

**Hal Balzan Local Council**

**Annual Audit Report  
31st December 2010**

# Hal Balzan Local Council

## Financial Statements for the year ended 31st December 2010

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**Financial Statements for the year ended 31 December 2010****Report of the Local Government auditor to the Auditor General**

We have audited the accompanying financial statements of Balzan Local Council which comprise the statement of financial position as at 31 December 2010, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

***Respective responsibilities of the Local Council and Local Government auditors***

As described in page 1, these financial statements are the responsibility of the Executive Secretary and the Local Council members. Our responsibility is to express an opinion on these financial statements based on our audit.

***Basis of opinion***

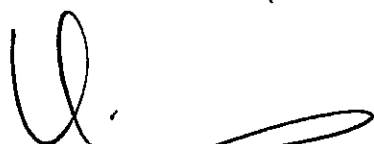
We conducted our audit in accordance with International Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by the Local Council's Members and the Executive Secretary, as well as evaluating the overall financial statement's presentation. We believe that our audit provides a reasonable basis for our opinion. However, the evidence available to us was limited because of the matter set out in paragraph 1 below:

- 1 As from 22 October 2002, all income and expenditure from the Local Enforcement System (LES) were centralised through the Birkirkara Joint Committee and LES debtors at that date were transferred to the Joint Committee as well. The financial statements do not include income from the Local Enforcement System for the year. We were unable to determine the amount of income the Council is entitled to receive since the audited financial statements of the Birkirkara Joint Committee for the year ended 31 December 2010 are not yet available.
- 2 Excluded from these financial statements are the budgeted figures for the period. This is not in accordance with the Local Councils (Financial) Procedures, 1996.

***Opinion***

Except for the adjustment that would have been necessary had we been able to obtain sufficient audit evidence regarding the matter in paragraph 1 above, the financial statements give a true and fair view of the financial position of Balzan Local Council as of 31 December 2010, and of the results of its operations, changes in net assets/equity and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

Because of the matter set out in paragraph 2 above, these financial statements do not comply fully with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.



Mark Bugeja  
f/Grant Thornton  
Certified Public Accountants

Tower Business Centre, Suite 3  
Tower Street  
Swatar BKR 4013  
Malta

23 February 2011

**Hal Balzan Local Council**

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

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The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's income and expenditure for the year and of the 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.

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## Hal Balzan Local Council

**Statement of comprehensive income  
for the year ended 31st December 2010**

	<i>Note</i>	1 January - 31 December 2010 (12 Months) <u>Eur</u>	1 April - 31 December 2009 (9 Months) <u>Eur</u>
<b>Revenue</b>	<b>3</b>	258,575	190,445
<b>Expenditure</b>			
Personal emoluments	<b>4</b>	(56,266)	(34,930)
Operations and maintenance	<b>5</b>	(96,390)	(63,979)
Administration and other expenditure	<b>6</b>	<u>(79,947)</u>	<u>(47,584)</u>
<b>Operating surplus for the year/period</b>		25,972	43,952
Investment income	<b>7</b>	<u>1</u>	<u>0</u>
<b>Surplus for the year/period</b>		<u><u>25,973</u></u>	<u><u>43,952</u></u>




# Hal Balzan Local Council

## Statement of financial position at 31st December 2010

	<i>Note</i>	31st December 2010 Eur	31st December 2009 Eur
<b>Assets</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	<b>8a-b</b>	360,840	412,886
		<u>360,840</u>	<u>412,886</u>
<b>Current Assets</b>			
Amounts receivable	<b>9</b>	20,275	12,693
Cash and bank balances	<b>10</b>	179,481	104,085
		<u>199,756</u>	<u>116,778</u>
<b>Total Assets</b>		<u><u>560,596</u></u>	<u><u>529,664</u></u>
<b>Reserves and Liabilities</b>			
<b>Reserves</b>			
Retained Fund		<u>500,751</u>	<u>474,778</u>
<b>Current Liabilities</b>			
Trade and other payables	<b>11</b>	<u>59,845</u>	<u>55,758</u>
		<u>59,845</u>	<u>55,758</u>
<b>Total Equity and Liabilities</b>		<u><u>560,596</u></u>	<u><u>530,536</u></u>

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

  
\_\_\_\_\_  
Mayor

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

Date : 23/12/11.

**Hal Balzan Local Council****Statement of changes in equity  
for the year ended 31st December 2010**

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	<b>Retained fund</b>
	<b><u>Eur</u></b>
<b>At 31st March 2009</b>	430,826
Surplus for the period	<u>43,952</u>
<b>At 31st December 2009</b>	474,778
Surplus for the year	<u>25,973</u>
<b>At 31st December 2010</b>	<u>500,751</u>



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## Hal Balzan Local Council

**Statement of cash flows  
for the year ended 31st December 2010**

<i>Note</i>	1 January - 31 December 2010 (12 Months) Eur	1 April - 31 December 2009 (9 Months) Eur
<b>Cash flows from operating activities</b>		
<b>Operating surplus for the year/period</b>	25,973	43,952
<i>Adjustments for:</i>		
Decrease in asset value	4,537	0
Depreciation	49,002	30,630
<b>Surplus for the year/period before working capital movements</b>	79,512	74,582
Movement in receivables	(7,378)	(4,243)
Movement in payables	587	(603)
<b>Net cash generated from/(used in) operating activities</b>	72,721	69,736
<b>Cash flows from investing activities</b>		
Payment to acquire property, plant and equipment	(1,697)	(40,005)
Receipts from Government to acquire fixed assets	3,500	0
<b>Net cash used in investing activities</b>	1,803	(40,005)
<b>Movement in cash and cash equivalents</b>	74,524	29,731
<b>Cash and cash equivalents at the beginning of the year/period</b>	104,085	74,354
<b>Cash and cash equivalents at the end of the year/period</b>	178,609	104,085

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The notes on pages 7 to 17 form an integral part of these financial statements



## Hal Balzan Local Council

### Notes to the financial statements for the year ended 31st December 2010

#### Note

#### 1 General information

Balzan Local Council is the local authority of Balzan set up in accordance with the Local Councils Act. The office of the Local Council is situated at 153, Main Street, Balzan.

#### 2 Accounting policies and reporting procedures

These Financial Statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act, Cap 363. The financial statements are prepared under the historical cost convention as modified to include fair values stated in the accounting policies below. These Financial Statements are prepared in accordance to the requirements of International Financial Reporting Standards and comply with the Local Councils Act, Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

The principal accounting policies and reporting procedures used by Local Councils are as follows :

##### a) Revenue recognition

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the income statement as it accrues.

##### b) Local Enforcement System

Balzan Local Council forms part of Birkirkara Joint Committee - Group C. The amount disclosed in the financial statements under Local Enforcement System Income represents the share of profit derived from the Joint Committee after deducting the related expenses.

##### c) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss to date. Depreciation is calculated on a monthly basis using the reducing balance method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows :

	%
Trees	0
Land	0
Buildings	1
Office furniture and fittings	7.5
Construction works	10
Special programmes	10
Urban improvements (Street Furniture)	10
Office equipment	20
Plant & Machinery	20
Motor Vehicles	20
Computer equipment	25
Plants	100
New street signs	100
Litter Bins	100
Playground Furniture	100
Street Lights	100
Street Mirrors	100

## Hal Balzan Local Council

### Notes to the financial statements for the year ended 31st December 2010

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#### Note

#### d) Government Grants

Government grants are accounted for on a systematic basis in the Income and Expenditure Account over the periods necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related costs, then the grant is accounted for when it becomes receivable.

#### e) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Income and Expenditure.

#### f) Amounts receivable

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

#### g) Foreign Currencies

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Local Council operates. These Financial Statements are presented in Euro, which is the Local Council's functional and present currency.

Transactions denominated in foreign currencies are translated into Euro at rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into Euro at the rates of exchange prevailing at the date of the Statement

#### h) Profits and Losses

Only profits that were realised at the date of the Statement of Financial Positions are recognised in these Financial Statements. All foreseeable liabilities and potential losses arising up to the said date are accounted for even if they become apparent between the said date and the date on which the Financial Statements are approved.

#### i) Cash and cash equivalents

Cash and cash equivalents are carried in the Statement of 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.



## Hal Balzan Local Council

### Notes to the financial statements for the year ended 31st December 2010

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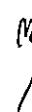
#### Note

#### j) Financial instruments

All financial assets are measured at cost and accounted for using settlement accounting.

A credit risk provision for financial asset impairment is established if there is objective evidence that the Council will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of the expected cash flows, including amounts receivable from collateral, discounted based on the interest rate at inception.

The Council's financial liabilities, other than those referred to in the accounting policies above, are classified as liabilities which are not held for trading ("other liabilities") under IAS 39, and are measured at cost, that is, the face value of such liabilities.



## Hal Balzan Local Council

### Notes to the financial statements for the year ended 31st December 2010

#### Note

<b>3 Revenue</b>	<b>1 January - 31 December 2010 (12 Months) Eur</b>	<b>1 April - 31 December 2009 (9 Months) Eur</b>
<b>Government income</b>		
In terms of section 55 of the Local Councils Act (Cap 363)	245,892	161,930
Other Government Income	4,126	6,358
	<u>250,018</u>	<u>168,288</u>
<b>General income</b>		
Income from tender documents	1,554	231
Income from permits	3,039	3,437
Income on dissolution of Joint Committee	0	11,638
Sundry contributions & donations	3,964	6,851
	<u>8,557</u>	<u>22,157</u>
<b>Total revenue</b>	<u><u>258,575</u></u>	<u><u>190,445</u></u>
<b>4 Personal emoluments</b>	<b>1 January - 31 December 2010 (12 Months) Eur</b>	<b>1 April - 31 December 2009 (9 Months) Eur</b>
Personal emoluments include, inter alia :		
Mayor's allowance	6,364	4,500
Executive Secretary's salary and allowances	26,047	18,480
Employees' salaries	14,160	9,649
Social security contributions	3,295	2,301
Councillors' Allowance	6,400	0
	<u>56,266</u>	<u>34,930</u>

## Hal Balzan Local Council

### Notes to the financial statements for the year ended 31st December 2010

#### Note

<b>5 Operations and maintenance</b>	<b>1 January - 31 December 2010 (12 Months) Eur</b>	<b>1 April - 31 December 2009 (9 Months) Eur</b>
<b>Repairs and upkeep:</b>		
Signs	886	811
Public property	617	1,401
Road markings	1,359	2,851
Other repairs and upkeep	63	182
	<u>2,925</u>	<u>5,245</u>
 <b>Contractual services:</b>		
Refuse collection	55,900	22,986
Bulky refuse collection	3,631	10,385
Road and street cleaning	18,296	13,195
Cleaning and maintenance - public conveniences	5,485	4,163
Cleaning and maintenance - parks and gardens	2,134	943
Cleaning and maintenance - soft areas	295	75
Cleaning services	918	48
Bins on wheels	564	2,334
Street lighting	3,057	2,381
Other	3,185	2,224
	<u>93,465</u>	<u>58,734</u>
	<u>96,390</u>	<u>63,979</u>

## Hal Balzan Local Council

### Notes to the financial statements for the year ended 31st December 2010

#### Note

	1 January - 31 December 2010 (12 Months) Eur	1 April - 31 December 2009 (9 Months) Eur
<b>6 Administration and other expenditure</b>		
Utilities	9,477	2,799
Materials & supplies	2,903	2,763
Rent	1,487	1,115
Office services	1,757	1,646
Transport	48	2
Bad debts	0	1,705
Information services	923	879
Professional services	7,650	3,865
Donations	0	123
Community services & events	6,700	2,057
Depreciation	49,002	30,630
	<u>79,947</u>	<u>47,584</u>
<b>7 Investment income</b>		
Bank interest receivable	1	0

## Hal Balzan Local Council

Notes to the financial statements  
for the year ended 31st December 2010

## Note

8a Property, Plant and Equipment

	Office furniture & fittings	Computer equipment	Office equipment	Urban improvements	New street signs	Construction works	Special programmes	Total
	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur
Cost - as at 1st January 2010	17,479	9,832	5,499	48,698	9,676	574,651	273,458	939,293
Additions new this period	283	0	551	863	0	0	0	1,697
Adjustments	0	0	0	0	0	(4,741)	0	(4,741)
<b>Cost - as at 31st December 2010</b>	<b>17,762</b>	<b>9,832</b>	<b>6,050</b>	<b>49,561</b>	<b>9,676</b>	<b>569,910</b>	<b>273,458</b>	<b>936,249</b>
Grants - as at 1st January 2010	0	0	0	17,178	0	0	143,182	160,360
Transferred during the period	0	0	0	197	0	0	0	197
<b>Grants - as at 31st December 2010</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>17,375</b>	<b>0</b>	<b>0</b>	<b>143,182</b>	<b>160,557</b>
Acc.depreciation - as at 1st January 2010	9,821	8,915	4,540	13,515	9,676	234,208	85,372	366,047
Charge for the period	710	269	267	2,170	0	64,953	(19,564)	48,805
<b>Acc.depreciation - as at 31st December 2010</b>	<b>10,531</b>	<b>9,184</b>	<b>4,807</b>	<b>15,685</b>	<b>9,676</b>	<b>299,161</b>	<b>65,808</b>	<b>414,852</b>
<b>Net book value - as at 31st December 2010</b>	<b>7,231</b>	<b>648</b>	<b>1,243</b>	<b>16,501</b>	<b>0</b>	<b>270,749</b>	<b>64,468</b>	<b>360,840</b>




## Hal Balzan Local Council

### Notes to the financial statements for the year ended 31st December 2010

Note

#### 8b Property, Plant and Equipment

Cost - as at 1st April 2009

Additions new this period

Cost - as at 31st December 2009

Grants - as at 1st April 2009

Transferred during the year

Grants - as at 31st December 2009

Acc.depreciation - as at 1st April 2009

Charge for the period

Acc.depreciation - as at 31st December 2009

Net book value - as at 31st December 2009

	Office furniture & fittings Eur	Computer equipment Eur	Office equipment Eur	Urban improvements Eur	New street signs Eur	Construction works Eur	Special programmes Eur	Total Eur
Cost - as at 1st April 2009	16,671	9,832	5,414	48,698	9,676	528,231	273,458	891,980
Additions new this period	808	0	85	0	0	46,420	0	47,313
Cost - as at 31st December 2009	17,479	9,832	5,499	48,698	9,676	574,651	273,458	939,293
Grants - as at 1st April 2009	0	0	0	17,178	0	0	143,182	160,360
Transferred during the year	0	0	0	0	0	0	0	0
Grants - as at 31st December 2009	0	0	0	17,178	0	0	143,182	160,360
Acc.depreciation - as at 1st April 2009	9,359	8,681	4,373	12,010	9,676	210,274	81,044	335,417
Charge for the period	462	234	167	1,505	0	23,934	4,328	30,630
Acc.depreciation - as at 31st December 2009	9,821	8,915	4,540	13,515	9,676	234,208	85,372	366,047
Net book value - as at 31st December 2009	7,658	917	959	18,005	0	340,443	44,904	412,886



## Hal Balzan Local Council

### Notes to the financial statements for the year ended 31st December 2010

#### Note

<b>9</b> <u>Amounts receivable</u>	<b>31st December 2010 Eur</b>	<b>31st December 2009 Eur</b>
<b>Current</b>		
Amounts owed by Central Government (Note 13)	1,862	0
Debtors	13,443	373
Prepayments & accrued income	4,370	12,320
Deposits	600	0
	<u>20,275</u>	<u>12,693</u>

<b>10</b> <u>Cash and cash equivalents</u>	<b>31st December 2010 Eur</b>	<b>31st December 2009 Eur</b>
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For the purposes of the statement of cash flows, the year end cash and cash equivalents comprise the following:

Cash in hand	116	116
Bank balances :		
Current accounts	179,274	103,877
Savings accounts	91	92
	<u>179,481</u>	<u>104,085</u>

<b>11</b> <u>Trade and other payables</u>	<b>31st December 2010 Eur</b>	<b>31st December 2009 Eur</b>
<b>Current</b>		
Creditors	36,926	39,084
Accruals and deferred income	14,254	7,144
Retention money held	8,665	9,178
Unutilised UIF funds	0	352
	<u>59,845</u>	<u>55,758</u>

## Hal Balzan Local Council

### Notes to the financial statements for the year ended 31st December 2010

#### Note

	31st December 2010 Eur	31st December 2009 Eur
<b>12 Capital commitments</b>		
Authorised and contracted for (i)	45,407	0
Authorised and not contracted for (ii)	500	23,460
	<u>45,907</u>	<u>23,460</u>
 Analysed as follows:		
(i) Authorised and contracted for		
Construction works	25,627	0
Urban improvements	19,780	0
	<u>45,407</u>	<u>0</u>
(ii) Authorised and not contracted for		
Urban improvements	500	22,960
Office furniture	0	500
	<u>500</u>	<u>23,460</u>

#### 13 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Central Government is the main related party of the Local Council. In 2010 the Local Council received Eur253,518 (2009: Eur161,930) in funding from Central Government. Payments to Central Government for services received amounted to Eur280 (2009: Eur 140).

#### 14 Contingent Liabilities

A contingent payment of €230 is pending in relation to a request for compensation made by a resident due to a falling tree causing damage to his property.

#### 15 Financial risk management

##### 15.1 Financial risk factors

The Council's activities expose it to both credit risk and liquidity risk. The Council did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial years.

The Council provides principles for overall risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity.

## Hal Balzan Local Council

### Notes to the financial statements for the year ended 31st December 2010

#### Note

#### 15 Financial risk management - Continued

##### a) Credit risk

The Council's credit risk arises from cash and cash equivalents, including deposits with the banks and amounts receivable. The Council's exposures to credit risk are analysed as follows:

	31st December 2010 Eur	31st December 2009 Eur
Amounts receivable	16,340	12,693
Cash and bank balances	179,481	104,085
	<u>195,821</u>	<u>116,778</u>

The maximum exposure to credit risk at the reporting date in respect of the financial assets mentioned above is disclosed above and in Notes 9 and 10 to these financial statements. The Council does not hold any collateral as security in this respect.

The Council banks only with local financial institutions with high quality standing or rating.

The Council's major debtors are the Government and the Water Services Corporation, thus, it deems that it does not have any risk of non-recoverability of its dues.

##### b) Liquidity risk

The Council's exposure to liquidity risk is mainly from its payables and retention monies as per note 11 above and which are due within one year. Given the requirements at law to maintain a healthy working capital, the Council takes all measures to keep its liquidity risk exposure in check. In fact it maintains sufficient cash to ensure the availability of an adequate amount of funding to meet the Council's obligations. The Council's exposure to liquidity risk is as follows:

	31st December 2010 Eur	31st December 2009 Eur
Creditors	36,926	39,084
Accruals	10,754	7,144
Retention money held	8,665	9,178
	<u>56,345</u>	<u>55,406</u>

#### 15.1 Fair values of financial instruments

At 31 December 2010 and 2009, the carrying amounts of cash at bank, receivables, payables and accrued expenses in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.