



14th June, 2017

The Auditor General
National Audit Office
Notre Dame Ravelin
Floriana CMR 02

Dear Sir,

The Council discussed the management letter for the financial year ended 31st December 2016 during a meeting held on Tuesday, 13th June 2017. Please find hereunder the Council's reply for your kind consideration.

Preliminary Note

The Council, the Executive Secretary and the Staff of the Siggiewi Local Council would like to thank the Auditors for the smooth running of the statutory audit and for the contents of the management letter.

Management Letter Reply

1.1 Depreciation

The Council thanks the Auditor for the observation

1.2 Disposal of office equipment

The Council thanks the Auditor for the observation

1.3 Fixed assets register

The Council thanks the Auditor for the observation

1.4 Assets written off in previous years

The Council thanks the Auditor for the observation

1.5 Annual budget

The Council thanks the Auditor for the observation

1.6 GasanMamo legal case

Refer to note 2.1

1.7 Financial Situation Indicator and Result for the year

Refer to note 2.11

1.8 Health insurance

The Council thanks the Auditor for the observation

1.9 Wages reconciliation

Refer to note 2.2.

1.10 Employees' files

The Council thanks the Auditor for the observation

1.11 Attendance of meetings

The Council thanks the Auditor for the observation

1.12 Pre-regional LES debtors

Refer to note 2.3

1.13 Receipts from pre-regional contraventions

The Council thanks the Auditor for the observation

1.14 repayments

See note 2.4

1.15 Accrued income

The Council thanks the Auditor for the observation

1.16 Debit balances in creditors' list

The Council thanks the Auditor for the observation

1.17 Amount receivable from Water Services Corporation

Refer to note 2.5.

1.18 Bank and cash

PM – Nothing to comment

1.19 Trade payables

Refer to note 2.6

1.20 Deferred income

Refer to note 2.7

1.21 Long-term trade payables

Refer to note 2.8

1.22 Annual Government allocation

The Council thanks the Auditor for the observation

1.23 Variances between budgets and actual

Refer to note 2.16

2 Management letter points for this period

2.1 GasanMamo legal case

The council always noted in its financial statements the contingent liabilities and could not commit the amount as a liability since the case was still in appeal stage.

Court Case Xuereb Bros. Ltd.

The court case was only decided in Feb 2017 and the council has no possibility to recognise the liability as at 31st December 2016.

2.2 Salaries reconciliation

The council notes the comment from the auditors and will strive to conduct more reconciliations of the payroll in order to avoid such discrepancies, albeit minimal.

2.3 Pre-regional LES debtors

The Council needs to note that it reported the LES debtors based on information available at the time of the preparation of the financial statements. Furthermore it needs to be noted that the majority of the LES Debtors are long due amounts which the council has no control upon since the LES system is managed by third parties and the negotiations were exclusively made with the central government.

2.4 Prepayments

The council notes the overstatement of €125 and will attempt to reduce such overstatements

2.5 Amount receivable from Water Services Corporation

As the auditors correctly noted, the outstanding amount due from WSC is a matter that is being dealt with.

2.6 Trade payables

The Council takes note of the recommendations and will start implementing regular reconciliations with the circularisation of creditors balances for confirmation.

2.7 Deferred income

The Council takes note of the adjustment. The Council is also aware that the treatment of grants received for capital projects will once again change from the Income approach to the Capital approach as from 1st January 2017, which the Council hopes to reduce the encumbrance of the complex treatment under the Income approach.

2.8 Long-term trade payables

The Council takes note of the audit adjustment and the recommendation of the auditors.

2.9 Accruals

The council notes the accrual overstatement of €429 and will attempt to reduce such overstatements.

2.10 Going concern

The council is aware of the financial situation in particular that the deficit working capital also holds an amount of deferred income which is part of the current liabilities and which is relative to the income approach treatment of the grants received for capital projects. The Council has also prepared its three year business plan for the period 2018 to 2020 taking into consideration the financial situation as at 31st December 2017 and if government allocation and third party services remain as per budget provisions, there should be no going concern issue.

2.11 Financial Situation Indicator

The Council is aware of the negative FSI which in its opinion should return to a positive one for 2017 due to better budgeting and the change in the treatment of the grants received for capital projects which put added pressure on the Council's balance sheet.

2.12 Other debtor

The Council thanks the auditors for their recommendation, which it has approved, and will be implementing during the forthcoming years.

2.13 List of unadjusted errors

The Council takes the preparation of the budget with great interest. In doing so the Council has no control over external factors. Nevertheless the Council monitors and adjusts, as much as possible, expenditure in line with the approved budget.

Once again we take this opportunity to thank the auditors for the efficient operation of the audit.

Yours truly.



Dr. Karel Aquilina
Mayor



Keith Galea
Executive Secretary

National Audit Office
Notre Dame Ravelin
Floriana FRN 1600
Malta

Phone: (+356) 22055555
E-mail: nao.malta@gov.mt
Website: www.nao.gov.mt
www.facebook.com/NAOMalta

Our Ref: NAO 107/2015/9
Your Ref:

8 May 2017

The Mayor and Executive Secretary
Siggiewi Local Council
Siggiewi

Dear Sir/Madam,

**AUDIT REPORT and FINANCIAL STATEMENTS
YEAR ENDING 31 DECEMBER 2016**

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 2016.

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
Asst. Auditor General

RECEIVED
10 MAY 2017

Encls.

The Mayor
Siggiewi Local Council
18, Pjazza San Nikola
Siggiewi SGW 1073
Malta

26th April 2017

Dear Sir,



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

During our audit for the year ended 31 December 2016, we have reviewed the accounting systems and procedures operated by the Council. We set out in this report the more important points that arose as a result of our review.

1 Previous year's management letter (for the year ended 31 December 2015)

1.1 Depreciation

We are pleased to note that the Council is correctly computing depreciation on the monthly reduced balance method, rather than annually as in previous year. The Council performed an exercise to update the register and re-compute depreciation of the previous years. A prior year adjustment was passed by the Council to correct past errors.

1.2 Disposal of office equipment

The office equipment disposed of in 2013 was correctly accounted for.

1.3 Fixed assets register

The fixed assets register is being maintained in the correct format.

1.4 Assets written off in previous years

The Council has now correctly accounted for the fixed assets written off in 2010.

1.5 Annual budget

We are pleased to note that the Council's annual budget is being prepared in accordance with the specimen provided in the Local Councils (Financial) Procedures, 1996 and the rolling three year budget plan was prepared accordingly.

1.6 Gasan Mamo legal case

The liability in relation to the damages on the Gasan Mamo case is still not accounted for (refer to note 2.1).

1.7 Financial Situation Indicator and Result for the year

We are pleased to note that the Council registered a surplus for the year.

However, the Financial Situation Indicator deteriorated in the current year (refer to note 2.11).

1.8 Health insurance

During the year, the Council provided a health insurance cover to its employees, but this in line with the regulations, since the Council registered a surplus in 2016.

1.9 Wages reconciliation

As in previous year, the Mayor's allowance, Executive Secretary's salary, Councillors' allowances and employees' salaries as per unaudited financial statements did not agree to the individual FS5s (refer to note 2.2).

1.10 Employees' files

We are pleased to note that employees' files are being kept updated and indefinite contracts for all employees were performed.

1.11 Attendance of meetings

We are pleased to note that none of the Councillors failed to attend at least one-third of the meetings called within a period of six months, as per applicable Regulations.

1.12 Pre-regional LES debtors

As in previous year, we noticed a difference between the LES debtors' balance as per Loqus report and that as per accounts prepared by the Council (see note 2.3).

1.13 Receipts from pre-regional contraventions

We are pleased to note that receipts are slowly being received from pre-regional contraventions.

1.14 Prepayments

As in previous year, we noticed an over-estimation of the insurance prepayment for the year, as well as an under-estimation of rent prepayment (see note 2.4).

1.15 Accrued income

We are pleased to note that, as at year-end, there were no differences in the amount receivable from DLG with respect to additional costs over the budgeted amount provided by the Minister.

1.16 Debit balances in creditors' list

As at year-end, there were no debit balances in the creditors' list.

1.17 Amount receivable from Water Services Corporation

The overdue balance receivable from Water Services Corporation increased to €27,120 during the period (refer to note 2.5).

1.18 Bank and cash

We are pleased to note that the bank reconciliation provided was correct.

1.19 Trade payables

Suppliers' statements or recent reconciliations of the selected suppliers were again not provided (refer to note 2.6).

1.20 Deferred income

Audit reclassifications were again proposed to properly split deferred income into current and non-current (refer to note 2.7).

1.21 Long-term trade payables

As in previous year, a reclassification was passed with respect to Bonnici Bros. Limited's balance as at year-end to correctly show the short-term and long-term portion separately (refer to note 2.8).

1.22 Annual Government allocation

The annual financial allocation was correctly accounted during the year.

1.23 Variances between budgets and actuals

As in previous year, a significant difference arose between the actual expenses for contractual services incurred and the budgeted expenses (refer to note 2.16).

2 Management letter points for this period

2.1 Gasan Mamo legal case

A court case initiated by Gasan Mamo Insurance Limited was decided against the Local Council on 30 September 2015. The Council had to pay €3,673 for damages, together with expenses and interest as from 22 February 2010. This amount was not recognised as a liability in the Local Council's books. An audit adjustment was not proposed, since amount is not material (refer to note 2.13).

In addition, a court case initiated by Xuereb Bros Ltd was decided against the Local Council on 15 February 2017. The Council was ordered to pay its former waste collection contractor €13,500 (AA 02/2016) by way of balances due in terms of the contract. This amount was not recognised as a liability in the Local Council's books. An audit adjustment was proposed and passed (refer to note 2.14).

2.2 Salaries reconciliation

A difference of €66.92 arose between the salaries as per accounts and the amounts as per FSS forms, as shown in the wages reconciliation below:

	€
Gross Salaries as per FS7/ FS5s	111,429.00
1/2 the total social security as per FS7/ FS5s	7,473.38
Maternity fund contributions as per FS7/ FS5s	211.70
	<hr/>
Total wage for period as per FS7/ FS5s	119,114.08
	<hr/>
Employees' salaries	68,615.00
Executive secretary salaries	22,625.00
Mayor's allowance	8,670.00
Councillors' allowance	7,040.00
NI	9,544.00
	<hr/>
As per accounts	116,494.00
Add Opening accruals	5,847.00
Less Closing accruals	(3,160.00)
	<hr/>
	119,181.00
	<hr/>
Difference	66.92

Since the difference is not material, an audit adjustment was not proposed (refer to note 2.13).

We recommend that the Council performs such reconciliation and passes the necessary adjustments before the accounts are approved for the audit.

2.3 Pre-regional LES debtors

When testing LES debtors as at year-end, we noted that the debtors balance and the respective provision on such balance as per accounts were not showing the actual balance receivable as per LES report. The report generated by Loqus (Datatrak) as at 31 December 2016 indicated that the balance due to the Council from pre-regional LES amounted to €54,737. However, the Council has incorrectly recorded an amount of €59,076. We have proposed an audit adjustment of €4,339 (AA 01/2016) to correctly present LES debtors as at the end of year and this was approved and passed. A further audit adjustment of €4,339 was proposed to fully provide for the LES debtors' balance as at period-end. This was also reflected correctly in the audited financial statements (refer to note 2.14).

We recommend the Council to obtain the Loqus report and pass the necessary adjustments before the accounts are approved for the audit.

2.4 Prepayments

While testing prepayments, we noticed that the insurance and rent prepayments were overstated by €125 each.

Since these differences are not material, an adjustment was not proposed (refer to note 2.13).

2.5 Amount receivable from Water Services Corporation

As at year-end, the overdue balance receivable from Water Services Corporation (WSC) amounted to €27,120. No payment was received during 2016 relating to old balances.

We recommend that this matter is followed up with urgently WSC for payment and is possibly referred to the DLG for collection in line with the agreement made by WSC and DLG some years ago.

2.6 Trade payables

During our testing on trade payables, three trade payables were selected for testing, being Ganaja, Philip Agius & Sons Ltd and Waste Services Limited. The Local Council did not provide us with any of the selected suppliers' statements or recent reconciliations. Alternative testing was carried out.

While we acknowledge that a number of creditors do not prepare statements and duly make them available, we strongly suggest that a periodical exercise that confirms creditor balances is still performed.

Creditor reconciliations are an essential element of a good internal control system. They can assist in enhancing the internal control system of the Local Council while also ensuring that the supplier balances reflected in the accounts are accurate.

2.7 Deferred income

During our testing on the deferred income on several grants, we noted that the apportionment of deferred income between short-term and long-term is being calculated using the straight line method, rather than the reducing balance method. In this respect, a reclassification of €7,810 (RECL 01/2016) was proposed and passed in the Council's financial statements to correctly value the deferred income of various grants (refer to note 2.15).

Moreover, we have noted that the payment for 2016 was not paid and we have been advised that this will be settled with the 2017 payment. This resulted in a higher liability. We recommend that mutual agreements are not breached and payments are made when due.

Also when testing pre-2014 grants, we have noticed that the amount of €1,042 was understated when charging the portion to the profit and loss account. This amount is not material, and so no audit adjustment was passed (refer to list of unadjusted errors in note 2.13).

While testing the reversal of the deferred income regarding prior year 2014, there was a difference of €46 between the workings provided by the Local Council and the audit calculations. Since difference is not material, an adjustment was not passed (refer to note 2.13).

2.8 Long-term trade payables

A reclassification was passed with respect to Bonnici Bros. Limited's balance as at year-end to correctly classify the short-term and long-term portions. Before reclassifying, short-term payables were overstated by €16,283 (RECL 02/2016) while the long-term payables were understated by the same amount (refer to note 2.15).

We recommend that such year-end reclassifications are passed by the Council before the accounts are approved for the audit.

2.9 Accruals

While testing accruals, we noticed that the tipping fees accrual for the year were overstated by €429.

Since such difference is not material, an adjustment was not proposed (refer to note 2.13).

2.10 Going concern

As at year-end, the Council had current liabilities of €268,151 and current assets of €180,252. The Council reported a surplus for the year of €86,863.

Although this shows an improvement from last year, this information may indicate that there are doubts regarding the ability to continue as a going concern. We have included an emphasis of matter paragraph in our auditors' report.

2.11 Financial Situation Indicator

The Council's Financial Situation Indicator (FSI) at the end of the financial year is a negative 9.44%, which is less than the minimum positive balance of ten percent benchmark.

Details	€
Current Assets	180,252
Less committed current assets	(57,844)
Net Current Assets	122,408
Non-Current Liabilities	685,326
Current Liabilities	268,151
Total Liabilities	953,477
Less LT balance payable under PPP scheme	(71,849)
Less long-term deferred income	(613,477)
Less short-term deferred income	(75,023)
Net Liabilities	193,128
Net Current Assets less Net Liabilities	(70,720)
Government Allocation	749,219
FSI	-9.44%

The Executive Secretary is bound to maintain a positive balance and the FSI must not be less than ten percent of the allocation approved in terms of section 55 of the Local Councils Act. The Regulations also state that the Executive Secretary must immediately notify the DLG when the FSI falls below ten percent.

2.12 Other debtor

The Council's accounts included €8,269 as an amount receivable from grants which has been long due since 2012 and 2013. The Local Council confirmed that such balance is not recoverable and an adjustment was proposed, approved by the Council, and passed (AA03/2016) to write off this amount (refer to note 2.14).

We recommend that irrecoverable balances are written off by the Council before the accounts are approved for the audit.

2.13 List of unadjusted errors

During the audit, we noted the following misstatements of a non-material nature, both in aggregate and individually, with a net effect on income of €4,423. Refer to the details below:

Dr Insurance expense	€125
Cr Prepayments	€125
<i>Being overstatement of insurance prepayment – note 2.4</i>	
Dr Rent payable	€125
Cr Prepayments	€125
<i>Being understatement of rent payable on Council's premises – note 2.4</i>	
Dr FSS control account	€67
Cr Wages	€67
<i>Being overstatement of wages – note 2.2</i>	
Dr Accruals	€429
Cr Tipping fees	€429
<i>Being over-accrual of WasteServ tipping fees – note 2.9</i>	
Dr Revenue	€1,042
Cr Long-term deferred income	€1,042
<i>Being understatement of deferred income – note 2.7</i>	
Dr Long-term deferred income	€46
Cr Revenue	€46
<i>Being overstatement of deferred income – note 2.7</i>	
Dr Expense	€3,673
Cr Other payables	€3,673
<i>Being liability regarding Gasan Mamo case not recognised – note 2.1</i>	

2.14 Audit adjustments

Below is a list of the audit adjustments proposed and passed during the audit:

AA 01/2016	Dr Contraventions	€4,339
	Cr LES debtors	€4,339
	<i>Being overstatement of LES debtors as per LES report – note 2.3</i>	
	Dr Provision for LES debtors (B/S)	€4,339
	Cr Decrease in provision of LES debtors (P/L)	€4,339
	<i>Being decrease in LES debtors – note 2.3</i>	
AA 02/2016	Dr Refuse collection expense	€13,500
	Cr Accruals	€13,500
	<i>Being court case initiated by Xuereb Bros Ltd decided against the Council in 2017 – note 2.1</i>	

AA 03/2016	Dr Bad debts written off	€8,269
	Cr Other debtors	€8,269
	<i>Being write-off of irrecoverable balance – note 2.12</i>	

2.15 Reclassifications

Below is a list of the reclassifications proposed and passed during the audit:

RECL 01/2016	Dr Short-term deferred income	€7,810
	Cr Long-term deferred income	€7,810
	<i>Being difference in apportionment of deferred income using the reducing balance method – note 2.7</i>	
RECL 02/2016	Dr Creditors control account	€16,283
	Cr Long-term PPP payables	€16,283
	<i>Being reclassification of Bonnici Bros. Limited's balance from short to long-term – note 2.8</i>	

2.16 Variances between budgets and actuals

When testing budgeted expenses with actual costs incurred, we noted the following variances:

	Actual expenditure	Budgeted expenditure	Variance
Personal emoluments	€116,494	€97,005	€19,489
Repairs and upkeep	€61,748	€82,000	(€20,252)
Administration and other expenditure	€340,051	€360,788	(€20,737)

We recommend that the budget is prepared in greater detail so that we would be able to compare the individual expenses not separately. In view of the above variances, we also recommend the Council to prepare budgets that eventually result being more close to actual costs.

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 designed primarily for the purpose of expressing our opinion on the financial statements of the Local 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 defalcations or other irregularities or to include all possible improvements in internal control that a more extensive special examination might develop.

We would also like to take this opportunity to thank the Mayor, Executive Secretary and Local Council staff for their help during the course of our audit.



Mr Manuel Castagna
For and on behalf of Nexia BT

Siggiewi Local Council

Report and Financial Statements

For the year ended 31 December 2016

Prepared by:

GMM & Associates (Malta) Limited



Table of Contents

Section	Page
Statement of Local Council Members' and Executive Secretary's Responsibilities	3
Report of the Local Government Auditors to the Auditor General	4-5
Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2016	6
Statement of Financial Position as at 31 December 2016	7
Statement of Changes in Equity for the year ended 31 December 2016	8
Statement of Cash Flows for the year ended 31 December 2016	9
Notes to the Financial Statements for the year ended 31 December 2016	10-29

Financial Statements for the year ended 31 December 2016**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 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 Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on 26th April 2017 and signed on its behalf by:



Dr Karol Aquilina
Mayor



Mr Keith Galea
Executive Secretary

REPORT OF THE LOCAL GOVERNMENT AUDITORS ON THE SIGGIEWI LOCAL COUNCIL TO THE AUDITOR GENERAL**Report on the Audit of the Financial Statements****Opinion**

We have audited the financial statements of Siggiewi Local Council, set out on pages 6 to 29, which comprise the Statement of Financial Position as at 31 December 2016, and the statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the statement of financial position of Siggiewi Local Council as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Relating to Going Concern

Without qualifying our opinion, we draw attention to the Council's Statement of Financial Position on page 7 which shows that at 31 December 2016 the Council's current liabilities exceeded current assets by €87,899. The significance of this imbalance casts doubt as to whether the Council will be able to meet its liabilities as they fall due.

As explained in note 2 to these financial statements, the going concern assumption underlying the preparation of these financial statements is dependent on the Council having sources of funds other than the annual financial allocation it receives from Government, and on the continued support of the Council's creditors. If these assumptions do not materialize, the Council will not be able to meet its financial obligations as they fall due without curtailing its future commitments.

Responsibilities of the Executive Secretary

The Executive Secretary is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the EU, and for such internal control as the Executive Secretary determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Secretary is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the entity is intended to be liquidated or to cease operations, or has no realistic alternative but to do so.

REPORT OF THE LOCAL GOVERNMENT AUDITORS ON THE SIGGIEWI LOCAL COUNCIL TO THE AUDITOR GENERAL (continued)**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error,
- Design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Secretary.
- Conclude on the appropriateness of the Executive Secretary's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements comply fully with the Local Councils Act, the Financial Regulations issued in terms of this Act and the Local Council (Financial) Procedures.



Mr Manuel Castagna

For and on behalf of
Nexia BT
Certified Public Accountants

The Penthouse, Suite 2
Capital Business Centre, Entrance C
Triq taz-Zwejt
San Gwann SGN 3000
Malta

Date: 26 April 2017

**Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2016**

		2016	2015	2015
	Notes	Euro	(as restated) Euro	(as previously stated) Euro
Income				
Funds received from central government	5	765,639	778,692	778,692
Income raised from Bye-Laws	6	12,446	18,537	18,537
Local Enforcement Income	7	2,244	10,442	10,442
Investment Income	8	70	154	154
General Income	9	111,672	11,466	11,466
		<u>892,071</u>	<u>819,291</u>	<u>819,291</u>
Expenditure				
Personal emoluments	10	(116,494)	(117,005)	(117,005)
Operations and maintenance	11	(348,663)	(403,853)	(403,853)
Administration and other expenditure	12	(340,051)	(329,952)	(311,288)
		<u>(805,208)</u>	<u>(850,810)</u>	<u>(832,146)</u>
Surplus/(Deficit) for the year		<u>86,863</u>	<u>(31,519)</u>	<u>(12,855)</u>
Total Comprehensive Income / (Loss)		<u>86,863</u>	<u>(31,519)</u>	<u>(12,855)</u>

**Statement of Financial Position
as at 31 December 2016**

	Notes	2016 Euro	2015 (As restated) Euro	2015 (as previously stated) Euro
Assets				
Non-current Assets				
Property, Plant and Equipment	13	<u>2,171,108</u>	<u>1,946,384</u>	<u>2,075,042</u>
Current Assets				
Receivables	14	91,835	64,616	64,616
Cash and Cash Equivalents	15	<u>88,417</u>	<u>111,710</u>	<u>93,079</u>
		<u>180,252</u>	<u>176,326</u>	<u>157,695</u>
Total assets		<u>2,351,360</u>	<u>2,122,710</u>	<u>2,232,737</u>
Reserves and Liabilities				
Reserves				
Retained Funds		<u>1,397,883</u>	<u>1,311,020</u>	<u>1,439,678</u>
Non-current Liabilities				
Trade payables	16	71,849	36,553	36,553
Deferred Income	16	<u>613,477</u>	<u>608,141</u>	<u>608,141</u>
		<u>685,326</u>	<u>644,694</u>	<u>644,694</u>
Current Liabilities				
Bank balances overdrawn	15	24,394	18,631	-
Payables	16	<u>243,757</u>	<u>148,365</u>	<u>148,365</u>
		<u>268,151</u>	<u>166,996</u>	<u>148,365</u>
Total Liabilities		<u>953,477</u>	<u>811,690</u>	<u>793,059</u>
Total reserves and liabilities		<u>2,351,360</u>	<u>2,122,710</u>	<u>2,232,737</u>

The financial statements were approved by the Council on the 26th April 2017 and were signed on its behalf by:


Dr Karol Aquilina
Mayor


Mr Keith Galea
Executive Secretary

**Statement of Changes in Equity
for the year ended 31 December 2016**

	Notes	Retained Funds
		Euro
Balance at 1 January 2015 as restated		1,342,539
Deficit for the year as restated		<u>(31,519)</u>
Total Comprehensive loss		<u>(31,519)</u>
Balance at 31 December 2015 as restated		<u>1,311,020</u>
Balance at 31 December 2015 as previously stated		1,439,678
Prior year adjustment	4	<u>(128,658)</u>
Balance at 1 January 2016		1,311,020
Surplus for the year		<u>86,863</u>
Total Comprehensive income		<u>86,863</u>
Balance at 31 December 2016		<u>1,397,883</u>

**Statement of Cash Flows
for the year ended 31 December 2016**

	2016	2015	2016
		(as restated)	(as previously stated)
	Euro	Euro	Euro
Notes			
Cash flow from operating activities			
Surplus/(Deficit) for the year	86,863	(31,519)	(12,855)
Adjustments for:			
Depreciation	190,282	122,657	103,993
Interest receivable	(70)	(154)	(154)
	<u>277,075</u>	<u>90,984</u>	<u>90,984</u>
Movement in payables	98,568	(9,294)	(9,294)
Movement in receivables	<u>(27,219)</u>	<u>8,389</u>	<u>8,389</u>
Cash generated from operations	<u>348,424</u>	<u>90,079</u>	<u>90,079</u>
<i>Net cash from operating activities</i>	<u>348,424</u>	<u>90,079</u>	<u>90,079</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	(415,006)	(382,705)	(382,705)
Interest received	70	154	154
<i>Net cash used in investing activities</i>	<u>(414,936)</u>	<u>(382,551)</u>	<u>(382,551)</u>
Cash flows from financing activities			
Movement in long-term payables	<u>37,456</u>	<u>183,976</u>	<u>183,976</u>
<i>Net cash from financing activities</i>	<u>37,456</u>	<u>183,976</u>	<u>183,976</u>
Movement in cash and cash equivalents	<u>(29,056)</u>	<u>(108,496)</u>	<u>(108,496)</u>
Cash and cash equivalents at beginning of year	<u>93,079</u>	<u>201,575</u>	<u>201,575</u>
Cash and cash equivalents at end of year	<u>64,023</u>	<u>93,079</u>	<u>93,079</u>
	15		

**Notes to the Financial Statements
for the year ended 31 December 2016****1. General Information**

The Siggiewi Local Council is a local government set up by the Local Councils Act, 1993. The office of the Council is situated at Siggiewi Civic Centre - 18, Pjazza San Nikola, Siggiewi. The Local Council's presentation as well as the functional currency are denominated in €. The financial statements were authorised for issue by the Council on the 26th April 2017. Siggiewi Local Council prepares the financial statements on a yearly basis from 1st January to 31st December.

2. Going concern

At the statement of financial position date, the current liabilities of the Local Council exceed its current assets by €87,899. These financial statements have been prepared on a going concern basis, which assumes that the Central Government will continue to provide support to the Local Council in the foreseeable future.

3. 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.

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).

These financial Statements are prepared under the historical cost Convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the local councils act (Cap 363), the Financial Regulations issued in terms of this act and the Local councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the international reporting standards.

New and revised standards that are effective for annual periods beginning on or after 1st January 2016.

A number of new and revised standard are effective for annual periods beginning on or after 1st January 2016. Information on these new standards is presented below.

- Amendments to IFRS 11 in respect of Accounting for Acquisitions of Interest in Joint Operations which will be effective for accounting years beginning on or after 1 January 2016.
- Amendments to IAS 16 and IAS 38 in respect of Clarification of Acceptable Methods of Depreciation and Amortisation which will be effective for accounting years beginning on or after 1 January 2016.
- Amendments to IAS 16 and IAS 41 in respect of Bearer Plants which will be effective for accounting years beginning on or after 1 January 2016.
- Amendments to IAS 27 to allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates which will be effective for accounting years beginning 1 January 2016.

**Notes to the Financial Statements
For the year ended 31 December 2016**

3. Reporting Procedures (Continued)

New and revised standards that are effective for annual periods beginning on or after 1st January 2016 (Continued)

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting - Annual improvements to IFRSs 2012-2014 Cycle (applicable for financial year beginning in or after 1 January 2016)
- IFRS 12 Disclosure of Interests in Other Entities - Investment Entities: Applying the Consolidation Exception: Narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities.
- Amendments to IAS 1 in respect of determining what information to disclose in annual financial statements which will be effective for accounting years beginning on or after 1 January 2016.

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, the following Standards and Interpretations which have not been applied in these financial statements, were in issue but not yet effective for the period presented:

- IAS 7 in respect of Disclosure Initiative which will be effective for the accounting years beginning on or after 1 January 2017.
- IAS 12 in respect of Deferred Tax Assets for Unrealised Losses which will be effective for the accounting years beginning on or after 1 January 2017.
- IFRS 15 in respect of Revenue from Contracts with Customers which will be effective for accounting years beginning on or after 1 January 2018.
- IFRS 9 in respect of Financial Instruments which will be effective for the accounting years beginning on or after 1 January 2018.
- IFRS 2 in respect of Classification and Measurement of Share-based Payment Transactions which will be effective for the accounting years beginning on or after 1 January 2018.
- IFRS 16 in respect of Leases which will be effective for the accounting years beginning on or after 1 January 2019.
- IFRS 10 and IAS 28 in respect of Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, for which the effective accounting year is still to be determined.

**Notes to the Financial Statements
for the year ended 31 December 2016**

.....continued

4. Accounting policies

Income recognition

Income in general is stated when there is reasonable certainty that the income would be receivable and thus can be accrued for. Other income such as that derived from the organisation of courses, cultural, sporting and social activities is only recognised on a cash basis.

During 2016 the amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the administrative fee of 10% that is chargeable to the respective Regional Committees for contraventions paid at the Council. However as from 1st October, the Administrative fee will no longer be sent to the Regional committees but to Local Enforcement System Agency (LESA). This change is not expected to impact the operations of the Local Council.

Property, plant and equipment

Freehold land is not depreciated. Furniture and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the reducing balance method. The estimated useful lives, residual values and depreciation method are renewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the statement of comprehensive income.

Tangible fixed assets are stated at cost less accumulated depreciation and grants received for specific projects. Depreciation is calculated on a yearly basis using the reducing balance method at rates estimated to write down the cost of all tangible fixed assets, other than land and trees over their expected useful lives as follows:

	Rates in %
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
Playground furniture	100

**Notes to the Financial Statements
for the year ended 31 December 2016**

.....continued

4. Accounting policies (Continued)**Property, plant and equipment (Continued)**

Certain depreciation rates such as those of plants, playground equipment and street lighting had their depreciation rate changed from 10% to 100% in October 2002 by virtue of Legal Notice 323 of 2002. Litter bins and street signs are treated on replacement basis as per memo 121/2011.

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.

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.

Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Council will not be able to collect all amounts receivable.

Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are considered as indicators that the amount to be received is impaired. Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The amount of the provision is recognised in the Statement of Income and Expenditure.

Payables and borrowings

Payable and borrowing costs are recognised as an expense in the period in which they are incurred. Amounts payable comprise creditor payments, that is, the amounts payable for the procurement of supplies and services. When an invoice or request for payment is received from a supplier, this is checked to the purchase order previously issued or the service contract, before payment is released in favour of any vendor. All cheque payments are signed by the Mayor and Executive Secretary and then reconciled with the bank statements on a monthly basis.

**Notes to the Financial Statements
for the year ended 31 December 2016**

.....continued

4. Accounting policies (Continued)**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for the intended use or sale.

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Council will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in the Statement of Comprehensive Income on a systematic basis over the periods in which the Council recognises as expenses the related costs for which the grants are intended to compensate, in line with the Office Local Council Department based on IAS 20.

Specifically, government grants whose primary condition is that the Council should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to the Statement of Comprehensive Income on a systematic and rational basis over the useful lives of the related assets.

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.

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.

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.

**Notes to the Financial Statements
for the year ended 31 December 2016**

.....continued

4. Accounting policies (Continued)**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 year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

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).

Capital management policies and procedures

The councils Capital consists of its net assets, including working capital, represented by its retained funds. The council's management objective are to ensure the councils ability to continue as a going concern is still valid and that the council maintains a positive working capital ratio. To achieve this, the council carries out a quarterly review of the working capital ratio (financial situation indicator). This ratio was positive at the reporting date. The council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

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'.

**Notes to the Financial Statements
for the year ended 31 December 2016**

.....continued

4. Accounting policies (Continued)

Financial assets (Continued)

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.

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'.

Prior Year Adjustment

The comparative Statement of Financial Position and Statement of Changes in Equity were restated to correct accumulated depreciation in respect to Property, Plant and Equipment amounting to €128,658. This agrees to the new fixed asset register working approved by the council.

Effect on 2015:

	As previously stated	Movement	As restated
Retained Funds as at 1 January 2015	1,452,533	(109,994)	1,342,539
Deficit for the year ended 31 December 2015	(12,855)	(18,664)	(31,519)
Property, Plant and Equipment	2,075,042	(128,658)	1,946,384

The movement of €128,658 in the Property, Plant and Equipment is comprised in the restatement of the following balances:

	€
Grants and other reimbursements	2,959
Depreciation as at 1 January 2015	107,035
Depreciation charge for the year 2015	<u>18,604</u>
	<u>128,658</u>

**Notes to the Financial Statements
for the year ended 31 December 2016**

.....continued

	2016	2015
	Euro	Euro
5. Funds received from central government		
In terms of section 55 of the Local Councils Act (Cap 363)	749,219	725,932
Supplementary Government Income	<u>16,420</u>	<u>52,760</u>
	<u>765,639</u>	<u>778,692</u>
	2016	2015
	Euro	Euro
6. Income raised from Bye-Laws		
Income raised under Local Council Bye-Laws	<u>12,446</u>	<u>18,537</u>
	2016	2015
	Euro	Euro
7. Local Enforcement Income		
Income from Contraventions	341	-
Overstatement of LES debtors	(4,339)	-
Regional Committees	<u>6,242</u>	<u>10,442</u>
	<u>2,244</u>	<u>10,442</u>

**Notes to the Financial Statements
for the year ended 31 December 2016**

.....continued

	2016	2015
	Euro	Euro
8. Investment Income		
Bank interest	<u>70</u>	<u>154</u>
	2016	2015
	Euro	Euro
9. General Income		
Income from other activities	14,306	6,152
Income from tender documents	150	1,950
Contributions	-	3,364
Release of Deferred Income	75,104	-
Other Income	<u>22,112</u>	<u>-</u>
	<u>111,672</u>	<u>11,466</u>
	2016	2015
	Euro	Euro
10. Personal Emoluments		
Mayor's allowance	8,670	12,173
Executive Secretary's salary	22,625	30,343
Employees' wages and salaries	68,615	60,886
Councillors' allowances	7,040	7,200
Social Security Contributions	<u>9,544</u>	<u>6,403</u>
	<u>116,494</u>	<u>117,005</u>

**Notes to the Financial Statements
for the year ended 31 December 2016**

.....continued

	2016 Euro	2015 Euro
11. Operations and Maintenance		
Repairs and upkeep:		
Road and street pavements (Patching works)	52,474	70,817
Walkways	2,107	38,340
Street signs	6,270	13,952
Road Markings	897	-
	<u>61,748</u>	<u>123,109</u>
Contractual services:		
Refuse collection (including bins on wheels)	65,804	50,912
Bulky refuse collection (including open skips)	73,684	65,513
Road and Street Cleaning (mechanical and manual)	28,948	49,397
Cleaning and Maintenance of Non-Urban Roads	47,810	49,158
Cleaning and Maintenance of Public Conveniences	9,390	6,784
Cleaning and Maintenance of Parks and Gardens	28,831	31,403
Cleaning and Maintenance of Beaches & Catchment Areas	-	1,115
Street Lighting	14,719	16,589
Local Enforcement Expenses	17,729	9,873
	<u>286,915</u>	<u>280,744</u>
	<u>348,663</u>	<u>403,853</u>

**Notes to the Financial Statements
for the year ended 31 December 2016**

.....continued

	2016	2015	2015 (as previously stated)
	Euro	(as restated) Euro	Euro
12. Administration and other expenditure			
Utilities	12,176	12,933	12,933
Other repairs and upkeep	14,335	13,228	13,228
Rent	3,195	3,320	3,320
National and International Memberships	735	82	82
Office Services	9,628	30,978	30,978
Transport	1,456	5,786	5,786
Information Services	6,810	11,133	11,133
Other contractual services	9,978	9,907	9,907
Professional services	35,610	48,365	48,365
Community and hospitality	228	389	389
Social events	3,610	6,872	6,872
Cultural events	47,620	60,370	60,370
Bad debts written off	8,269	-	-
(Decrease)/Increase in Provision for Bad Debts	(3,881)	3,932	3,932
Depreciation	190,282	122,657	103,993
	<u>340,051</u>	<u>329,952</u>	<u>311,288</u>

**Notes to the Financial Statements
for the year ended 31 December 2016**

.....continued

13a Property, Plant and Equipment

Cost	Council Premises	Office Furniture	New Street Signs	Office Equipment	Plant & Machinery	Urban Improvements	Special Prg. Re-surf	Total
	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
As at 1 January 2016	532,927	6,553	25,283	34,392	9,738	972,086	2,757,383	4,338,362
Additions	-	860	-	3,542	-	304,556	106,048	415,006
As at 31 December 2016	532,927	7,413	25,283	37,934	9,738	1,276,642	2,863,431	4,753,368
Grants and Other Reimbursements								
As at 1 January 2016	-	-	-	-	-	-	(594,577)	(594,577)
As at 31 December 2016	-	-	-	-	-	-	(594,577)	(594,577)
Depreciation								
As at 1 January 2016	10,326	1,273	25,283	14,654	8,584	230,825	1,506,456	1,797,401
Charge for the year	5,202	388	-	3,999	518	87,980	92,195	190,282
As at 31 December 2016	15,528	1,661	25,283	18,653	9,102	318,805	1,598,651	1,987,683
Net Book Value								
As at 31 December 2016	517,399	5,752	-	19,281	636	957,837	670,203	2,171,108

**Notes to the Financial Statements
for the year ended 31 December 2016**

.....continued

13b. Property, Plant and Equipment

	Council Premises		Office Furniture		New Street Signs		Office Equipment		Plant & Machinery		Urban Improvements		Special Prg. Re-surf		Total	
	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
Cost																
As at 1 January 2015	511,030	4,693	25,283	29,814	-	636,595	2,748,242	3,955,657								
Additions	21,897	1,860	-	5,979	-	345,151	7,818	382,705								
Transfers	-	-	-	(1,401)	9,738	(9,660)	1,323	-								
As at 31 December 2015	532,927	6,553	25,283	34,392	9,738	972,086	2,757,383	4,338,362								
Grants and Other Reimbursements																
As at 1 January 2015	-	-	-	-	-	-	(591,618)	(591,618)								
Re-stated balance	-	-	-	-	-	-	(2,959)	(2,959)								
As at 31 December 2015	-	-	-	-	-	-	(594,577)	(594,577)								
Depreciation																
As at 1 January 2015	4,976	982	25,283	18,982	-	75,671	1,441,815	1,567,709								
Prior Period Adjustment	111	(57)	-	(8,522)	7,950	136,659	(29,106)	107,035								
As at 1 January 2015 (as restated)	5,087	925	25,283	10,460	7,950	212,330	1,412,709	1,674,744								
Charge for the year (as restated)	5,239	348	-	4,194	634	18,495	93,747	122,657								
As at 31 December 2015	10,326	1,273	25,283	14,654	8,584	230,825	1,506,456	1,797,401								
Net Book Value																
As at 31 December 2015	522,601	5,280	-	19,738	1,154	741,261	656,350	1,946,384								

**Notes to the Financial Statements
for the year ended 31 December 2016**

.....continued

	2016	2015
	Euro	Euro
14a. Receivables		
Trade receivables	30,370	31,638
Provision for doubtful debts	(458)	(1,560)
LES	54,737	59,076
LES Provision	(54,737)	(59,076)
Other receivables	-	8,269
Accrued income	57,844	24,998
Advance payments to suppliers	-	503
Financial Asset	<u>87,756</u>	<u>63,848</u>
Prepayments	4,079	768
	<u>91,835</u>	<u>64,616</u>

14b. Receivables

Trade Receivables are analysed as follows:

	2016	2015
	Euro	Euro
Within Credit Period	627	1,473
Exceeded Credit Period	29,743	30,165
Provision for Doubtful Debts	(458)	(1,560)
	<u>29,912</u>	<u>30,078</u>

15. Cash and Cash Equivalents

Cash and cash equivalents included in the cash flow statement comprise the following amounts in the Local Council Statement of Financial Position:

	2016	2015
	Euro	Euro
Cash at bank	88,417	111,710
Bank balances overdrawn	(24,394)	(18,631)
Cash and cash equivalents at year-end	<u>64,023</u>	<u>93,079</u>

**Notes to the Financial Statements
for the year ended 31 December 2016**

.....continued

	2016 Euro	2015 Euro
16. Payables		
<i>Current Liabilities</i>		
Trade payables	74,182	87,854
Accruals	28,366	17,608
Other Payables	66,186	-
Deferred income	75,023	42,903
	<u>243,757</u>	<u>148,365</u>
 <i>Non-Current Liabilities</i>		
Deferred Income	613,477	608,141
Trade and Other Payables	71,849	36,553
Total Payables	<u>685,326</u>	<u>644,694</u>
 <i>Deferred Income</i>	Euro	Euro
Balance at the beginning of the year	651,044	459,262
Increase	112,560	211,564
Released to Income	(75,104)	(19,782)
Balance at the end of the year	<u>688,500</u>	<u>651,044</u>
 Short-Term Deferred Income	<u>75,023</u>	<u>42,903</u>
 Long-Term Deferred Income	<u>613,477</u>	<u>608,141</u>

**Notes to the Financial Statements
for the year ended 31 December 2016**

.....continued

17. Capital Commitments

The council does not have any capital commitments which have been contracted for, but have not been provided for in the financial statements as at 31 December 2016.

The council does not have any capital commitments which have been authorised by the council, but have not yet been contracted for as at 31 December 2016.

18. Contingent Liabilities

A contingent liability exists with Mr. Darmanin who is seeking compensation from the Siggiewi Local Council of € 539.99 together with consequential expense and interest accruing on the amount not paid from the 17th of June 2014 including legal fees.

Moreover, the council has a guarantee in favour of related parties amounting to € 3,000.

19. Post Balance Sheet Event

On 8 August 2016, Mr Keith Galea has been appointed as the Executive Secretary and Mr Nicholas Baldacchino has resigned from his position.

20. Financial Risk Management

Financial assets include equity, other receivables and cash held at bank and in hand. Financial liabilities include other payables and long-term borrowings.

The Council is exposed to a variety of financial risks: market risk, credit risk and liquidity risk. The Council's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance.

The Council adopts an overall risk management to maintain and control its exposures.

*Market risk**i) Cash flow and fair value interest rate risk*

As the Council has no interest-bearing assets, the Council's income and operating cash flows are independent of changes in market interest rates. Although the Council has borrowings issued at fixed rates, the exposure to fair value interest rate risk is limited and ultimately endorsed by Central Government.

ii) Credit Risk

Credit risk on amounts receivable is limited through the systematic monitoring of outstanding balances and the presentation of debtors net of allowances for doubtful debts, where applicable. Cash is placed with reputable banks.

**Notes to the Financial Statements
for the year ended 31 December 2016**

.....continued

20. Financial Risk Management - Continued

Credit risk arises ever increasing variances between the main council's income, that provided by Central Government, and the cost of its outsourced services which are mostly exposed to commodity risks. Furthermore the huge reduction of other revenue from LES, following its restructuring through central government, and Permits could well expose the Council even more to credit issues unless this shortfall is recovered from other sources.

The maximum exposure to credit risk at the reporting date in respect of the financial assets mentioned above is disclosed in the respective notes to the financial statements. Assets recognised at the end of the reporting period and is summarised as follows:

Classes of Financial assets – Carrying Amounts	2016 Euro	2015 Euro
Trade & Other Receivables (Note 14)	87,756	63,848
Cash and Cash Equivalents (Note 15)	64,023	93,079
	<u>151,779</u>	<u>156,927</u>

The Maximum Exposure to Credit Risk for Trade Receivables at the reporting Date, net of impairment losses, by type of customer is as follows:

Classes of Financial assets – Carrying Amounts	2016 Euro	2015 Euro
Amount Invoiced Not yet Settled by Class:		
Government Owned Entities	29,912	30,078
	<u>29,912</u>	<u>30,078</u>

The council assesses the credit quality of its customers by taking into Account their Financial Standing and past experience. The council considers the credit quality of its financial Assets as being acceptable.

Included in the Councils Trade receivables there are no balances which are past due and which have not been provided for.

	2016 Euro	2015 Euro
Current	582	1,472
30 Days	44	-
60 Days	510	-
90 Days	40	237
120+ Days	28,736	28,369
	<u>29,912</u>	<u>30,078</u>

**Notes to the Financial Statements
for the year ended 31 December 2016**

.....continued

20. Financial Risk Management - Continued

iii) Fair Values

As at 31 December 2016, the carrying amounts of financial assets and liabilities were not materially different from the carrying amounts.

iv) Liquidity risk

Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve-month period and ensures that no additional financing facilities are expected to be required over the coming year.

	2016			
	Less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years
Payables	74,182	-	-	-
Other Payables	-	66,186	-	-
Accruals	28,366	-	-	-
	<hr/>			
	2015			
	Less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years
Payables	87,854	-	-	-
Accruals	17,608	-	-	-
	<hr/>			

Fair Value Estimation

The nominal Values less Estimated Credit Adjustments of receivables and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair values.

**Notes to the Financial Statements
for the year ended 31 December 2016**

.....continued

20. Financial Risk Management - Continued

Summary of Financial Assets and Liabilities

The carrying amounts of the councils financial Assets and liabilities as recognised at the reporting dates under review are categorised as follows:

	2016	2015
	Euro	Euro
Current Assets		
Receivables:		
Trade and Other Receivables	87,756	63,848
Cash and Cash Equivalents	64,023	93,079
	<u>151,779</u>	<u>156,927</u>
Current Liabilities		
Financial Liabilities measured at amortised Cost:		
Payables	168,734	-
Other Payables	66,186	87,854
Accruals	28,366	17,608
	<u>155,234</u>	<u>105,462</u>

21. Related Party Transactions

Identity of Related Parties

All the Authorities set up by Central Government and all the entities which are owned by Central Government are considered to be related parties to the Siggiewi Local Council.

The Siggiewi Local Council Has the following related parties exercising:

- I. Significant Control – as per Local Councils Act 1993, Department for Local Government is the major and ultimate controlling related party.
- II. Joint control – South Joint Committee for Local enforcement, South Regional Committee
- III. No Control– Malta Post, Courts of Justice, Waste Services Malta Ltd

The following were significant transactions Carried out by the Council with related parties having significant control

	2016	2015
	Euro	Euro
Annual Financial Allocation	749,219	725,932
LES	2,244	10,442
Key Management Emoluments		
Executive Secretary	22,625	30,343
Mayor Honoraria	8,670	12,173
Councillors Allowance	7,040	7,200

**Notes to the Financial Statements
for the year ended 31 December 2016**

.....continued

22. Comparatives

Certain comparatives have been restated in order to conform to the current year's presentation.