

TABLE OF CONTENTS

1. FOLLOW-UP: MANAGEMENT REPORT - YEAR ENDED 31 DECEMBER 2011	2
2. INCOME.....	4
3. PERSONAL EMOLUMENTS	5
4. EXPENDITURE	6
5. PROPERTY, PLANT & EQUIPMENT	7
6. RECEIVABLES	9
7. PAYABLES	10
8. GENERAL.....	12
9. OTHER DISCLOSURES IN THE FINANCIAL STATEMENTS	14

1. FOLLOW-UP: MANAGEMENT REPORT - YEAR ENDED 31 DECEMBER 2011

1.1. Local Enforcement System

The Council has not addressed the matter during the year and we therefore draw your attention to paragraph 2.1 of our management report.

1.2. Grants income

This matter was addressed by the Council during the year under review.

1.3. Mayor's remuneration and Councillors' allowance classification

This matter was addressed by the Council during the year under review.

1.4. Councillors excused for not attending Council's meetings

This matter was not fully addressed by the Council and we therefore refer you to paragraph 3.1.

1.5. Performance bonus of the Council's employees

This matter was addressed by the Council during the year under review.

1.6. Purchase orders

The Council has not addressed this matter during the year under review; hence we refer you to paragraph 4.1.

1.7. Procurement procedures

The Council has partially addressed the matters with respect to the procurement procedures; hence we refer you to paragraph 4.2.

1.8. Inappropriate documentation

This matter was addressed by the Council during the year under review.

1.9. Upkeep of the Fixed Asset Register

The Council has not addressed the matter during the year and we therefore draw your attention to paragraph 5.1 of our management report.

1.10. Reconciliation of the Fixed Asset Register and Nominal Ledger

The Council has not addressed the matter during the year and we therefore draw your attention to paragraph 5.2 of our management report.

1.11. Capital commitments

This matter was addressed by the Council during the year under review.

1.12. Insurance policy

The Council has not fully addressed this issue and we therefore refer you to paragraph 5.3.

1.13. Accrued income

We still found weaknesses concerning this area and hence we refer you to paragraph 6.1.

1.14. Other receivables

The Council received back the bank guarantee in 2012 and thus this issue was resolved.

1.15. Amounts due from Water Services Corporation

This matter was addressed by the Council during the year under review.

1.16. Bank Savings Account

This matter was addressed by the Council during the year under review.

1.17. Balance payable to Water Services Corporation

This matter was not addressed by the Council and therefore we refer you to paragraph 7.1.

1.18. Accruals & Deferred income

We still found cut-off weaknesses during 2012 and so we refer you to paragraph 7.2 of our management report.

1.19. Council meetings

This matter was not addressed by the Council during the period under review and thus we refer you to paragraph 8.1.

1.20. Disclosures required in respect of certain International Financial Reporting Standards (IFRS)

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

1.21. Disclosures required in respect of financial procedures

The Council has not addressed the matter during the year and we therefore draw your attention to paragraph 9.2 of our management report.

1.22. Financial statements presentation

The Council has not addressed the matter during the year and we therefore draw your attention to paragraph 9.3 of our management report.

2. INCOME

2.1. Local Enforcement System

Observations

By the date of conclusion of our audit work, the Council had still not received the audited annual report of the Zejtun Joint Committee for the year ended 31 December 2012.

Issues Arising

During the year under review, the Council received a share of surplus from the Joint Committee amounting to €8,680. This was properly recognised in the financial statements as post-pooling share of surplus receivable.

Nonetheless, in the absence of an audited annual report from the Zejtun Joint Committee for the year ended 31st December 2012, we could not rely on third party financial information as provided by the Joint Committee to provide reasonable assurance on the completeness of amounts being recorded in the financial statements as income or expenditure from the Local Enforcement System. We have qualified our audit report in this respect.

Recommendations

Although from 1st September 2011, the responsibility of the local enforcement system is no longer on the Zejtun Joint Committee, the Council should maintain its pressure on the Joint Committee to provide audited financial statements for every financial year in order to have a basis on which to draw the values attributable to LES income from fines given as at 31st August 2011 and which are due to the Council.

2.2. Income from rental of public property

Observations

During 2012 the Council received income of €110 from the hire of classrooms at *Centru San Girgor* and €450 from a third party for the use of San Girgor Gardens. From independent records, we have determined that the Council has no bye-laws in coverage of these income sources.

Issues Arising

As provided by the Local Councils Act (Cap. 363), article 60 states that '*A Council shall have the power to raise funds by means of any scheme designed to provide additional funds to those allocated to it under article 55: Provided that such schemes shall be instituted by bye-laws.*' This clearly means that the Council cannot raise additional income without a proper bye law.

Recommendations

The Council should at its earliest opportunity convene its legal team and draft a set of bye-laws to ensure that these sources of income are legally protected. Needless to say, the Council has to follow all procedures in connection with the publication of new bye-laws and it should correspond with the Department for Local Councils on the matter accordingly.

2.3. Classification of income categories

Observations

The Council is grouping up different income items in one nominal account in the general ledger. Items such as "Income from tenders" - €300, "Contributions received from Cultural Events" - €6,248 and "Rental income" - €454 were all posted into one nominal account with the description "General".

Issues Arising

Such practice distorts the scope of properly analysing income sources available for the Council to the users and readers of its reports, both those issued on a quarterly basis as well as those prepared on an annual basis for audit purposes. Specifically, the financial statements specimen in the Appendix to the Local Council Procedures (Audit) clearly state that such income items should be shown separately under the heading "General Income". In this respect, we have proposed a set of reclassification adjustments which the Council has taken up accordingly.

Recommendations

It is important that income items are appropriately analysed under their particular heading to present clearly the detailed results to the Councillors and interested third parties alike. The practice of grouping various income items under one general account should be stopped.

3. PERSONAL EMOLUMENTS

3.1. Incorrect calculation of Councillors' allowance

Observations

The allowance paid to one particular councillor was not deducted by the amount for the two meetings in which he was considered as absent. The same councillor's allowance was supposed to be deducted by another €400 representing an overpayment in 2011.

Moreover with reference to the Council's minutes, it was noted that until April 2012 all the councillors who have not attended for any of the Council's meetings during the year under review were listed as absent, irrespective of whether they have submitted a valid reason or not. We acknowledge that this remark was corrected after our observation in the management report for the financial year ended 31st December 2011.

Issues Arising

In 2012, the Council has only deducted €200 for the overpayment done in 2011. Thus another €200 still needed to be deducted.

Furthermore an additional amount of €171 should have been deducted for absenteeism during 2012 meetings. In aggregate the Council has not deducted €371 from the allowance paid in 2012. Further to our recommendation, the Council has undertaken the necessary adjustments.

Although this particular councillor is voluntarily choosing not to present the allowance cheques at the bank, the Council is still obliged to follow Memo 89/09. It states that for councillors to be considered as excused from attending Council meetings and subsequently still receive their full allowance they should present a valid excuse in writing and this has to be approved during the Council meeting. The said justification should be included in the minutes of that Council meeting and the councillors in question listed as excused.

Recommendations

The Council should always adopt the procedure as specified in Memo 89/09 and ensures that the Councillors allowance is only paid in accordance with this procedure.

3.2. Remittance of Final Settlement Tax (FST) and Social Security Contribution (SSC) deductions.

Observations

We noticed that the required payments of FST and SSC deductions through the FS5 form (*Payer's Monthly Payment Advice*), were not always remitted to the Inland Revenue Department by the due date. From our findings we found out that the remittance for the deductions on account of December 2012 were received by the Inland Revenue Department on 6th February 2013.

Issues Arising

Payments of FS5 remittances fall due by the end of the month following the month being settled. It should be highlighted that by virtue of Legal Notice 88 of 1998, the Inland Revenue Department may from time to time enforce penalties for late filing and 0.75% interest per month on the deductions due.

Recommendations

It is therefore important that these documents are submitted and paid in accordance with the due dates stipulated in the law.

4. EXPENDITURE

4.1. Purchase orders

Observations

As already highlighted in last year's management report, the Council is not regularly issuing purchase orders for expenditure undertaken through the "Direct Order" procedure. One such example was observed for the purchase of costumes from a supplier regarding 'Zejt iz-Zejtun 2012' event and amounting to €115.

Issues arising

Although these were one off instances, the Council should always ensure that for procurements not exceeding €1,165, an efficient system of purchase request and purchase orders is in place. Besides statutory obligations in the Local Councils' procurement procedures, this system is also useful for internal control procedures over expenditure undertaken by the Council on a regular basis.

Recommendations

The Local Councils Procedures (1996 – Finance) K.L.P. 1/96, P1.09, f.01 & f.02. should be followed and implemented at all times and for every such like transaction.

4.2. Procurement procedures

Observations

The Council has procured or paid for expenditure amounting to more than €1,165 where no request for quotations or call for tenders has been issued. Our observed short-comings comprise:

- Invoice dated 31/08/12 for rental of billboard space amounting to €2,620.
- Invoice dated 12/07/12 for the maintenance of the Council's office balcony amounting to €1,775.
- Invoice dated 19/10/12 for the rental of lighting equipment regarding activity 'Zejt iz-Zejtun 2012' amounting to €2,112.

In addition to this the Council has also procured or paid for expenses exceeding €1,165 in services of the same nature from the same supplier during four consecutive months. These comprised:

- Cleaning services for the months January-April 2012 amounting to €1,390.
- Transport services hired between the months of September and December 2012 amounting to €1,403.

Issues Arising

The Council is in breach of the Financial Regulations Part VIII – Expenditure, which require that orders, contracts, agreements or items not exceeding €1,165 shall be authorised by the Council according to order 32(1) of the Standing Orders contained in the Sixth Schedule to the Act, provided also that items of the same nature are not purchased within a consecutive four-month period.

Recommendations

The Council should issue calls for quotations or tender for the procurement of any good or for the provision of any service in value exceeding €1,165 in terms of the Local Councils Procedures (1996 – Tendering) KLP 3/1996.

5. PROPERTY, PLANT & EQUIPMENT

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

Observations

The FAR of the Council is not up-to-date and does not reconcile with the nominal ledger as explained in point 5.2 of this management report. Furthermore, its composition is not in line with best practice and in terms of the Local Council Procedures (1996 – Finance) KLP 1/96, P1.16b.

Issues Arising

From an analysis of the content of the FAR, we have identified items that in the past years have been capitalised as items of property, plant and equipment, whilst in actual fact they are revenue expenditure and thus should have been expensed. Such examples are:

<i>FAR Code</i>	<i>Description</i>	<i>Net book value in €</i>
ZLC00171	Patching	622.60
ZLC00140	Hot Tarmac	651.48

Recommendations

The FAR should be reviewed in such a manner that the necessary adjustments and reclassifications are taken into consideration to account appropriately for all assets in line with the

requirements of IAS 16-Property, Plant & Equipment including the Council's accounting policy on the subject.

5.2. Reconciliation of the Fixed Asset Register (FAR) and Nominal Ledger

Observations

The FAR does not reconcile with the fixed asset codes in the nominal ledger. The following variance was traced:

	€
Depreciation and grants in financial statements (overstated)	71,609
Net Book Value in financial statements (understated)	71,609

From further investigation of the variance, it was revealed that the financial statements included an over stated depreciation on an asset item of "Urban Improvement" marked in the FAR as "ZLC00847 – *Playing Field Equipment at Gebel San Martin zone*" which was already fully depreciated.

Issues Arising

It should be stressed that the FAR is a subsidiary ledger to the nominal ledger, and therefore it should be in agreement therewith at all times. Non-agreement can lead to a number of issues. One of the most important issues is the generation of annual depreciation as this is calculated through the data embedded in the same FAR.

Recommendations

The nominal ledger and the FAR should always reconcile with each other. Any differences found should be investigated and corrected accordingly. In the meantime, we have proposed an audit adjustment which the Council has addressed accordingly.

5.3. Insurance policy

Observations

Differences were found between the cost of the assets and the actual insurance coverage of the category – *Plant and Machinery*:

	<i>Plant & Machinery</i> €	<i>Total</i> €
GL Cost at 31/12/2012	4,395	4,395
	<u>4,395</u>	<u>4,395</u>
<i>As per Insurance Cover</i>		
Value Insured	-	-
	<u>-</u>	<u>-</u>
Amount under insured	<u>4,395</u>	<u>4,395</u>

Issues Arising

The Council's insurance policy in respect of assets insured needs to be reviewed on an annual basis to avoid having over and under insurance in different categories of property, plant and equipment.

Recommendations

The Council is obliged to review its insurance cover and the policy, as well as detailing better those areas to be covered under each asset category. In this manner, it will be easier to open a claim in case of damage to any particular asset.

6. RECEIVABLES

6.1. Accrued Income

Observations

The financial statements do not include an accrued income provision for a grant amounting to €10,000 specifically awarded by Central Government to subsidise the organisation of the activity 'Zejt iz-Zejtun 2012'.

Issues Arising

As a result of the observation above, the Statement of Comprehensive Income and the accrued income in the Statement of Financial Position are both understated by €10,000. This matter defeats the importance of accurate accounting estimates in providing a true and fair picture of the Council's financial position. Such omissions are also in breach of the fundamental accrual concept of accounting.

Recommendations

During the preparation of the annual financial statements and quarterly reports, the Council should analyse and properly prepare its accounting estimates so as not to provide a misleading presentation to the users of the respective reports. In this respect, we have proposed an audit adjustment which the Council has taken up accordingly.

6.2. Classification of deferred income - Housing Authority grants

Observations

A receivable of €75,000 representing a grant earned through the Housing Authority scheme was all classified as short term. On the other hand, all the deferred income relating to this grant was recognised as long term to be released after more than five years.

From information provided by the Council, we established that all the maintenance work of this scheme will be completed by 2013. Thus the entire grant will be received by the Council within one year and it will be fully released to income immediately.

Issues Arising

In line with the fact that the works will be completed by 2013, the deferred income on this grant should have all been disclosed as short-term. This is also in accordance with the fundamental matching concept of accounting.

Recommendations

The Council should disclose as short term the deferred income of this grant. In this respect, we have proposed a reclassification adjustment which the Council has taken up accordingly.

7. PAYABLES

7.1. Balance payable to the Water Services Corporation (WSC).

Observations

In line with last year's comments in the management report, the balance due to the WSC as at 31st December 2012 as per Council's records is overstated by €8,168 compared to the supplier's statement.

Issues Arising

The variance of €8,168 consisted of a credit note (€11,869) dated 01/03/2004 and an invoice (€3,701) dated 14/08/2003 that were not recognised by the Council in its accounting records. Subsequently, the balance in the payables' list was overstated by €8,168.

This indicates also that the Council is not undertaking a proper regular supplier balances' reconciliation exercise which is one of the fundamental internal control procedures in every accounting system.

Recommendations

In general, the Council should review and enforce its suppliers' reconciliation system. With respect to our findings above, we also urge the Council to determine the nature of the supplies or services represented in these missing invoices and credit notes. It should then reflect the necessary adjustments accordingly.

7.2. Accruals and deferred income

Observations

The following invoices dated 2013 for purchase of services in 2012 were not accrued for by the Council:

- General services amounting to €1,165 for 'Zejt iz-Zejtun 2012' activity.
- Purchase of drinks amounting to €286 for 'Zejt iz-Zejtun 2012' activity.
- Rental of lighting equipment amounting to €417 for the Christmas Concert 2012.

Similarly, an expense of €3,290 on account of a community activity in the form of a week-end break at a local hotel during December 2012, was not accrued in the financial statements. On the other hand, the income from this activity was correctly classified in 2012.

Moreover another item of expenditure amounting to €3,666 for the cleaning of parks & gardens during March 2012 was completely left out from the Council's books. The Council was not in a position to confirm whether the invoice was received from the supplier or not.

Issues Arising

The expenses recognised in the Council's records are understated by €8,824. Our findings show that the Council is not adhering to the fundamental concept of accrual accounting. As generally accepted accounting principles suggest, accounting estimates have to be factored in financial reporting so as to provide a true and fair view of the results being presented.

Recommendations

Periodically the Council must review amounts which will be invoiced in the subsequent financial period but for which the products/services have been provided to the Council in the current financial period. It should be also pointed out that the Council should regularly reconcile the invoices received for payment with purchase orders issued – this is one of the most effective methods to trace expenditure not yet invoiced at the end of a particular reporting period.

To address the understatement of liabilities as highlighted in the preceding paragraphs, we have proposed an audit adjustment and which the Council has recognised accordingly.

7.3. Tipping fees

Observations

As disclosed in the financial statements, the Council has a dispute on the amounts due to 'Wasteserv Malta' for tipping fees. Following instructions received from the Local Councils Association by circular 43/2010 dated 26th July 2010, the Council is not paying the amount charged in excess of the Government tipping fees allocated.

Issues Arising

Although the full amounts of invoices are being recognised under "payables", it is still not clear if the contested amount will be eventually paid by the Council.

Recommendations

The Council should continue making pressure on the Department of Local Councils and the Local Councils Association in order to seek a clear position of the contested amounts will be paid or not.

7.4. Amount payable to supplier under the Public Private Partnership (PPP) - resurfacing scheme

Observations

The Council has availed itself of the PPP scheme launched through Memo 45 of 2010. Through this scheme, the Council has entered into a contract whereby the contractor has undertaken road resurfacing works. In 2012, the Council recognised a liability of €187,954 representing 60% of the project cost which will be paid over a period of 7 years.

Issues Arising

IAS 39- Financial Instruments: Recognition & Measurement requires that such loans and receivables are accounted for at amortised cost. This entails that after initial recognition this liability is measured at amortised cost using the effective interest method, less provision for any impairment. In this regard, the Council should have accounted for this liability accordingly using a proper discount rate which equates to the Council's cost of capital. Such adjustments were not included in the accounts.

Recommendations

The Council should correctly apply the requirements of IAS 39 in relation to any financial assets or liabilities and that these are recognised, measured and disclosed appropriately.

8. GENERAL

8.1. Council meetings

Observations

No Council meetings were held between the period 5th July 2012 and 6th September 2012. More than five weeks have elapsed from meeting 08/12 on 5th July 2012 to the next meeting 09/12 held on 6th September 2012.

We also noticed that meeting 05/12 held on 26th April 2012 lasted more than three hours. The Executive Secretary confirmed that no approval was sought from the Councillors to exceed the duration of three hours.

Issues Arising

Article 43 (2) of the Local Councils Act (Cap. 363), specifies that: *"Council meetings shall be held at least once a month as long as this period does not exceed five consecutive weeks or at any other shorter intervals as the Council may decide."*

Article 43(3) states further that: *"Unless otherwise determined by the unanimous decision of the Councillors, meetings of the Local Councils shall not start before 5.30p.m. and later than 7.30p.m. and shall not last for more than three hours."*

Recommendations

The calling of, and procedures to be followed during Council meetings should be in accordance with the relevant provisions of the law.

8.2. Attendance for Council Meetings

Observations

One of the councillors failed to attend four consecutive meetings (Council Meetings 9/12 to 12/12) as required by the Local Council's Act. The other requirement to attend one third of the meetings called within a period of six months (July to December 2012) was also not satisfied.

Issues Arising

The Executive Secretary, in terms of article 18 of the Local Councils Act (Cap. 363), should have informed the Mayor about this matter accordingly. The item had to be placed on the agenda of the first Council meeting following the event taking place. During such meeting, the Council should have recommended to the Minister whether the absence in question by the Councillor was justified or not.

Recommendations

The Council should always abide with the requirements of the Local Council's Act in this regard.

8.3. Council minutes and Schedule of Payments

Observations

During 2012, the Council's minutes and schedule of payments were not always being uploaded on the website www.lc.gov.mt within two days of approval. Such a matter was identified for the minutes of meeting held on 25/10/2012.

Issues Arising

Please note that Memo 89/2010 requires the executive secretary to publish the minutes and the schedule of payments within 2 days of approval. Similar guidelines were published with respect to the schedule of payments in terms of Memo 102/2010.

Recommendations

The Council should adhere to the requirements of these memos accordingly.

8.4. Membership in GAL Xlokk Foundation

Observations

The Council is a founding member of the GAL Xlokk Foundation. This foundation pools the efforts of its members to maximise the acquisition of EU funding on various potential projects. The Council paid €9,000 in membership fees to the Foundation for the period 2011 to 2015 in advance. On the other hand, we were informed also that the Council has managed to secure some EU funding through the Foundation's work.

The Foundation is governed by a statute with which we were provided accordingly. We were also provided with a set of unaudited annual financial statements as at 30 June 2012.

Issues Arising

The Council needs to ensure that it derives value from such investment and given the funding paid in advance by the Council in favour of the Gal Xlokk Foundation, as detailed above, irrespective of whether the Council is reaping any benefits or not, we are of the opinion that the annual financial statements of the Foundation are to be audited.

This would provide assurance to the Council that the financial statements currently being prepared are factual and provide a true and fair view. It would also enable the Council to rely on these financials to assess the cost/benefit of this membership.

Recommendations

The Council should propose in the next meeting of the Gal Xlokk Foundation so that the foundation starts to prepare audited financial statements accordingly as well as it should undertake an annual cost/benefit analysis of its membership to assess the value of this investment.

8.5. Annual Budget

Observations

The format utilised for the preparation of the annual budget for 2012 was not in accordance with the official template laid out by the Local Councils Procedures (1996 – Finance).

Issues Arising

The Local Councils Procedures (1996 – Finance) KLP 1/96, B1 Financial Procedures-Appendix IV specify the official format to be used by Local Councils when preparing the annual budget.

Recommendations

The above mentioned procedures should be followed to present the annual budget in accordance with the required format.

8.6. Annual Budget

Observations

The format utilised for the preparation of the annual budget for 2012 was not in accordance with the official template laid out by the Local Councils Procedures (1996 – Finance).

Issues Arising

The Local Councils Procedures (1996 – Finance) KLP 1/96, B1 Financial Procedures-Appendix IV specify the official format to be used by Local Councils when preparing the annual budget.

Recommendations

The above mentioned procedures should be followed to present the annual budget in accordance with the required format.

9. OTHER DISCLOSURES IN THE FINANCIAL STATEMENTS

9.1. Disclosures required in respect of certain IFRS

Observations

The financial statements prepared and approved by the Council are not compliant in all respects with the requirements of the International Financial Reporting Standards. Disclosures emanating from certain accounting standards appear to be missing.

Issues Arising

The Council's financial statements lack certain disclosure requirements arising from IAS 7 – Statement of Cash Flows and IAS 24 - Related Party Disclosures as highlighted in paragraph 9.3 below. Other missing disclosures relate to the requirements of IFRS 7 – Financial Instruments: Disclosures. There are also issues with the implementation of IAS 39 – Financial Instruments: Recognition and Measurement, as highlighted in paragraph 7.4 of our report. We have qualified our audit report in this respect.

Recommendations

The financial statements should be prepared in accordance with International Financial Reporting Standards in all respects including all necessary disclosures.

9.2. Disclosures required in respect of Financial Procedures

Observations

The financial statements prepared and approved by the Council do not contain the corresponding budget figures for the year under review.

Issues Arising

According to the Financial Procedures supplementing the Financial Regulations issued in terms with the Local Councils Act 1993, the financial statements should include the budget for the year. However, in line with Local Councils' generally accepted reporting procedures, the budget has been excluded from these financial statements. In this respect, we have emphasised this matter in our audit report.

Recommendations

Unless otherwise instructed from the Department of Local Councils, the Council should seek to insert the budget figures to be in line with the respective Financial Regulations.

9.3. Financial Statements Presentation

From the review of financial statements initially approved on 14th February 2013 and re-approved on 18th April 2013, we note the following areas which need attention:

- Page 3 - 'Statement of Comprehensive Income'- line item 'Profit/ (loss) on disposal of assets' should be renamed as 'Loss on disposal of assets'. Also, a distinction should be made between assets scrapped and impaired and assets sold and disposed.
- Page 6 - 'Statement of Cash Flows'- This statement is not in line with IAS 7. Full disclosure of the items of the cash generated from operations should be included in the statement of cash flows instead being included in Note 29.
- Page 6 'Statement of Cash Flows'- UIF grant released should be classified under the category investing activities.
- Note 2.1.1- 'New and amended standards adopted by the Council' - IFRS 7 amendments were not disclosed. The Council has not included the heading 'New and important standards and amendments not yet adopted by EU'.
- Note 2.1.1- The amendments to IAS 32, IFRS 1, improvements to IFRS 2009-2011 (IAS 1, IAS 16, IAS 32, IAS 34) were all not disclosed by the Council. Moreover no disclosure was made with respect to the Council's assessment of the impact of the adoption of the amended International Financial Reporting Standards.
- Page 11, first paragraph - words 'income statement' should be changed to 'statement of comprehensive income'.
- Page 11 - The depreciation rates of litter bins, road/street signs and street mirrors should be '*replacement basis*' instead as disclosed '100%'.
- Page 12 Notes 2.5.1, 2.5.3- words 'balance sheet' should be renamed to 'statement of financial position'.
- Page 13 Note 2.6 - The inventory policy should not be disclosed since the Council does not have any inventories.
- Page 14 Note 2.10 - words 'balance sheet' should be changed to 'statement of financial position'.
- Page 27 Note 16.1- comparative year contingent liability should be €81,174 instead of €87,759.
- Page 29, Note 19 - This disclosure is not required.
- Page 20, Note 8 - The comparative figure of the rental income was disclosed as 'General income'.
- Page 35- 'Related party transactions'. Council failed to disclose the following:
 1. South Regional Committee
 2. Gozo Regional Committee
 3. North Regional Committee
 4. South Eastern Regional Committee
 5. Central Regional Committee
 6. ARMS Ltd

7. Commissioner of Inland Revenue

Recommendations

It is important that the Council takes note of the above matters in order to be avoided in future preparation of financial reports. It should also keep abreast of changes taking place in the IFRS mandatory guidelines rather than scouting for such changes in financial statements of third party entities without evaluating their applicability to the Council's financial reports.