletta VLT100 - Tel: 21234141 / 21251400/21251396 - Fax: 21251397 - Email: valletta.lc@gov.mt

The Valletta Local Council notifies that sealed tenders will be received at the Local Council Administration Office before 12:00 (noon) on Friday, 18th November 2011 for:  
 • Tender no. ERDF226T-1/2010 - The Provision of Project Management Services.  
 • Tender no. ERDF226-2/2010 - The Provision of Heritage Management Supervision Services  
 The Valletta Local Council notifies that the services of consultants are being sought to carry out Services as part of the "PEACOCK GARDEN PROJECT".  
 The tender documents may be obtained from the Valletta Local Council. Offers in sealed envelopes marked with the relevant reference and addressed to the Executive Secretary Ms Gabriella Agius must be submitted to the tender box at the Valletta Local Council. Late submissions will not be evaluated.

Gabriella Agius, Executive Secretary

EUROPEAN REGIONAL DEVELOPMENT  
 MAPU 1A2007-2013



Operational Programme I - EU Cohesion Policy 2007 - 2013  
 Investing in Competitiveness for Better Quality of Life  
 Project part-financed European Union  
 European Regional Development Fund (ERDF)  
 Co-financing rate: 85% EU Funds; 15% National Funds  
 Investing in the future



## DEPARTMENT FOR LOCAL GOVERNMENT

26, Archbishop Street, Valletta VLT 1443 - Tel: 22002300 Fax: 22002390

DEPARTMENT FOR LOCAL GOVERNMENT  
 OFFICE OF THE PRIME MINISTER