

# Siggiewi Local Council

Report and Financial Statements

For the year ended 31 December 2020

Prepared by:

**PKF Malta Limited**



**Contents**

Statement of Local Council Members' and Executive Secretary's Responsibilities .....	3
Statement of Comprehensive Income for the year ended 31 December 2020 .....	4
Statement of Financial Position as at 31 December 2020 .....	5
Statement of Changes in Equity for the year ended 31 December 2020 .....	6
Statement of Cash Flows for the year ended 31 December 2020 .....	7
Notes to the Financial Statements for the year ended 31 December 2020 .....	8
Report of the Local Government Auditor to the Auditor General .....	27

**Financial Statements for the year ended 31 December 2020**

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

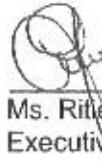
The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's income and expenditure for the year and of the Council's retained funds at the end of year. By virtue of the same regulations 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 20 August 2021 and signed on its behalf by:



Mr. Dominic Grech  
Mayor



Ms. Riffenne Giorgino  
Executive Secretary

## Statement of Comprehensive Income for the year ended 31 December 2020

	Note	2020 Euro	2019 Euro
<b>Income</b>			
Funds received from central government	4	911,313	989,850
Income raised from Bye-Laws	5	31,881	29,509
Local Enforcement Income	6	1,963	3,988
Investment Income	7	26	211
General Income	8	<u>7,245</u>	<u>19,017</u>
		952,428	1,042,575
<b>Expenditure</b>			
Personal emoluments	9	(119,172)	(116,937)
Operations and maintenance	10	(386,010)	(469,913)
Administration and other expenditure	11	<u>(283,620)</u>	<u>(361,204)</u>
		<u>(788,802)</u>	<u>(948,054)</u>
<b>Surplus for the year</b>		<u>163,626</u>	<u>94,521</u>
Other Comprehensive Income		<u>-</u>	<u>-</u>
<b>Total Comprehensive Income</b>		<u>163,626</u>	<u>94,521</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

## Statement of Financial Position as at 31 December 2020

	Notes	2020 Euro	2019 Euro
<b>Assets</b>			
<b>Non-current Assets</b>			
Property, Plant and Equipment	12	<u>1,190,052</u>	<u>1,276,701</u>
<b>Current Assets</b>			
Receivables	13	<u>50,142</u>	124,329
Cash and Cash Equivalents	14	<u>1,035,783</u>	<u>746,289</u>
		<u>1,085,925</u>	<u>870,618</u>
<b>Total assets</b>		<u><u>2,275,977</u></u>	<u><u>2,147,319</u></u>
<b>Reserves and Liabilities</b>			
<b>Reserves</b>			
Retained Funds		<u>1,997,795</u>	<u>1,834,169</u>
<b>Current Liabilities</b>			
Bank balances overdrawn	14	<u>69,038</u>	64,664
Payables	15	<u>209,144</u>	<u>248,486</u>
		<u>278,182</u>	<u>313,150</u>
<b>Total Liabilities</b>		<u><u>278,182</u></u>	<u><u>313,150</u></u>
<b>Total reserves and liabilities</b>		<u><u>2,275,977</u></u>	<u><u>2,147,319</u></u>

The above balance sheet should be read in conjunction with the accompanying notes.

The financial statements were approved by the Council on 20 August 2021 and were signed on its behalf by:



Mr. Dominic Grech  
Mayor



Ms. Rijenno Giorgino  
Executive Secretary

## Statement of Changes in Equity for the year ended 31 December 2020

	Retained Funds
	Euro
<b>Balance at 1 January 2019</b>	1,739,648
Surplus for the year	94,521
Other Comprehensive Income	-
Total Comprehensive income	<u>94,521</u>
<b>Balance at 31 December 2019</b>	<u>1,834,169</u>
<b>Balance at 1 January 2020</b>	1,834,169
Surplus for the year	163,626
Other Comprehensive Income	-
Total Comprehensive income	<u>163,626</u>
<b>Balance at 31 December 2020</b>	<u>1,997,795</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

## Statement of Cash Flows for the year ended 31 December 2020

	Notes	2020 Euro	2019 Euro
<b>Cash flow from operating activities</b>			
Surplus for the year		163,626	94,521
Adjustments for:			
Depreciation		113,785	108,092
Interest receivable		(26)	(211)
Release of Deferred income		<u>(25,070)</u>	<u>(900)</u>
		252,315	201,502
Movement in payables		(14,272)	(201,038)
Movement in receivables		<u>74,187</u>	<u>205,119</u>
<i>Net cash from operating activities</i>		<u>312,230</u>	<u>205,583</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(47,089)	(75,239)
Interest received		26	211
Grants received from Government		<u>19,953</u>	-
<i>Net cash used in investing activities</i>		<u>(27,110)</u>	<u>(75,028)</u>
<b>Cash flows from financing activities</b>			
Deferred Income Received		-	<u>77,043</u>
<i>Net cash from financing activities</i>		<u>-</u>	<u>77,043</u>
<b>Movement in cash and cash equivalents</b>		<u>285,120</u>	207,598
Cash and cash equivalents at beginning of year		<u>681,625</u>	<u>474,027</u>
Cash and cash equivalents at end of year	14	<u>966,745</u>	<u>681,625</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

**Notes to the Financial Statements for the year ended 31 December 2020****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 20 August 2021. 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 financial reporting standards as adopted by the EU.

**Standards, Interpretations and amendments to published standards as endorsed by the EU effective in the current year**

A number of new and revised standards are effective for annual years beginning on or after 1<sup>st</sup> January 2020. Information on these new standards is presented below.

- IAS 1 and IAS 8 (Amendments) – Definition of material (effective for annual reporting periods beginning on or after 1 January 2020).
- IFRS 9, IAS 39 and IFRS 7 (Amendments) – Interest Rate Benchmark Reform – Phase 1 (effective for annual reporting periods beginning on or after 1 January 2020).
- IFRS 3 Business Combinations (Amendments) – Definition of a Business (effective for annual reporting periods beginning on or after 1 January 2020).
- Amendments to references to the Conceptual Framework in IFRS standards.

## Notes to the Financial Statements for the year ended 31 December 2020

**2. Reporting Procedures (Continued)**

**Standards, amendments and interpretations to published standards as endorsed by the EU that are not yet effective.**

Up to date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but which are not yet effective for the current reporting year and which the Council has not early adopted, but plans to adopt upon their effective date. The Council is still assessing the effect of these changes on the financial statements. The new and amended standards are as follows:

- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (applicable for annual periods beginning on or after 1 January 2021).
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest rate benchmark reform – Phase 2 (applicable for annual periods beginning on or after 1 January 2021).
- Amendments to IFRS 16 Leases: Covid-19 related rent concessions (applicable for annual periods beginning on or after 1 June 2020)

**Standards, interpretations and amendments to published standards that are not yet endorsed by the EU.**

- IFRS 17 - Insurance Contracts (applicable for annual reporting periods beginning on or after 1 January 2023)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (applicable for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (applicable for annual periods beginning on or after 1 January 2022).
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts (applicable for annual periods beginning on or after 1 January 2022).
- Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework (applicable for annual periods beginning on or after 1 January 2022).
- Annual improvements to IFRS standards 2018 -2020 (applicable for annual periods beginning on or after 1 January 2022).

The Council is of the opinion that the adoption of these standards and interpretations did not have a material impact on the financial statements.

## Notes to the Financial Statements for the year ended 31 December 2020

**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 2020 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**

Property, plant and equipment are stated at cost less accumulated depreciation, impairment loss to date and grants received for specific projects. Depreciation is calculated on a monthly basis using the straight-line method of depreciation at rates estimated to write down the cost of all assets over their expected useful life, other than land and trees 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

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

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit or Loss and Other Comprehensive Income during the financial year in which they are incurred.

## Notes to the Financial Statements for the year ended 31 December 2020

**3. Accounting policies (Continued)****Impairment of property, plant and equipment**

At the end of each reporting period, the Council reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Council estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**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.

**Notes to the Financial Statements for the year ended 31 December 2020****3. Accounting policies (Continued)****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.

**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.

As described in the property, plant and equipment note above the council was instructed to adopt the capital approach of government grants as from 1 January 2018, as opposed to the previously used income approach as per IAS 20.

Under the capital approach grants received are deducted from the respective asset's carrying account it was received for. This is shown as a separate line item in the property, plant and equipment note below.

**Notes to the Financial Statements for the year ended 31 December 2020****3. Accounting policies (Continued)****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 presentation 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.

**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 council's 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.

**Notes to the Financial Statements for the year ended 31 December 2020****3. Accounting policies (Continued)****Financial Instruments**

The Council adopted IFRS 9 as from 1 January 2018. The standard introduced new classification and measurement models for financial assets.

A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through

other comprehensive income ("FVOCI") if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the council makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in Other Comprehensive Income (OCI). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch.

For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the council's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the council. New impairment requirements use an 'expected credit loss' ("ECL") model to recognise an allowance. Impairment is measured using a 12-month ECL unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

During the year the Council did not recognize any expected credit losses.

**Notes to the Financial Statements for the year ended 31 December 2020****3. Accounting policies (Continued)****Financial Instruments (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'.

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'.

## Notes to the Financial Statements for the year ended 31 December 2020

	2020 Euro	2019 Euro
<b>4. Funds received from central government</b>		
In terms of section 55 of the Local Councils Act (Cap 363)	849,532	832,175
Supplementary Government Income	<u>61,781</u>	<u>157,675</u>
	<u>911,313</u>	<u>989,850</u>
	2020 Euro	2019 Euro
<b>5. Income raised from Bye-Laws</b>		
Income raised under Local Council Bye-Laws	<u>31,881</u>	<u>29,509</u>
	2020 Euro	2019 Euro
<b>6. Local Enforcement Income</b>		
Income from Contraventions	285	-
Regional Committees	<u>1,678</u>	<u>3,988</u>
	<u>1,963</u>	<u>3,988</u>
	2020 Euro	2019 Euro
<b>7. Investment Income</b>		
Bank interest	<u>26</u>	<u>211</u>
	2020 Euro	2019 Euro
<b>8. General Income</b>		
Income from other activities	7,245	18,717
Sponsorships	<u>-</u>	<u>300</u>
	<u>7,245</u>	<u>19,017</u>

## Notes to the Financial Statements for the year ended 31 December 2020

	2020 Euro	2019 Euro
<b>9. Personal Emoluments</b>		
Mayor's allowance	15,027	12,199
Executive Secretary's salary	26,091	26,026
Employees' wages and salaries	53,691	62,421
Councillors' allowances	17,800	9,038
Social Security Contributions	6,563	7,253
	<u>119,172</u>	<u>116,937</u>

	2020 Euro	2019 Euro
<b>10. Operations and Maintenance</b>		
<b>Repairs and upkeep:</b>		
Road and street pavements (Patching works)	39,472	124,761
Walkways	4,520	38,044
Street signs	16,281	9,824
Road Markings	2,449	2,136
	<u>62,722</u>	<u>174,765</u>
<b>Contractual services:</b>		
Refuse collection (including bins on wheels)	73,159	71,182
Bulky refuse collection (including open skips)	84,587	71,696
Road and Street Cleaning (mechanical and manual)	59,154	48,497
Cleaning and Maintenance of Non-Urban Roads	50,862	48,617
Cleaning and Maintenance of Public Conveniences	8,352	8,400
Cleaning and Maintenance of Parks and Gardens	28,075	28,679
Cleaning and Maintenance of Beaches and Catchment areas	3,701	-
Street Lighting	15,248	18,077
Local Enforcement Expenses	150	-
	<u>323,288</u>	<u>295,148</u>
	<u>386,010</u>	<u>469,913</u>

## Notes to the Financial Statements for the year ended 31 December 2020

	2020 Euro	2019 Euro
<b>11. Administration and other expenditure</b>		
Utilities	16,098	12,814
Other repairs and upkeep	41,578	50,339
Rent	3,322	5,320
National and International Memberships	700	956
Office services	7,389	15,504
Transport	3,559	1,855
Information services	14,673	13,915
Other contractual services	17,257	11,420
Professional services	27,513	36,119
Training	-	148
Social events	14,670	18,263
Cultural events	14,829	37,336
Donations	8,247	21,418
Bad debts written off	-	27,705
Depreciation	<u>113,785</u>	<u>108,092</u>
	<u><u>283,620</u></u>	<u><u>361,204</u></u>

**Siggiewi Local Council**

**Annual Financial Report**

**Notes to the Financial Statements for the year ended 31 December 2020**

**12 Property, Plant and Equipment**

	Council Premises		Office Furniture		New Street Signs		Office Equipment		Plant & Machinery		Urban Improvements		Special Prg. Re-surf		Asset Under Construction		Total	
	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
<b>Cost</b>																		
As at 1 January 2020	532,927	15,156	25,283	45,884	9,738	1,278,370	3,242,589	29,545	5,179,492									
Additions	-	-	-	2,853	-	65,638	2,947		71,438									
Deductions	-	-	-	-	-	-	-	-	(24,349)									
As at 31 December 2020	532,927	15,156	25,283	48,737	9,738	1,344,008	3,245,536	5,196	5,226,581									
<b>Grants and other reimbursements</b>																		
As at 1 January 2020	-	-	-	-	-	(780,219)	(859,272)	-	(1,639,491)									
Additions	-	-	-	(1,951)	-	(18,002)	-	-	(19,953)									
As at 31 December 2020	-	-	-	(1,951)	-	(798,221)	(859,272)	-	(1,659,444)									
<b>Depreciation</b>																		
As at 1 January 2020	(30,922)	(3,475)	(25,283)	(30,922)	(9,738)	(337,626)	(1,825,334)	-	(2,263,300)									
Charge for the year	(5,122)	(977)	-	(4,846)	-	(32,491)	(70,349)	-	(113,785)									
As at 31 December 2020	(36,044)	(4,452)	(25,283)	(35,768)	(9,738)	(370,117)	(1,895,683)	-	(2,377,085)									
<b>Net Book Value</b>																		
As at 31 December 2020	496,883	10,704	-	11,018	-	175,670	490,581	5,196	1,190,052									

## Notes to the Financial Statements for the year ended 31 December 2020

## 12 Property, Plant and Equipment (Continued)

	Council Premises		Office Furniture		New Street Signs		Office Equipment		Plant & Machinery		Urban Improvements		Special Prg. Re-surf		Asset Under Construction		Total	
	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
<b>Cost</b>																		
As at 1 January 2019	532,927	11,178	25,283	43,621	9,738	1,334,471	3,213,152	29,545	5,199,915									
Additions	-	3,978	-	2,263	-	15,212	29,437	-	50,890									
Write-offs	-	-	-	-	-	(71,313)	-	-	(71,313)									
As at 31 December 2019	532,927	15,156	25,283	45,884	9,738	1,278,370	3,242,589	29,545	5,179,492									
<b>Grants and other reimbursements</b>																		
As at 1 January 2019	-	-	-	-	-	(780,219)	(850,286)	-	(1,630,505)									
Additions	-	-	-	-	-	-	(8,986)	-	(8,986)									
As at 31 December 2019	-	-	-	-	-	(780,219)	(859,272)	-	(1,639,491)									
<b>Depreciation</b>																		
As at 1 January 2019	(25,800)	(2,698)	(25,283)	(26,400)	(9,738)	(309,744)	(1,755,545)	-	(2,155,208)									
Charge for the year	(5,122)	(777)	-	(4,522)	-	(27,882)	(69,789)	-	(108,092)									
As at 31 December 2019	(30,922)	(3,475)	(25,283)	(30,922)	(9,738)	(337,626)	(1,825,334)	-	(2,263,300)									
<b>Net Book Value</b>																		
As at 31 December 2019	502,005	11,681	-	14,962	-	160,525	557,983	29,545	1,276,701									

## Notes to the Financial Statements for the year ended 31 December 2020

	2020	2019
	Euro	Euro
<b>13a. Receivables</b>		
Trade receivables	26,445	75,286
Provision for doubtful debts	(458)	(458)
LES	54,737	54,737
LES Provision	(54,737)	(54,737)
Other Debtors	1,000	1,000
Accrued income	19,512	41,168
<b>Financial Asset</b>	<u>46,499</u>	<u>116,996</u>
Advance payments to suppliers	279	3,422
Prepayments	3,364	3,911
	<u>50,142</u>	<u>124,329</u>

**13b. Receivables**

Trade Receivables are analysed as follows:

	2020	2019
	Euro	Euro
Within Credit Period	3,443	37,630
Exceeded Credit Period	23,002	37,419
Provision for Doubtful Debts	(458)	(458)
	<u>25,987</u>	<u>74,591</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:

	2020	2019
	Euro	Euro
Cash at bank	1,035,783	746,289
Bank balances overdrawn	(69,038)	(64,664)
Cash and cash equivalents at year-end	<u>966,745</u>	<u>681,625</u>

## Notes to the Financial Statements for the year ended 31 December 2020

	2020 Euro	2019 Euro
<b>15. Payables</b>		
<b><i>Current Liabilities</i></b>		
Trade payables	138,691	152,137
Accruals	18,479	16,014
Other Payables	0	3,292
Deferred income	51,974	77,043
	<u>209,144</u>	<u>248,486</u>

	Euro	Euro
<b><i>Deferred Income</i></b>		
Balance at the beginning of the year	77,043	900
Additions during the year	4000	77,043
Release of deferred income	(27,118)	(900)
Adoption of the Capital Approach as per IAS20	(1,951)	-
Balance at the end of the year	<u>51,974</u>	<u>77,043</u>

Short-Term Deferred Income	<u>51,974</u>	<u>77,043</u>
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Long-Term Deferred Income	<u>-</u>	<u>-</u>
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**16. Capital Commitments**

For the year ending 31 December 2020, the council approved the following Capital Commitments,

**Authorised by the Local Council and contracted:**

Description	Capital Commitments €	Grants Approved €
Majistral Action group - Measure 4 - Development of Green Infrastructure	60,000	47,412
Measure 4.3 - rural roads	878,366	790,529
Measure 4.4 - rubble walls (procurement stage)	172,953	138,362
Measure 4.4 - rubble walls	33,995	27,196
Measure 2 - Strengthening a healthy cultural identity	9,842	7,873
Measure 1 - Restoration of a statue	40,970	32,776

## Notes to the Financial Statements for the year ended 31 December 2020

**17. Contingent Liabilities**

No contingent liability exists as at year-end 31 December 2020.

**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.

*Cash and cash equivalents*

As at 31 December 2020, the Council held balances with Bank of Valletta p.l.c which is a local financial institution. The Council held no other balances at any other bank. The credit rating assigned to Bank of Valletta p.l.c is set at BBB and is considered satisfactory. The Council considers that there is a low probability of default relating to a local bank and that the counterparty has a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Council.

*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.

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>2020</b>	<b>2019</b>
	<b>Euro</b>	<b>Euro</b>
Trade & Other Receivables (Note 13)	<b>46,499</b>	116,996
Cash and Cash Equivalents (Note 14)	<b>966,745</b>	681,625
	<b><u>1,013,244</u></b>	<u>798,621</u>

## Notes to the Financial Statements for the year ended 31 December 2020

## 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:

Classes of Financial assets – Carrying Amounts	2020 Euro	2019 Euro
Amount Invoiced Not yet Settled by Class:		
Government Owned Entities	25,987	74,591
	<u>25,987</u>	<u>74,591</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 Council's trade receivables there are no balances which are past due and which have not been provided for.

	2020 Euro	2019 Euro
Current	(28,542)	37,630
30 Days	3,443	497
60 Days	6,098	-
90 Days	-	9,540
120+ Days	45,446	27,619
	<u>26,445</u>	<u>75,286</u>

*iii) 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.

	2020			
	Less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years
Trade Payables	138,691	-	-	-
Other Payables	-	-	-	-
Accruals	18,479	-	-	-
	<u>157,170</u>	<u>-</u>	<u>-</u>	<u>-</u>

## Notes to the Financial Statements for the year ended 31 December 2020

## 19. Financial Risk Management - Continued

	2019			
	Less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years
Trade Payables	152,137	-	-	-
Other Payables	-	3,292	-	-
Accruals	16,014	-	-	-
	<u>178,151</u>	<u>3,292</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:

	2020 Euro	2019 Euro
<b>Current Assets</b>		
Receivables:		
Trade and Other Receivables	46,499	116,996
Cash and Cash Equivalents	966,745	681,625
	<u>1,013,244</u>	<u>798,621</u>
<b>Current Liabilities</b>		
Financial Liabilities measured at amortised Cost:		
Trade Payables	138,691	152,137
Other Payables	-	3,292
Accruals	18,479	16,014
	<u>157,170</u>	<u>171,443</u>

## Notes to the Financial Statements for the year ended 31 December 2020

**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.

	2020	2019
	Euro	Euro
Annual Financial Allocation	849,532	832,175
<b>Key Management Emoluments</b>		
<i>Executive Secretary</i>	26,091	26,026
<i>Mayor Honoraria</i>	15,027	12,199
<i>Councillors Allowance</i>	17,800	9,038

# Report of the Local Government Auditor

To the Auditor General

## Report on the audit of the financial statements

### Qualified opinion

We have audited the financial statements of Siggiewi Local Council set out on pages 3 to 26 which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basis for qualified opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Council as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act, the Local Councils (Financial) Procedures 1996 (the "Legislation").

### Basis for qualified opinion

Up to 31 August 2011, all income and expenditure from the Local Enforcement System (LES) were centralised through the Central Joint Committee. The Joint Committee ceased operations on that date. No audited financial statements of the Joint Committee have been made available to us and consequently we were unable to determine whether the Council is entitled to receive any further income from the Joint Committee.

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 Council in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### Responsibilities of those charged with governance for the financial statements

As described on page 3 the Executive Secretary and the members of the Local Council are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Legislation, and for such internal control as they 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 and the members of the Local Council are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is the intention to liquidate the Council or to cease operations, or have no realistic alternative but to do so.

The Executive Secretary and the members of the Local Council are responsible for overseeing the Council's financial reporting process.

#### 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 the ISAs, we exercise professional judgement 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 Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management'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 Council'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 Council 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Mark Bugeja.



Mark Bugeja (Partner) for and on behalf of

**GRANT THORNTON**  
Certified Public Accountants

Fort Business Centre  
Triq l-Intornjatur, Zone 1  
Central Business District  
Birkirkara CBD 1050  
Malta

20 August 2021