

# **Siggiewi Local Council**

Report and Financial Statements

for the year ended 31 December 2012

Prepared by:

**GMM & Associates (Malta) Limited**

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**Financial Statements for the year ended 31 December 2012****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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on \_\_\_\_\_ and signed on its behalf by:

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Mr. Karol Aquilina  
Mayor

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Mr. Nicholas Baldacchino  
Executive Secretary





**Statement of Comprehensive Income  
for the year ended 31 December 2012**

	Notes	2012	2011
		Euro	Euro
<b>Income</b>			
Funds received from central government	4	742,979	692,970
Income raised under Local Council Bye-Laws	5	11,096	7,506
Income raised under Local Enforcement System	6	5,029	25,958
Investment Income	7	595	720
General Income	8	29,092	43,833
		<u>788,791</u>	<u>770,987</u>
<b>Expenditure</b>			
Personal emoluments	9	99,575	97,190
Operations and maintenance	10	429,661	345,849
Administration and other expenditure	11	287,016	251,535
		<u>(816,252)</u>	<u>(694,574)</u>
<b>(Deficit) / Surplus for the year</b>		<u><u>(27,461)</u></u>	<u><u>76,413</u></u>

**Statement of Financial Position  
as at 31 December 2012**

	<b>Notes</b>	<b>2012</b>	<b>2011</b>
<b>Assets</b>		<b>Euro</b>	<b>Euro</b>
<b>Non-current Assets</b>			
Property, plant and equipment	12	1,550,515	1,507,003
<b>Current Assets</b>			
Receivables	13	111,247	125,677
Cash and cash equivalents	14	94,537	248,239
		<u>205,784</u>	<u>373,916</u>
<b>Total assets</b>		<u><u>1,756,299</u></u>	<u><u>1,880,919</u></u>
<b>Reserves and Liabilities</b>			
<b>Reserves</b>			
Retained funds		1,225,837	1,253,298
<b>Long Term Liabilities</b>			
Non Current Liabilities	15	167,752	190,074
Deferred Income	15	121,932	88,758
<b>Current Liabilities</b>			
Payables	15	<u>240,778</u>	<u>348,789</u>
<b>Total reserves and liabilities</b>		<u><u>1,756,299</u></u>	<u><u>1,880,919</u></u>

The financial statements were approved by the Council on the \_\_\_\_\_ and were signed on its behalf by:

\_\_\_\_\_  
Mr. Karol Aquilina  
Mayor

\_\_\_\_\_  
Mr. Nicholas Baldacchino  
Executive Secretary

**Statement of Changes in Equity  
for the year ended 31 December 2012**

	<b>Retained Earnings</b>
	<b>Euro</b>
<b>Balance at 31 December 2010</b>	<u>1,176,885</u>
<b>Changes in equity</b>	
Surplus for the year	<u>76,413</u>
<b>Balance at 31 December 2011</b>	1,253,298
<b>Changes in equity</b>	
Deficit for the year	<u>(27,461)</u>
<b>Balance at 31 December 2012</b>	<u><u>1,225,837</u></u>



**Statement of Cash Flows**  
**for the year ended 31 December 2012**

	<b>2012</b>	<b>2011</b>
	<b>Euro</b>	<b>Euro</b>
<b>Note</b>		
<b>Cash flow from operating activities</b>		
Deficit for the year	(27,461)	76,413
Adjustments for:		
Depreciation	113,129	113,429
Interest receivable	(594)	(720)
Increase in provision for bad debts	5,865	5,406
Loss on disposal of assets	9,546	-
Income from Government Grants	<u>(13,501)</u>	<u>(6,057)</u>
	<u>86,984</u>	<u>188,471</u>
Increase in payables	16,984	5,993
Decrease / (Increase) in receivables	<u>30,388</u>	<u>(27,472)</u>
Cash generated (used in) from operations	<u>134,356</u>	<u>166,992</u>
<i>Net cash (used in) from operating activities</i>	<u>134,356</u>	<u>166,992</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(313,674)	(95,957)
Interest received	<u>594</u>	<u>720</u>
<i>Net cash used in investing activities</i>	<u>(313,080)</u>	<u>(95,237)</u>
<b>Cash flows from financing activities</b>		
Government grants	<u>25,022</u>	<u>44,275</u>
<i>Net cash from financing activities</i>	<u>25,022</u>	<u>44,275</u>
<b>Net (Decrease)/ Increase in cash and cash equivalents</b>	<u>(153,702)</u>	<u>116,030</u>
Cash and cash equivalents at beginning of year	<u>248,239</u>	<u>132,209</u>
<b>Cash and cash equivalents at end of year</b>	<u>14</u> <u>94,537</u>	<u>248,239</u>

**Notes to the Financial Statements  
for the year ended 31 December 2012****1. General Information**

The Siggiewi Local Council is a local government set up by the Local Councils Act, 1993. Its ultimate controlling party is the Local Councils Department within the Office of the Prime Minister.

**Significant accounting policies****1.1 Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. The financial statements are presented in Euro.

**1.2 Basis of preparation**

The financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments that are measured at re-valued amounts or fair values, as explained in the accounting policies set in note 3 below.

**2. General Information**

The following new and revised IFRSs as adopted by the EU have been applied in the current period and have affected the amounts reported in these financial statements. Details of other new and revised IFRSs as adopted by the EU applied in these financial statements that have had no material effect on the financial statements are set in note 2.1 below.

**2. 1 Application of International Financial Reporting Standard, as adopted by the EU**

In 2010, the IASB completed its annual improvements project, entitled Improvements to IFRSs. This project incorporates amendments to a number of IFRSs, including IFRS 7 Financial Instruments: Disclosures, IAS 1 Presentation of Financial Statements and IAS 34 Interim Financial Reporting.

The revision to IAS 24 Related Party Disclosures is applicable for annual periods beginning on or after 1 January 2011, with earlier application being permitted. The revised Standard simplifies the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by government and clarifies the definition of a related party. The local council is assessing the impact of this Standard on the financial statements.

The IFRS 7 Amendment addresses a perceived lack of clarity in the intended interaction between the qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments and clarifies the required level of disclosure in connection with credit risk. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets. The amendments also require certain additional disclosures. The Amendments are applicable for annual periods beginning on or after 1 July 2011.

The IAS 34 Amendment emphasises the principle in IAS 34 that the disclosure about significant events and transactions in interim periods should update the relevant information presented in the most recent annual financial report and clarifies how to apply this principle in respect of financial instruments and their fair value. The Amendments, which have been endorsed by the European Union, are applicable for annual periods beginning on or after 1 January 2011, with earlier application being permitted.

**Notes to the Financial Statements  
for the year ended 31 December 2012**

.....continued

**2. 2 International Financial Reporting Standards, as adopted by the EU, in issue but not yet effective****IFRS 9 Financial Instruments (Not yet EU endorsed)**

The new standard requires all financial assets within the scope of IAS39 to be stated at amortised cost or fair value where the intention is to hold such instruments to collect the contractual cash flows which are repayments of capital and interest. All other investments are stated at fair value at the end of each reporting period. Furthermore, where changes in the fair value of financial liabilities at fair value through profit or loss can be attributed to changes in credit risk; those changes are recognised in other comprehensive income.

The only exception would be when such treatment would give rise to, or enlarge an accounting mismatch in profit and loss. The standard is effective for years commencing on or after 1 January 2015, with earlier adoption permitted.

**IFRS 10 Consolidated Financial Statements (Not yet EU endorsed)**

Builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard revises the definition of control and provides additional guidance to assist in the determination of control where this is difficult to assess. The basic principle that a consolidated entity includes a parent and its subsidiaries as if they were a single entity and consolidation procedures remains unchanged.

**IFRS 11 Joint venture (Not yet EU endorsed)**

An entity is required to determine the type of joint arrangement in which it is a party by assessing its rights and obligations. These should then be accounted for in accordance with that type of joint arrangement. The standard defines joint operations and joint ventures and requires the following treatment thereof.

A joint operation is a joint arrangement where the parties have joint control of the arrangement (joint operators) and have rights to the assets, obligations for the liabilities of the arrangement. Joint operators recognise their assets, liabilities, revenue and expenses in relation to its interest in a joint operation. A joint venture is a joint arrangement where the parties have joint control of the arrangement (joint venturers) and have rights to the net assets of the arrangement. Joint venturers should account for such investments on the equity method.

**IAS 27 Separate Financial Statements; IAS 28 Investments in Associates and Joint Ventures (Not yet EU endorsed)**

These two existing standards have been amended in order to align them with the newly released standards.

The revised IAS 27 now deals with the requirements for the preparation of separate financial statements only. The previous standard also dealt with consolidated financial statements, which requirements are now included in IFRS10 Consolidated Financial Statements. The standard now requires that Investments in subsidiaries, associates and jointly controlled entities be carried, either at cost or in accordance with IFRS 9.

The effective date of IFRS 10, 11 & 12 and amended IAS 27 & 28 is 1 January 2013, while early adoption is permitted.

**Notes to the Financial Statements  
for the year ended 31 December 2012**

.....continued

**IFRS 13 Fair value (Not yet EU endorsed)**

The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. It applies to both financial instrument items and non-financial instrument items where other standards require or permit fair value measurements and disclosures about fair value measurements.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

**2. 3 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.

**2. 4 General Payables**

Payables and accrued expenditure are recognised initially at the transaction price and subsequently measured at amortised cost. The difference between the proceeds and the amount payable is recognised over the period of the payable using the effective interest method.

**2.5 Judgements in applying accounting policies and key sources of estimating uncertainty**

In the process of applying the Council's accounting policies, the Council Members have made no judgments which can significantly affect the amounts recognized in the financial statements.

At the end of the reporting period, except as disclosed in note 20, there were no key assumptions concerning the future, or any other key sources of estimating uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**Notes to the Financial Statements  
for the year ended 31 December 2012**

.....continued

**3. The principal accounting policies.****3. 1 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.

As from 1<sup>st</sup> September 2011, the Central Government re-allocated the full management of the LES system from the Joint Committee to the Regional Offices. From 1<sup>st</sup> September 2011, Siggiewi Local Council will be compensated for the handling of the payments made at its council on a pro rata basis.

**3. 2 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.

**3. 3 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.

**Notes to the Financial Statements  
for the year ended 31 December 2012**

.....continued

**3. 4 Property, plant and equipment**

Freehold land is not depreciated.

Furniture and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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

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

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

	Rates in %
Land	0
Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Playground furniture	100

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.

**Notes to the Financial Statements  
for the year ended 31 December 2012**

.....continued

**3. 5 Financial Instruments**

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of comprehensive income.

	<b>2012</b>	<b>2011</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)	713,520	681,663
Other Government Income	<u>29,459</u>	<u>11,307</u>
	<u><u>742,979</u></u>	<u><u>692,970</u></u>

	<b>2012</b>	<b>2011</b>
	<b>Euro</b>	<b>Euro</b>
<b>5. Income raised from Bye-Laws</b>		
Income raised under Local Council Bye-Laws	<u><u>11,096</u></u>	<u><u>7,506</u></u>

**Notes to the Financial Statements  
for the year ended 31 December 2012**

.....continued

	<b>2012</b>	<b>2011</b>
	<b>Euro</b>	<b>Euro</b>
<b>6. Local Enforcement Income</b>		
Share of Profit from Joint Committee/ Fines and Penalties:		
Pre- Regional Committees	-	25,119
Regional Committees	5,029	839
	<u>5,029</u>	<u>25,958</u>
	<b>2012</b>	<b>2011</b>
	<b>Euro</b>	<b>Euro</b>
<b>7. Investment Income</b>		
Bank interest	595	720
	<u>595</u>	<u>720</u>
	<b>2012</b>	<b>2011</b>
	<b>Euro</b>	<b>Euro</b>
<b>8. General Income</b>		
Income from other activities	14,770	32,454
Income from tender documents	1,650	1,600
Contributions	12,672	9,779
	<u>29,092</u>	<u>43,833</u>
	<b>2012</b>	<b>2011</b>
	<b>Euro</b>	<b>Euro</b>
<b>9. Personal Emoluments</b>		
Mayor's allowance	9,818	9,546
Executive Secretary salary	28,079	25,735
Employees' wages and salaries	47,700	47,246
Councillors' allowances	8,800	8,800
Social Security Contributions	5,178	5,863
	<u>99,575</u>	<u>97,190</u>



**Notes to the Financial Statements  
for the year ended 31 December 2012**

.....continued

	2012	2011
	Euro	Euro
<b>10. Operations and Maintenance</b>		
<b>Repairs and upkeep:</b>		
Road and street pavements (Patching works)	104,765	51,053
Walkways	8,080	10,774
Street signs	10,528	6,885
Road Markings	3,034	-
	<u>126,407</u>	<u>68,712</u>
 <b>Contractual Services:</b>		
Refuse collection (including bins on wheels)	76,421	70,023
Bulky refuse collection (including open skips)	60,803	59,860
Road and Street Cleaning (mechanical and manual)	45,193	46,120
Cleaning and Maintenance of Non-Urban Roads	45,152	44,482
Cleaning and Maintenance of Public Conveniences	10,000	9,322
Cleaning and Maintenance of Parks and Gardens	21,286	17,542
Cleaning and Maintenance of Beaches & Catchment Areas	1,092	1,118
Street Lighting	33,770	16,577
Local Enforcement Expenses	9,537	12,093
	<u>303,254</u>	<u>277,137</u>
	<u><u>429,661</u></u>	<u><u>345,849</u></u>

**Notes to the Financial Statements  
for the year ended 31 December 2012**

.....continued

	<b>2012</b>	<b>2011</b>
	<b>Euro</b>	<b>Euro</b>
<b>11. Administration and other expenditure</b>		
Utilities	7,574	10,628
Other repairs and upkeep	31,596	6,864
Rent	9,916	6,918
National and International Memberships	7,956	978
Office Services	13,268	6,120
Travel	-	-
Transport	1,221	1,293
Information Services	4,245	4,418
Other contractual services	10,444	10,037
Professional services	23,632	20,855
Community and hospitality	3,485	2,595
Social events	3,634	28,371
Cultural events	47,370	29,145
Penalties	-	9,884
Loss on disposal of Fixed Assets	9,546	-
Depreciation	113,129	113,429
	<u>287,016</u>	<u>251,535</u>

**Notes to the Financial Statements  
for the year ended 31 December 2012**

.....continued

**12a. Property, Plant and Equipment**

	Office Furniture	New Street Signs	Office Equipment	Urban Improvements	Special Prg. Re-surf	Total
<b>Cost</b>						
As at 1 Jan 2012	481,973	25,283	30,371	353,863	2,450,246	3,341,736
Additions	21,773	-	5,949	17,622	120,841	166,185
Disposals	(4,417)	-	(13,052)	(13,131)	(367)	(30,967)
As at 31 December 2012	499,329	25,283	23,268	358,354	2,570,720	3,476,954
<b>Grants and Other Reimbursements</b>						
As at 1 Jan 2012	-	-	-	-	591,618	591,618
Additions	-	-	-	-	-	-
As at 31 December 2012	-	-	-	-	591,618	591,618
<b>Depreciation</b>						
As at 1 Jan 2012	2,782	25,283	17,654	44,013	1,153,383	1,243,115
Charge for the year	100	-	3,997	11,961	97,071	113,129
Disposals	(2,412)	-	(10,233)	(8,778)	-	(21,423)
As at 31 December 2012	470	25,283	11,418	47,196	1,250,454	1,334,821
<b>Net Book Value</b>						
As at 31 December 2012	498,859	-	11,850	311,158	728,648	1,550,515

**Notes to the Financial Statements  
for the year ended 31 December 2012**

.....continued

**12b. Property, Plant and Equipment**

	Office Furniture	New Street Signs	Office Equipment	Urban Improvements	Special Prg. Re-surf	Total
<b>Cost</b>						
As at 1 Jan 2011	5,690	25,283	28,838	302,680	2,450,246	2,812,737
Additions	476,283	-	1,533	51,183	-	528,999
As at 31 December 2011	481,973	25,283	30,371	353,863	2,450,246	3,341,736
<b>Grants and Other Reimbursements</b>						
As at 1 Jan 2011	-	-	-	-	591,618	591,618
Additions	-	-	-	-	-	-
As at 31 December 2011	-	-	-	-	591,618	591,618
<b>Depreciation</b>						
As at 1 Jan 2011	2,534	25,283	14,117	124,668	963,084	1,129,686
Reclassifications	-	-	-	(88,906)	88,906	-
Charge for the year	248	-	3,537	8,251	101,393	113,429
As at 31 December 2011	2,782	25,283	17,654	44,013	1,153,383	1,243,115
<b>Net Book Value</b>						
As at 31 December 2011	479,191	-	12,717	309,850	705,246	1,507,003

**Notes to the Financial Statements  
for the year ended 31 December 2012**

.....continued

	<b>2012</b>	<b>2011</b>
	<b>Euro</b>	<b>Euro</b>
<b>13. Receivables</b>		
Trade receivables	32,057	50,735
LES	7,228	19,368
Other receivables	48,457	42,844
Prepayments and accrued income	23,505	12,730
	<u>111,247</u>	<u>125,677</u>

**14. Cash and Equivalents**

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

	<b>2012</b>	<b>2011</b>
	<b>Euro</b>	<b>Euro</b>
Bank balances:		
ordinary funds	94,537	248,239
	<u>94,537</u>	<u>248,239</u>

	<b>2012</b>	<b>2011</b>
	<b>Euro</b>	<b>Euro</b>
<b>15. Payables</b>		
<b><i>Current Liability</i></b>		
Trade Payables	211,355	68,940
Accruals	13,272	266,872
Other Payables	2,173	3,420
Deferred Income	13,978	9,557
	<u>240,778</u>	<u>348,789</u>
<b><i>Non-Current Liability</i></b>		
Deferred Income	121,932	88,758
Trade Payables	167,752	190,074
	<u>289,684</u>	<u>278,832</u>
<b>Total Payables</b>	<u>289,684</u>	<u>278,832</u>

**Notes to the Financial Statements  
for the year ended 31 December 2012**

.....continued

	<b>2012</b>	<b>2011</b>
	<b>Euro</b>	<b>Euro</b>
<b>16. Capital Commitments</b>		
Approved for but not provided in financial statements		
Resurfacing Project under PPP scheme	-	156,367
Urban Improvements	-	2,000
Office Furniture for Civic Centre	-	2,000
Construction & Finishing works at Civic Centre	-	-

The council does not have any capital commitments which have been contracted for, but have not been provided for in the financial statements as at 31 December 2012.

The council does not have any capital commitments which have been authorised by the council, but have not yet been contracted for as at 31 December 2012.

**17. Contingent Liabilities**

At period end, the council notes no contingent liabilities.

**18. Post Balance Sheet event**

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

**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.

**Financial risk management**

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

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

*Market risk*

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

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

**Notes to the Financial Statements  
for the year ended 31 December 2012**

.....continued

**19. Financial Risk Management (continued)**

*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.

*iii) Fair Values*

As at 31<sup>st</sup> December 2012, 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.

**20. Related Party Transactions**

**Identity of Related Parties**

Central Government- as per Local Councils Act 1993, is the major and ultimate controlling related party. 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.

**Transactions with Related Parties**

	Central Government		LES	
	2012 EUR	2011 EUR	2012 EUR	2011 EUR
<b>Income</b>	(713,520)	(681,663)	(5,029)	(25,958)
<b>Amount Receivable</b>	-	-	(7,228)	(19,368)