

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

3 May 2018

The Mayor and Executive Secretary  
Siggiewi Local Council  
Siggiewi

Dear Sir/Madam,

**AUDIT REPORT and FINANCIAL STATEMENTS  
YEAR ENDING 31 DECEMBER 2017**

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 2017.

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

Encls.

31/05/2018

The Auditor General  
National Audit Office,  
Notre Dame Ravelin,  
Floriana. CMR02

Dear Sir,

The Council discussed the Management Letter for the financial year ended 31st December 2017, during a meeting held on the 30th May 2018.

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.

### **2 Management letter points for this period**

#### **2.1 Fixed assets**

The depreciation charge of urban improvements was understated by €1,781. Since difference is not material, an adjustment was not proposed (refer to list of unadjusted errors in note 2.13).

We are pleased to note that the fixed assets register was correctly computed showing the correct depreciation charge for the year.

*Nothing to comment about as the auditors noted that the charge for the year was computed correctly*

#### **2.2 Salaries reconciliation**

A difference of €117 arose between the salaries as per accounts and the amounts as per FSS forms.

*We accept the recommendation from the auditors to review and reconcile the calculations more frequently. The misposting was between the same accounts related to the salaries and wages therefore there was no misstatement.*

### 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 2017 indicated that the balance due to the Council from prerregional LES amounted to €54,621. However, the Council has incorrectly recorded an amount of €54,737. Since difference is not material an audit adjustment of €116 was not proposed. Refer to list of unadjusted errors in note 2.13

*We accept the recommendation from the auditors to review and reconcile the LES Debtor reports against the Loqus report. The variance noted by the auditors was of €116.*

### 2.4 Amount receivable from Water Services Corporation

As at year-end, the overdue balance receivable from Water Services Corporation (WSC) amounted to €27,705. No payment was received during 2017 relating to old balances.

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

*The Executive Secretary initiated discussions with the CEO of WSC who was not aware of the amounts due to the council. Following these discussions WSC mentioned that any amounts agreed upon and which are due to the council would be settled, however the timeframe for such settlement was not defined.*

### 2.5 Trade payables

During our testing on trade payables, seven trade payables were selected for testing. The Local Council did not provide us with statements or recent reconciliations for two of the suppliers, these being Mario Mizzi Milord and Nexos Lighting Technology. Alternative testing was carried out.

The balance payable to WasteServ Malta Limited was overstated by €2,255, when compared to the supplier's statement. The Executive Secretary did not provide us with an explanation of the difference. Given that the extrapolated error was not material, no adjustment was proposed (refer to note 2.13).

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.

*We accept the auditors note especially the fact that certain suppliers are not always forthcoming with their statements. The council will emphasize with suppliers the need for regular statements in order to be able to conduct more effective creditors reconciliations. Kindly refer to council's reply for 2.7 in respect to Wasteserv.*

## **2.6 Deferred income**

During our testing on the deferred income on several grants, we again 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 €9,148 (RECL 01/2017) was proposed and passed in the Council's financial statements to correctly present the short-term and long-term portion (refer to note 2.15).

Also, when testing pre-2014 grants, we have noticed that the amount of €5,527 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).

*The Council accepts the adjustment from the auditors. The council also notes that the complexity of the computation of the deferred income in relation to the several grants should be overcome with the re-introduction of the capital approach treatment of these grants.*

## **2.7 Accrued income**

While testing the accrued income for civil works in connection with the rehabilitation of the playground (Bandli Project), we verified that further funds amounting to €30,000 are going to be received by DLG. However, this was not passed in the books of accounts by the Council. An adjustment AA 01/2017 was proposed and passed (refer to note 2.14).

This resulted in an understatement of €2,866 in short-term deferred income and a reclassification was proposed and passed to correctly show the apportionment of deferred income between short-term and long-term (refer to note 2.15).

*The Council accepts the adjustment proposed by the auditors and will ensure that any known funding for projects are duly recorded in the books of the Council.*

Also, while testing the accrued income for the year, it was noted that there was a balance receivable amounting to €38,404 with respect to shortages of tipping fees in relation to WasteServ Malta Limited, which was not accounted for. An audit adjustment was proposed, and eventually it was approved and passed by the Local Council (refer to AA 03/2017 in point 2.14).

We recommend to obtain the amount of accrued tipping fees from WasteServ Malta Limited and update the accrued income before the financial statements are approved.

*The Council needs to clarify that it did only receive information relative to these amounts from the auditors who during their assignment managed to get the necessary statements from the DLG and WSC. The Council was not aware that the DLG had effectively made the necessary payments to the WSC in relation to tipping fees for 2017.*

## **2.8 Long-term trade payables**

While testing trade payables, we noted that the balance payable to Bonnici Bros. Limited was overstated by €32,616, as compared to the supplier's statement. In addition, the balance was not properly classified between short-term and long-term. The Executive Secretary stated that the balance according to the supplier was correct and an audit adjustment AA 02/2017 was passed (refer to note 2.14).

We recommend that suppliers' reconciliations are performed before the accounts are passed for the audit.

*As noted in its reply to 2.5, the Council will ensure to have review and reconcile more effectively its payables.*

## **2.9 Stale cheques**

While testing the bank reconciliations, we noted two stale cheques related to 2016 amounting to €947 are still outstanding. Since amount is not material, an adjustment was not passed (refer to note 2.13).

We recommend that the Council investigates any stale cheques and why these were not cashed by the payee.

If these cheques are unlikely to be cashed or have been replaced, such amounts should be reversed against the respective expense account or creditor.

*This was an oversight which the council will ensure to have reviewed during its reconciliation processes.*

## **2.10 Annual Government allocation**

While testing the Council's revenue for the year, we noted that the annual Government allocation is not in accordance to the Government's budget, with a difference of €503. These related to deductions provided by Government with respect to the MFTA service agreement and WIFI services. A reclassification was proposed and passed (refer to note 2.15).

*The Council will ensure that all revenue is account appropriately and in line with the statutory requirements.*

## **2.11 Financial Situation Indicator (FSI)**

The Council's Financial Situation Indicator (FSI) at the end of the financial year was 4.83%, which is less than the minimum positive 10% benchmark.

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.

*The Council and its Executive Secretary are aware of the obligations in terms of the FSI and hope with the re-introduction of the capital approach treatments of funds for projects and as a consequence the removal of the related long & short term deferred income, the council's FSI should improve.*

## **2.12 Variances between budgets and actuals**

When testing budgeted expenses with actual costs incurred, we noted that the actual expense related to bulky refuse collection exceeded the budgeted figure by €37,680. Moreover, we noted that the depreciation expense for the year was not included in the budget. In view of the above, we recommend that the Council prepares budgets that eventually result being closer to actual costs.

*The council acknowledges the variance noted by the auditors however it needs to specify that the variance itself is not on Bulky Refuse but on Waste Collection and Tipping Fees, as described in the table below:*

| <i>Note 1</i> | <i>Bulky refuse collection (including open skips)</i> | <i>Audit 17</i> | <i>Budget 17</i> | <i>Variance</i> |
|---------------|---|-----------------|------------------|-----------------|
| <i>3040</i>   | <i>Waste Disposal</i>                                 | <i>53,741</i>   | <i>32,429</i>    | <i>21,312</i>   |
| <i>3042</i>   | <i>Bulky Refuse Collection</i>                        | <i>11,827</i>   | <i>8,500</i>     | <i>3,327</i>    |
| <i>3043</i>   | <i>Tipping Fees</i>                                   | <i>13,041</i>   |                  | <i>13,041</i>   |
|               |   | <i>78,609</i>   | <i>40,929</i>    | <i>37,680</i>   |

*The Council further acknowledges the importance to have more accurate budgets which are duly revised throughout the financial year.*



KUNSILL LOKALI  
**IS-SIĠĠIEWI**  
*City of Siggiewi*

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

Yours truly,

Dr. Alessia Psaila Zammit  
Mayor

Keith Galea  
Executive Secretary

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

19th April 2018

Dear Madam,



## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

During our audit for the year ended 31 December 2017, 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**

#### **1.1 Gasan Mamo legal case**

The liability in relation to the damages on the Gasan Mamo case was settled during the year.

#### **1.2 Salaries reconciliation**

As in previous year, a difference arose between the salaries as per accounts and the amounts as per FSS forms (refer to note 2.2).

#### **1.3 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).

#### **1.4 Prepayments**

We are pleased to note that prepayments have been accounted for correctly.

#### **1.5 Amount receivable from Water Services Corporation**

The overdue balance receivable from Water Services Corporation increased to €27,705 during the period (refer to note 2.4).

#### **1.6 Trade payables**

Suppliers' statements or recent reconciliations of the selected suppliers were again not provided (refer to note 2.5).

### **1.7 Deferred income**

Audit reclassifications were again proposed to properly split deferred income into current and non-current. Also, as in previous year, there was a difference in the calculation of grants pre-2014 (refer to note 2.6).

### **1.8 Long-term trade payables**

As in previous year, Bonnici Bros. Limited's balance as at year-end was not correctly classified between short-term and long-term portion (refer to note 2.8).

### **1.9 Accruals**

We are pleased to note that accruals as at year-end were correctly accounted for.

### **1.10 Going concern**

We are pleased to note that the Council's current assets as at 31 December 2017 exceeded the current liabilities as at that date.

### **1.11 Financial Situation Indicator (FSI)**

Although the Council did not obtain a negative FSI as in previous year, the Council's FSI for the year still did not exceed the minimum positive 10% benchmark (refer to note 2.11).

### **1.12 Other debtor**

We did not encounter any information that casts doubt on the recoverability of receivable balances as at 31 December 2017.

### **1.13 Variances between budgets and actuals**

As in previous year, we noted some material variances between budgeted expenses and actual costs incurred (refer to note 2.12).

## **2 Management letter points for this period**

### **2.1 Fixed assets**

The depreciation charge of urban improvements was understated by €1,781. Since difference is not material, an adjustment was not proposed (refer to list of unadjusted errors in note 2.13).

We are pleased to note that the fixed assets register was correctly computed showing the correct depreciation charge for the year.

### **2.2 Salaries reconciliation**

A difference of €117 arose between the salaries as per accounts and the amounts as per FSS forms, as shown in the wages reconciliation below:

|  |            |
|--|------------|
|  | <b>€</b>   |
| Gross Salaries as per FS5s                     | 95,531.00  |
| 1/2 the total social security as per FS7/ FS5s | 7,108.00   |
| Maternity fund contributions as per FS7/ FS5s  | 3.00       |
|  | <hr/>      |
| Total wage for period as per FS7/ FS5s         | 102,642.00 |
|  | <hr/>      |
| Employees' salaries                            | 58,453.00  |
| Executive secretary salaries                   | 23,557.00  |
| Mayor's allowance                              | 8,852.00   |
| Councillors' allowance                         | 7,040.00   |
| NI   | 7,108.00   |
|  | <hr/>      |
| As per accounts                                | 105,010.00 |
| Add Opening accruals                           | 3,160.00   |
| Less Closing accruals                          | (5,411.00) |
|  | <hr/>      |
|  | 102,759.00 |
|  | <hr/>      |
| Difference                                     | (117.00)   |

Since the difference is not material for audit purposes, no further testing was deemed necessary.

In addition, we have noted a difference of €12 between the gross wage as per FS7 and the total gross wage as per FS5s. Refer to reconciliation below:

|                               | <b>FS7</b> | <b>FS5s</b> | <b>Difference</b> |
|-------------------------------|------------|-------------|-------------------|
|                               | <b>€</b>   | <b>€</b>    | <b>€</b>          |
| Gross Wage                    | 95,543.00  | 95,531.00   | 12.00             |
| 1/2 the total social security | 7,108.00   | 7,108.00    | -                 |
| Maternity fund contributions  | 3.00       | 3.00        | -                 |

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

Also, we have noted that councillors' allowances for the period January to June 2017 amounting to €3,520, as well as part of the NI for the year amounting to €7,177 was mis-posted in accounts which were not related to such expense. We recommend that all expenses are posted in the correct personal emoluments accounts before being passed for audit (refer to note 2.15).

### **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 2017 indicated that the balance due to the Council from pre-regional LES amounted to €54,621. However, the Council has incorrectly recorded an amount of €54,737. Since difference is not material an audit adjustment of €116 was not proposed. Refer to list of unadjusted errors in note 2.13.

We recommend that the Council obtains the Loqus report and passes the necessary adjustments before the accounts are approved for the audit.

#### **2.4 Amount receivable from Water Services Corporation**

As at year-end, the overdue balance receivable from Water Services Corporation (WSC) amounted to €27,705. No payment was received during 2017 relating to old balances.

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

#### **2.5 Trade payables**

During our testing on trade payables, seven trade payables were selected for testing. The Local Council did not provide us with statements or recent reconciliations for two of the suppliers, these being Mario Mizzi Milord and Nexos Lighting Technology. Alternative testing was carried out.

The balance payable to WasteServ Malta Limited was overstated by €2,255, when compared to the supplier's statement. The Executive Secretary did not provide us with an explanation of the difference. Given that the extrapolated error was not material, no adjustment was proposed (refer to note 2.13).

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.

Also, while testing creditors, we have noted that the trade payables' list balance did not match with the creditors control balance. This was due to certain invoices from G4S Security Services (Malta) Ltd which were erroneously inputted in the accounts with a wrong date, being after year end.

The difference of €877 was not considered material and so, an adjustment was not proposed. Refer to list of unadjusted errors in note 2.13.

In addition, we have noted a debit balance in the creditors' list amounting to €795 in relation to an advance payment to Ronald Bezzina. The amount was reclassified accordingly (refer to note 2.15). It should be noted that there should not be debit balances in the creditors' list as no payment can be approved and effected before having the appropriate invoice in hand.

We recommend that the Council complies with applicable Legislation and perform payments only when the proper documentation is in hand and also that the correct balances are reflected in the accounts.

#### **2.6 Deferred income**

During our testing on the deferred income on several grants, we again 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 €9,148 (RECL 01/2017) was proposed and passed in the Council's financial statements to correctly present the short-term and long-term portion (refer to note 2.15).

Also, when testing pre-2014 grants, we have noticed that the amount of €5,527 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).

## **2.7 Accrued income**

While testing the accrued income for civil works in connection with the rehabilitation of the playground (Bandli Project), we verified that further funds amounting to €30,000 are going to be received by DLG. However, this was not passed in the books of accounts by the Council. An adjustment AA 01/2017 was proposed and passed (refer to note 2.14).

This resulted in an understatement of €2,866 in short-term deferred income and a reclassification was proposed and passed to correctly show the apportionment of deferred income between short-term and long-term (refer to note 2.15).

Also, while testing the accrued income for the year, it was noted that there was a balance receivable amounting to €38,404 with respect to shortages of tipping fees in relation to WasteServ Malta Limited, which was not accounted for. An audit adjustment was proposed, and eventually it was approved and passed by the Local Council (refer to AA 03/2017 in point 2.14).

We recommend to obtain the amount of accrued tipping fees from WasteServ Malta Limited and update the accrued income before the financial statements are approved.

## **2.8 Long-term trade payables**

While testing trade payables, we noted that the balance payable to Bonnici Bros. Limited was overstated by €32,616, as compared to the supplier's statement. In addition, the balance was not properly classified between short-term and long-term. The Executive Secretary stated that the balance according to the supplier was correct and an audit adjustment AA 02/2017 was passed (refer to note 2.14).

We recommend that suppliers' reconciliations are performed before the accounts are passed for the audit.

## **2.9 Stale cheques**

While testing the bank reconciliations, we noted two stale cheques related to 2016 amounting to €947 are still outstanding. Since amount is not material, an adjustment was not passed (refer to note 2.13).

We recommend that the Council investigates any stale cheques and why these were not cashed by the payee. If these cheques are unlikely to be cashed or have been replaced, such amounts should be reversed against the respective expense account or creditor.

## **2.10 Annual Government allocation**

While testing the Council's revenue for the year, we noted that the annual Government allocation is not in accordance to the Government's budget, with a difference of €503. These related to deductions provided by Government with respect to the MITA service agreement and WIFI services. A reclassification was proposed and passed (refer to note 2.15).

## **2.11 Financial Situation Indicator (FSI)**

The Council's Financial Situation Indicator (FSI) at the end of the financial year was 4.83%, which is less than the minimum positive 10% benchmark. Refer to FSI calculation below:

| Details  | €              |
|--|----------------|
| Current Assets                                 | 342,847        |
| Less committed current assets                  | (126,248)      |
| <b>Net Current Assets</b>                      | <b>216,599</b> |
| Non-Current Liabilities                        | 577,332        |
| Current Liabilities                            | 260,225        |
| <b>Total Liabilities</b>                       | <b>837,557</b> |
| Less LT balance payable under PPP scheme       | (3,292)        |
| Less long-term deferred income                 | (574,041)      |
| Less short-term deferred income                | (79,426)       |
| <b>Net Liabilities</b>                         | <b>180,798</b> |
| <b>Net Current Assets less Net Liabilities</b> | <b>35,801</b>  |
| <b>Government Allocation</b>                   | <b>741,419</b> |
| <b>FSI</b>                                     | <b>4.83%</b>   |

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 Variances between budgets and actuals

When testing budgeted expenses with actual costs incurred, we noted that the actual expense related to bulky refuse collection exceeded the budgeted figure by €37,680. Moreover, we noted that the depreciation expense for the year was not included in the budget.

In view of the above, we recommend that the Council prepares budgets that eventually result being more close to actual costs.

## 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 an aggregate net effect on income of €5,930. Refer to the details below:

|  |        |
|--|--------|
| Dr Contraventions  | €116   |
| Cr LES debtors   | €116   |
| <i>Being overstatement of LES debtors as per LES report – note 2.3</i> |        |
| Dr Provision for LES debtors (B/S)                                     | €116   |
| Cr Decrease in provision of LES debtors (P/L)                          | €116   |
| <i>Being decrease in LES debtors – note 2.3</i>                        |        |
| Dr Revenue   | €5,527 |
| Cr Long-term deferred income   | €5,527 |
| <i>Being understatement of deferred income – note 2.6</i>              |        |
| Dr Bank  | €947   |
| Cr Creditors control account   | €947   |
| <i>Being stale cheques note reversed – note 2.9</i>                    |        |

|                              |      |
|------------------------------|------|
| Dr Expenses                  | €877 |
| Cr Creditors control account | €877 |

*Being invoices relating to 2017 which were erroneously posted in 2018 – note 2.5*

|  |        |
|--|--------|
| Dr Depreciation expense – Urban improvements     | €1,781 |
| Cr Accumulated depreciation – Urban improvements | €1,781 |

*Being understatement of depreciation charge on urban improvements for the year – note 2.1*

|                                 |        |
|---------------------------------|--------|
| Dr Creditors Control account    | €2,255 |
| Cr Waste Collection P/L account | €2,255 |

*Being extrapolated error in creditors' testing – note 2.5*

## 2.14 Audit adjustments

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

|                   |                                |         |
|-------------------|--------------------------------|---------|
| <b>AA 01/2017</b> | Dr Accrued income              | €30,000 |
|                   | Cr Deferred income – long-term | €30,000 |

*Being further income to be received by the Government regarding Bandli project – note 2.7*

|                   |  |         |
|-------------------|--|---------|
| <b>AA 02/2017</b> | Dr Creditors control account                                 | €15,638 |
|                   | Dr Long-term payable PPP                                     | €16,978 |
|                   | Cr Road resurfacing expense - Over accrual in previous years | €32,616 |

*Being adjustment as per Bonnici Bros. Limited's statement – note 2.8*

|                   |                                    |         |
|-------------------|------------------------------------|---------|
| <b>AA 03/2017</b> | Dr Accrued income                  | €38,404 |
|                   | Cr Supplementary Government income | €38,404 |

*Being shortage of tipping fees in relation to WasteServ Malta Limited – note 2.7*

## 2.15 Reclassifications

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

|                     |                               |        |
|---------------------|-------------------------------|--------|
| <b>RECL 01/2017</b> | Dr Short-term deferred income | €9,148 |
|                     | Cr Long-term deferred income  | €9,148 |

*Being difference in apportionment of deferred income using the reducing balance method – note 2.6*

|                     |                                    |      |
|---------------------|------------------------------------|------|
| <b>RECL 02/2017</b> | Dr Advance payments from suppliers | €795 |
|                     | Cr Creditors control account       | €795 |

*Being debit balance in trade payables' list – note 2.5*

|                     |                             |      |
|---------------------|-----------------------------|------|
| <b>RECL 03/2017</b> | Dr IT Development services  | €503 |
|                     | Cr Annual Government income | €503 |

*Being mis-posting of annual financial allocation – note 2.10*

|                     |                       |        |
|---------------------|-----------------------|--------|
| <b>RECL 04/2017</b> | Dr Allowances         | €3,520 |
|                     | Cr Income Supplements | €3,520 |

*Being mis-posting of councillors' allowances for January-June 2017 – note 2.2*

|                     |   |        |
|---------------------|---|--------|
| <b>RECL 05/2017</b> | Dr Employees' salaries and wages  | €7,177 |
|                     | Cr Social security contributions  | €7,177 |
|                     | <i>Being mis-posting of social security contributions – note 2.2</i>  |        |
| <b>RECL 06/2017</b> | Dr Deferred income – long-term  | €2,866 |
|                     | Cr Deferred income – short-term   | €2,866 |
|                     | <i>Being reclass of Bandli project for a further increase in funds of €30,000 from long-term to short-term – note 2.7</i> |        |

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 2017



Prepared by:

**GMM & Associates (Malta) Limited**

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**Financial Statements for the year ended 31 December 2017****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 19th April 2018 and signed on its behalf by:

  
\_\_\_\_\_  
Dr Alessia Psaila Zammit  
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 25, which comprise the Statement of Financial Position as at 31 December 2017, 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 2017, 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.

**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.

**Auditors' 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.

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

- 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.

  

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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: 19 April 2018**

**Statement of Profit or Loss and Other Comprehensive Income  
for the year ended 31 December 2017**

|  |              | <b>2017</b>           | <b>2016</b>          |
|--|--------------|-----------------------|----------------------|
|  | <b>Notes</b> | <b>Euro</b>           | <b>Euro</b>          |
| <b>Income</b>                          |              |                       |                      |
| Funds received from central government | 4            | 837,982               | 765,639              |
| Income raised from Bye-Laws            | 5            | 25,084                | 12,446               |
| Local Enforcement Income               | 6            | 6,119                 | 2,244                |
| Investment Income                      | 7            | 59                    | 70                   |
| General Income                         | 8            | 88,851                | 111,672              |
|  |              | <u>958,095</u>        | <u>892,071</u>       |
| <b>Expenditure</b>                     |              |                       |                      |
| Personal emoluments                    | 9            | (105,010)             | (116,494)            |
| Operations and maintenance             | 10           | (327,691)             | (348,663)            |
| Administration and other expenditure   | 11           | (341,073)             | (340,051)            |
|  |              | <u>(773,774)</u>      | <u>(805,208)</u>     |
| <b>Surplus for the year</b>            |              | <u>184,321</u>        | <u>86,863</u>        |
| Other Comprehensive Income             |              | <u>-</u>              | <u>-</u>             |
| <b>Total Comprehensive Income</b>      |              | <u><u>184,321</u></u> | <u><u>86,863</u></u> |

**Statement of Financial Position  
as at 31 December 2017**

|                                       | Notes | 2017                    | 2016                    |
|---------------------------------------|-------|-------------------------|-------------------------|
| Assets                                |       | Euro                    | Euro                    |
| <b>Non-current Assets</b>             |       |                         |                         |
| Property, Plant and Equipment         | 12    | <u>2,076,914</u>        | <u>2,171,108</u>        |
| <b>Current Assets</b>                 |       |                         |                         |
| Receivables                           | 13    | 159,032                 | 91,835                  |
| Cash and Cash Equivalents             | 14    | <u>183,815</u>          | <u>88,417</u>           |
|                                       |       | <u>342,847</u>          | <u>180,252</u>          |
| <b>Total assets</b>                   |       | <u><u>2,419,761</u></u> | <u><u>2,351,360</u></u> |
| <b>Reserves and Liabilities</b>       |       |                         |                         |
| <b>Reserves</b>                       |       |                         |                         |
| Retained Funds                        |       | <u>1,582,204</u>        | <u>1,397,883</u>        |
| <b>Non-current Liabilities</b>        |       |                         |                         |
| Trade payables                        | 15    | 3,291                   | 71,849                  |
| Deferred Income                       | 15    | <u>574,041</u>          | <u>613,477</u>          |
|                                       |       | <u>577,332</u>          | <u>685,326</u>          |
| <b>Current Liabilities</b>            |       |                         |                         |
| Bank balances overdrawn               | 14    | 25,674                  | 24,394                  |
| Payables                              | 15    | <u>234,551</u>          | <u>243,757</u>          |
|                                       |       | <u>260,225</u>          | <u>268,151</u>          |
| <b>Total Liabilities</b>              |       | <u><u>837,557</u></u>   | <u><u>953,477</u></u>   |
| <b>Total reserves and liabilities</b> |       | <u><u>2,419,761</u></u> | <u><u>2,351,360</u></u> |

The financial statements were approved by the Council on the 19<sup>th</sup> April 2018 and were signed on its behalf by:

  
 Dr Alessia Psaila Zammit  
 Mayor

  
 Mr Keith Galea  
 Executive Secretary

**Statement of Changes in Equity  
for the year ended 31 December 2017**

|                                    | <b>Retained<br/>Funds</b> |
|------------------------------------|---------------------------|
|                                    | <b>Euro</b>               |
| <b>Balance at 1 January 2016</b>   | 1,311,020                 |
| Surplus for the year               | 86,863                    |
| Other Comprehensive Income         | -                         |
| Total Comprehensive income         | <u>86,863</u>             |
| <b>Balance at 31 December 2016</b> | <u>1,397,883</u>          |
| <b>Balance at 1 January 2017</b>   | 1,397,883                 |
| Surplus for the year               | 184,321                   |
| Other Comprehensive Income         | -                         |
| Total Comprehensive income         | <u>184,321</u>            |
| <b>Balance at 31 December 2017</b> | <u>1,582,204</u>          |

**Statement of Cash Flows  
for the year ended 31 December 2017**

|   | 2017              | 2016             |
|---|-------------------|------------------|
|   | Euro              | Euro             |
|   | <b>Notes</b>      |                  |
| <b>Cash flow from operating activities</b>      |                   |                  |
| Surplus for the year                            | 184,321           | 86,863           |
| Adjustments for:                                |                   |                  |
| Depreciation                                    | 191,980           | 190,282          |
| Interest receivable                             | (59)              | (70)             |
| Deferred income released                        | (72,833)          | (75,104)         |
|   | <u>303,409</u>    | <u>201,971</u>   |
| Movement in payables                            | (13,609)          | 173,672          |
| Movement in receivables                         | <u>(27,760)</u>   | <u>(27,219)</u>  |
| Cash generated from operations                  | <u>262,040</u>    | <u>348,424</u>   |
| <i>Net cash from operating activities</i>       | <u>262,040</u>    | <u>348,424</u>   |
| <b>Cash flows from investing activities</b>     |                   |                  |
| Purchase of property, plant and equipment       | (97,786)          | (415,006)        |
| Interest received                               | <u>59</u>         | <u>70</u>        |
| <i>Net cash used in investing activities</i>    | <u>(97,727)</u>   | <u>(414,936)</u> |
| <b>Cash flows from financing activities</b>     |                   |                  |
| Movement in long-term payables                  | <u>(70,195)</u>   | <u>37,456</u>    |
| <i>Net cash from financing activities</i>       | <u>(70,195)</u>   | <u>37,456</u>    |
| <b>Movement in cash and cash equivalents</b>    | <u>94,118</u>     | <u>(29,056)</u>  |
| Cash and cash equivalents at beginning of year  | <u>64,023</u>     | <u>93,079</u>    |
| <b>Cash and cash equivalents at end of year</b> | 14 <u>158,141</u> | <u>64,023</u>    |

**Notes to the Financial Statements  
for the year ended 31 December 2017****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 € (euro). The financial statements were authorised for issue by the Council on the 19th April 2018. Siggiewi Local Council prepares the financial statements on a yearly basis from 1st January to 31st December.

**2. 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 1<sup>st</sup> January 2017.**

A number of new and revised standard are effective for annual periods beginning on or after 1<sup>st</sup> January 2017. Information on these new standards is presented below.

- 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.

**Notes to the Financial Statements  
For the year ended 31 December 2017**

## **2. Reporting Procedures (Continued)**

### **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:

- 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.

## **3. 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 2017 the amount disclosed in the financial statements under Local Enforcement Income represented 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.

### **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

**Notes to the Financial Statements  
for the year ended 31 December 2017**

.....continued

**3. Accounting policies (Continued)**

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:

|                                       | <b>Rates in %</b> |
|---------------------------------------|-------------------|
| 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               |

**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.

**Notes to the Financial Statements  
for the year ended 31 December 2017**

.....continued

**3. Accounting policies (Continued)**

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.

**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.

**Notes to the Financial Statements  
for the year ended 31 December 2017**

.....continued

**3. Accounting policies (Continued)****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.

**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.

**Notes to the Financial Statements  
for the year ended 31 December 2017**

.....continued

**3. Accounting policies (Continued)**

***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'.

***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'.

|  | <b>2017</b>    | <b>2016</b>    |
|--|----------------|----------------|
|  | <b>Euro</b>    | <b>Euro</b>    |
| <b>4. Funds received from central government</b>           |                |                |
| In terms of section 55 of the Local Councils Act (Cap 363) | 741,419        | 749,219        |
| Supplementary Government Income                            | <u>96,563</u>  | <u>16,420</u>  |
|  | <u>837,982</u> | <u>765,639</u> |
|  | <b>2017</b>    | <b>2016</b>    |
|  | <b>Euro</b>    | <b>Euro</b>    |
| <b>5. Income raised from Bye-Laws</b>                      |                |                |
| Income raised under Local Council Bye-Laws                 | <u>25,084</u>  | <u>12,446</u>  |

**Notes to the Financial Statements  
for the year ended 31 December 2017**

.....continued

**6. Local Enforcement Income**

|                              | <b>2017</b>  | <b>2016</b>  |
|------------------------------|--------------|--------------|
|                              | <b>Euro</b>  | <b>Euro</b>  |
| Income from Contraventions   | 70           | 341          |
| Overstatement of LES debtors | -            | (4,339)      |
| Regional Committees          | 6,049        | 6,242        |
|                              | <u>6,119</u> | <u>2,244</u> |

**7. Investment Income**

|               | <b>2017</b> | <b>2016</b> |
|---------------|-------------|-------------|
|               | <b>Euro</b> | <b>Euro</b> |
| Bank interest | <u>59</u>   | <u>70</u>   |

**8. General Income**

|                              | <b>2017</b>   | <b>2016</b>    |
|------------------------------|---------------|----------------|
|                              | <b>Euro</b>   | <b>Euro</b>    |
| Income from other activities | 16,018        | 14,306         |
| Income from tender documents | -             | 150            |
| Release of Deferred Income   | 72,833        | 75,104         |
| Other Income                 | -             | 22,112         |
|                              | <u>88,851</u> | <u>111,672</u> |

**9. Personal Emoluments**

|                               | <b>2017</b>    | <b>2016</b>    |
|-------------------------------|----------------|----------------|
|                               | <b>Euro</b>    | <b>Euro</b>    |
| Mayor's allowance             | 8,852          | 8,670          |
| Executive Secretary's salary  | 23,557         | 22,625         |
| Employees' wages and salaries | 58,453         | 68,615         |
| Councillors' allowances       | 7,040          | 7,040          |
| Social Security Contributions | 7,108          | 9,544          |
|                               | <u>105,010</u> | <u>116,494</u> |

**Notes to the Financial Statements  
for the year ended 31 December 2017**

.....continued

|   | <b>2017</b>    | <b>2016</b>    |
|---|----------------|----------------|
|   | <b>Euro</b>    | <b>Euro</b>    |
| <b>10. Operations and Maintenance</b>                 |                |                |
| <b>Repairs and upkeep:</b>                            |                |                |
| Road and street pavements (Patching works)            | 31,624         | 52,474         |
| Walkways  | -              | 2,107          |
| Street signs  | 12,555         | 6,270          |
| Road Markings   | -              | 897            |
|   | <u>44,179</u>  | <u>61,748</u>  |
| <b>Contractual services:</b>                          |                |                |
| Refuse collection (including bins on wheels)          | 52,226         | 65,804         |
| Bulky refuse collection (including open skips)        | 78,609         | 73,684         |
| Road and Street Cleaning (mechanical and manual)      | 32,785         | 28,948         |
| Cleaning and Maintenance of Non-Urban Roads           | 46,850         | 47,810         |
| Cleaning and Maintenance of Public Conveniences       | 9,839          | 9,390          |
| Cleaning and Maintenance of Parks and Gardens         | 28,882         | 28,831         |
| Cleaning and Maintenance of Beaches & Catchment Areas | 1,115          | -              |
| Street Lighting                                       | 24,903         | 14,719         |
| Local Enforcement Expenses                            | 8,303          | 17,729         |
|   | <u>283,512</u> | <u>286,915</u> |
|   | <u>327,691</u> | <u>348,663</u> |
|   | <b>2017</b>    | <b>2016</b>    |
|   | <b>Euro</b>    | <b>Euro</b>    |
| <b>11. Administration and other expenditure</b>       |                |                |
| Utilities   | 14,732         | 12,176         |
| Other repairs and upkeep                              | 13,415         | 14,335         |
| Rent  | 3,445          | 3,195          |
| National and International Memberships                | 2,933          | 735            |
| Office Services                                       | 4,877          | 9,628          |
| Transport   | 990            | 1,456          |
| Information Services                                  | 3,963          | 6,810          |
| Other contractual services                            | 12,164         | 9,978          |
| Professional services                                 | 26,227         | 35,610         |
| Community and hospitality                             | 3,095          | 228            |
| Social events   | 17,973         | 3,610          |
| Cultural events                                       | 45,279         | 47,620         |
| Bad debts written off                                 | -              | 8,269          |
| Decrease in Provision for Bad Debts                   | -              | (3,881)        |
| Depreciation  | 191,980        | 190,282        |
|   | <u>341,073</u> | <u>340,051</u> |

**Notes to the Financial Statements  
for the year ended 31 December 2017**

.....continued

**12a 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 |
| <b>Cost</b>                            |                  |       |                  |        |                  |           |                  |           |                   |      |                    |      |                      |      |       |      |
| As at 1 January 2017                   | 532,927          | 7,413 | 25,283           | 37,934 | 9,738            | 1,276,642 | 2,863,431        | 4,753,368 |                   |      |                    |      |                      |      |       |      |
| Additions                              | -                | 1,104 | -                | 3,305  | -                | 44,741    | 48,636           | 97,786    |                   |      |                    |      |                      |      |       |      |
| As at 31 December 2017                 | 532,927          | 8,517 | 25,283           | 41,239 | 9,738            | 1,321,383 | 2,912,067        | 4,851,154 |                   |      |                    |      |                      |      |       |      |
| <b>Grants and Other Reimbursements</b> |                  |       |                  |        |                  |           |                  |           |                   |      |                    |      |                      |      |       |      |
| As at 1 January 2017                   | -                | -     | -                | -      | -                | -         | -                | (594,577) | (594,577)         |      |                    |      |                      |      |       |      |
| As at 31 December 2017                 | -                | -     | -                | -      | -                | -         | -                | (594,577) | (594,577)         |      |                    |      |                      |      |       |      |
| <b>Depreciation</b>                    |                  |       |                  |        |                  |           |                  |           |                   |      |                    |      |                      |      |       |      |
| As at 1 January 2017                   | 15,528           | 1,661 | 25,283           | 18,653 | 9,102            | 318,805   | 1,598,651        | 1,987,683 |                   |      |                    |      |                      |      |       |      |
| Charge for the year                    | 5,150            | 463   | -                | 3,648  | 423              | 91,631    | 90,665           | 191,980   |                   |      |                    |      |                      |      |       |      |
| As at 31 December 2017                 | 20,678           | 2,124 | 25,283           | 22,301 | 9,525            | 410,436   | 1,689,316        | 2,179,663 |                   |      |                    |      |                      |      |       |      |
| <b>Net Book Value</b>                  |                  |       |                  |        |                  |           |                  |           |                   |      |                    |      |                      |      |       |      |
| As at 31 December 2017                 | 512,249          | 6,393 | -                | 18,938 | 213              | 910,947   | 628,174          | 2,076,914 |                   |      |                    |      |                      |      |       |      |

Notes to the Financial Statements  
for the year ended 31 December 2017

.....continued

| 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 |
| <b>Grants and Other Reimbursements</b> |                  |                  |                  |                  |                   |                    |                      |           |
| As at 1 January 2016                   | -                | -                | -                | -                | -                 | -                  | (594,577)            | (594,577) |
| As at 31 December 2016                 | -                | -                | -                | -                | -                 | -                  | (594,577)            | (594,577) |
| <b>Depreciation</b>                    |                  |                  |                  |                  |                   |                    |                      |           |
| 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               | 87,960             | 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 |
| <b>Net Book Value</b>                  |                  |                  |                  |                  |                   |                    |                      |           |
| 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 2017**

.....continued

|                               | <b>2017</b>    | <b>2016</b>   |
|-------------------------------|----------------|---------------|
|                               | <b>Euro</b>    | <b>Euro</b>   |
| <b>13a. Receivables</b>       |                |               |
| Trade receivables             | 31,246         | 30,370        |
| Provision for doubtful debts  | (458)          | (458)         |
| LES                           | 54,737         | 54,737        |
| LES Provision                 | (54,737)       | (54,737)      |
| Accrued income                | 126,248        | 57,844        |
| <b>Financial Asset</b>        | 157,036        | 87,756        |
| Advance payments to suppliers | 795            | -             |
| Prepayments                   | 1,201          | 4,079         |
|                               | <u>159,032</u> | <u>91,835</u> |

**13b. Receivables**

Trade Receivables are analysed as follows:

|                              | <b>2017</b>   | <b>2016</b>   |
|------------------------------|---------------|---------------|
|                              | <b>Euro</b>   | <b>Euro</b>   |
| Within Credit Period         | 2,136         | 627           |
| Exceeded Credit Period       | 29,110        | 29,743        |
| Provision for Doubtful Debts | (458)         | (458)         |
|                              | <u>30,788</u> | <u>29,912</u> |

**14. 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:

|                                       | <b>2017</b>    | <b>2016</b>   |
|---------------------------------------|----------------|---------------|
|                                       | <b>Euro</b>    | <b>Euro</b>   |
| Cash at bank                          | 183,815        | 88,417        |
| Bank balances overdrawn               | (25,674)       | (24,394)      |
| Cash and cash equivalents at year-end | <u>158,141</u> | <u>64,023</u> |

**Notes to the Financial Statements  
for the year ended 31 December 2017**

.....continued

|                                       | 2017<br>Euro   | 2016<br>Euro   |
|---------------------------------------|----------------|----------------|
| <b>15. Payables</b>                   |                |                |
| <b><i>Current Liabilities</i></b>     |                |                |
| Trade payables                        | 103,513        | 74,182         |
| Accruals                              | 8,957          | 28,366         |
| Other Payables                        | 42,655         | 66,186         |
| Deferred income                       | 79,426         | 75,023         |
|                                       | <u>234,551</u> | <u>243,757</u> |
| <b><i>Non-Current Liabilities</i></b> |                |                |
| Deferred Income                       | 574,041        | 613,477        |
| Trade and Other Payables              | 3,291          | 71,849         |
| <b>Total Payables</b>                 | <u>577,332</u> | <u>685,326</u> |
| <b><i>Deferred Income</i></b>         | <b>Euro</b>    | <b>Euro</b>    |
| Balance at the beginning of the year  | 688,500        | 651,044        |
| Increase                              | 37,799         | 112,560        |
| Released to Income                    | (72,832)       | (75,104)       |
| Balance at the end of the year        | <u>653,467</u> | <u>688,500</u> |
| Short-Term Deferred Income            | <u>79,426</u>  | <u>75,023</u>  |
| Long-Term Deferred Income             | <u>574,041</u> | <u>613,477</u> |

**16. Capital Commitments**

The council approved the following Capital Commitments, but these have not been provided for within the Financial Statements as at 31 December 2017.

| <b><u>Authorised by the Local Council but not yet contracted:</u></b> | 2017<br>Euro   | 2016<br>Euro |
|---|----------------|--------------|
| Embellishment of urban and open areas                                 | <b>128,271</b> | -            |

The Council had applied for EU funding under Measures 4.3 and 4.4 for capital projects to cover rural roads and construction of rubble walls for a total amount of €798,716 of which the council's share of finance would amount to €83,271. The council will also embark the Phase One of Lapsi Toilet facilities for the amount of €45,000.

**17. Contingent Liabilities**

A contingent liability exists with regards to small claims from car owners. The council estimates that the amount will be approximately € 3,540.

**Notes to the Financial Statements  
for the year ended 31 December 2017**

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### 18. Post Balance Sheet Event

There were no particular important events affecting the operation of the council since the end of the accounting year.

### 19. 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 charges 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.

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:

| <b>Classes of Financial assets – Carrying Amounts</b> | <b>2017<br/>Euro</b> | <b>2016<br/>Euro</b> |
|---|----------------------|----------------------|
| Trade & Other Receivables (Note 13)                   | 157,036              | 87,756               |
| Cash and Cash Equivalents (Note 14)                   | 158,141              | 64,023               |
|   | <u>315,177</u>       | <u>151,779</u>       |

**Notes to the Financial Statements  
for the year ended 31 December 2017**

.....continued

**19. Financial Risk Management - Continued**

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

| <b>Classes of Financial assets – Carrying Amounts</b> | <b>2017<br/>Euro</b> | <b>2016<br/>Euro</b> |
|---|----------------------|----------------------|
| Amount Invoiced Not yet Settled by Class:             |                      |                      |
| Government Owned Entities                             | 30,787               | 29,912               |
|   | <u>30,787</u>        | <u>29,912</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.

|           | <b>2017<br/>Euro</b> | <b>2016<br/>Euro</b> |
|-----------|----------------------|----------------------|
| Current   | 1,230                | 582                  |
| 30 Days   | 59                   | 44                   |
| 60 Days   | 735                  | 510                  |
| 90 Days   | 112                  | 40                   |
| 120+ Days | 29,110               | 28,736               |
|           | <u>31,246</u>        | <u>29,912</u>        |

*iii) Fair Values*

As at 31 December 2017, 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.

|                | <b>2017</b>                   |                                |                              |                              |
|----------------|-------------------------------|--------------------------------|------------------------------|------------------------------|
|                | <b>Less than 6<br/>months</b> | <b>From 6 to<br/>12 months</b> | <b>From 1 to 5<br/>years</b> | <b>More than<br/>5 years</b> |
| Payables       | 103,513                       | -                              | -                            | -                            |
| Other Payables | -                             | 42,655                         | -                            | -                            |
| Accruals       | 8,957                         | -                              | -                            | -                            |
|                | <u>112,467</u>                | <u>42,655</u>                  | <u>0</u>                     | <u>0</u>                     |

**Notes to the Financial Statements  
for the year ended 31 December 2017**

.....continued

**19. Financial Risk Management - Continued**

|                | 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             | -                   | -                 | -                 |
|                | <u>28,366</u>      | <u>-</u>            | <u>-</u>          | <u>-</u>          |

**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.

**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:

|   | 2017<br>Euro   | 2016<br>Euro   |
|---|----------------|----------------|
| <b>Current Assets</b>                             |                |                |
| Receivables:                                      |                |                |
| Trade and Other Receivables                       | 157,036        | 87,756         |
| Cash and Cash Equivalentents                      | 158,141        | 64,023         |
|   | <u>315,177</u> | <u>151,779</u> |
| <b>Current Liabilities</b>                        |                |                |
| Financial Liabilities measured at amortised Cost: |                |                |
| Payables  | 103,513        | 168,734        |
| Other Payables                                    | 42,655         | 66,186         |
| Accruals  | 8,957          | 28,366         |
|   | <u>155,125</u> | <u>155,234</u> |

**Notes to the Financial Statements  
for the year ended 31 December 2017**

.....continued

**20. 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

|                                  | <b>2017</b> | <b>2016</b> |
|----------------------------------|-------------|-------------|
|                                  | <b>Euro</b> | <b>Euro</b> |
| Annual Financial Allocation      | 741,419     | 749,219     |
| <b>Key Management Emoluments</b> |             |             |
| <i>Executive Secretary</i>       | 23,557      | 22,625      |
| <i>Mayor Honoraria</i>           | 8,852       | 8,670       |
| <i>Councillors Allowance</i>     | 7,040       | 7,040       |