

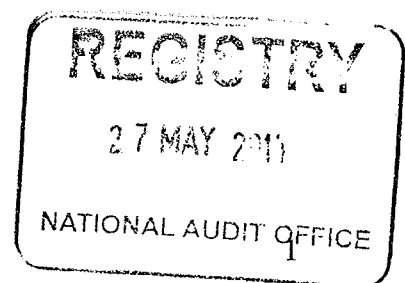
# **Siggiewi Local Council**

Report and Financial Statements

for the year ended 31 December 2013

Prepared by:

**GMM & Associates (Malta) Limited**



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**Financial Statements for the year ended 31 December 2013****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 12/05/14 and signed on its behalf by:

  
Mr. Karol Aquilina  
Mayor  
Mr. Nicholas Baldacchino  
Executive Secretary

**Financial Statements for the year ended 31 December 2013****Report of the Local Government auditor to the Auditor General**

We have audited the accompanying financial statements of Siggiewi Local Council which comprise the statement of financial position as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

As described in page 3, these financial statements are the responsibility of the Executive Secretary and the Local Council members.

***Auditor's responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Basis for qualified opinion***

1. During the year ended 31 December 2010, the council wrote off obsolete fixed assets with a book value of € 271,887 from its books of account. The council has not yet provided us with a detailed list of items written off and consequently we could not satisfy ourselves as to the completeness and existence of the carrying amount of these assets.
2. Included with property, plant and equipment and accruals at year end are amounts of € 68,861 which relate to works carried out in the Civic Centre during the year ended 31 December 2011. The Council could not provide us with evidence supporting these amounts and there were no practicable alternative procedures that we could apply to satisfy ourselves as to the completeness and existence of these amounts.
3. The council did not keep proper records to support deposits made into the bank account. Consequently we were unable to perform any procedures to satisfy ourselves that all income received by the Council was deposited.
4. The Local Councils (Audit) Procedures, 2006 contain a specimen of the financial statements which Local Councils should adhere to. It further stipulates that in the case where this specimen is not in conformity with International Financial Reporting Standards (IFRSs), the latter should prevail.

The Council's financial statements for the year under review have been prepared in accordance with the specimen referred to above but do not take into consideration all of the additional requirements that emerge from the applicable IFRSs. This contravenes the requirements of the Local Councils (Audit) Procedures, 2006.

5. Excluded from these financial statements are the budgeted figures for the year. This is not in accordance with the Local Councils (Financial) Procedures, 1996.

**Financial Statements for the year ended 31 December 2013**

**Report of the Local Government auditor to the Auditor General (continued)**

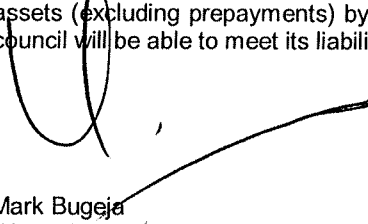
***Qualified Opinion***

In our opinion, except for the effect of the matters described in paragraphs 1, 2 and 3 above under Basis for qualified opinion paragraph, the financial statements give a true and fair view of the financial position of Siggiewi Local Council as at 31 December 2013, and of the results of its operations, changes in equity and its cash flows for the year then ended in accordance with the accounting policies set out on pages 10 to 15.

Because of the matters set out in paragraphs 4 and 5 above, these financial statements do not comply fully with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 and because of the matter set out in paragraph 4 above these financial statements have not been prepared in accordance with International Financial Reporting Standards.

***Emphasis of matter***

Without qualifying our opinion, we draw attention to the council's statement of financial position on page 7 which shows that at 31 December 2013 the council's current liabilities (excluding deferred income) exceeded current assets (excluding prepayments) by € 13,330. The significance of this deficiency casts doubt as to whether the council will be able to meet its liabilities as they fall due.



Mark Bugeja  
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Certified Public Accountants  
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12 May 2014

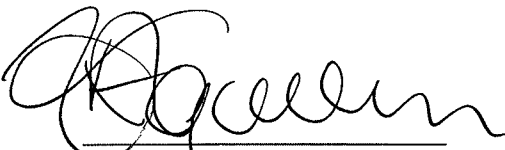
**Statement of Comprehensive Income  
for the year ended 31 December 2013**

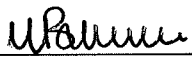
	Notes	2013	2012
		Euro	Euro
<b>Income</b>			
Funds received from central government	4	776,751	742,979
Income raised under Local Council Bye-Laws	5	12,639	11,096
Income raised under Local Enforcement System	6	3,956	5,029
Investment Income	7	423	595
General Income	8	53,998	29,092
		<u>847,767</u>	<u>788,791</u>
<b>Expenditure</b>			
Personal emoluments	9	101,355	99,575
Operations and maintenance	10	395,761	429,661
Administration and other expenditure	11	272,912	287,016
		<u>(770,028)</u>	<u>(816,252)</u>
<b>Surplus / (Deficit) for the year</b>		<u><u>77,739</u></u>	<u><u>(27,461)</u></u>

Statement of Financial Position  
as at 31 December 2013

	Notes	2013	2012
Assets		Euro	Euro
<b>Non-current Assets</b>			
Property, plant and equipment	12	1,582,573	1,550,515
<b>Current Assets</b>			
Receivables	13	92,051	111,247
Cash and cash equivalents	14	<u>113,026</u>	<u>94,537</u>
		<u>205,077</u>	<u>205,784</u>
<b>Total assets</b>		<u><u>1,787,650</u></u>	<u><u>1,756,299</u></u>
<b>Reserves and Liabilities</b>			
<b>Reserves</b>			
Retained funds		1,303,576	1,225,837
<b>Long Term Liabilities</b>			
Non Current Liabilities	15	69,424	167,752
Deferred Income	15	178,887	121,932
<b>Current Liabilities</b>			
Payables	15	<u>235,763</u>	<u>240,778</u>
<b>Total reserves and liabilities</b>		<u><u>1,787,650</u></u>	<u><u>1,756,299</u></u>

The financial statements were approved by the Council on the 12/05/14 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 2013**

	<b>Retained Earnings</b>
	<b>Euro</b>
<b>Balance at 31 December 2011</b>	<u>1,253,298</u>
<b>Changes in equity</b>	
Surplus for the year	<u>(27,461)</u>
<b>Balance at 31 December 2012</b>	1,225,837
<b>Changes in equity</b>	
Surplus for the year	<u>77,739</u>
<b>Balance at 31 December 2013</b>	<u><u>1,303,576</u></u>



**Statement of Cash Flows  
for the year ended 31 December 2013**

	2013	2012
	Euro	Euro
Note		
<b>Cash flow from operating activities</b>		
Surplus / (Deficit) for the year	77,739	(27,461)
Adjustments for:		
Depreciation	114,422	113,129
Interest receivable	(423)	(594)
Increase in provision for bad debts	-	5,865
Loss on disposal of assets	-	9,546
Income from Government Grants	-	(13,501)
	<u>191,738</u>	<u>86,984</u>
(Decrease) / Increase in payables	(5,015)	16,984
Decrease / (Increase) in receivables	<u>19,196</u>	<u>30,388</u>
Cash generated (used in) from operations	<u>205,919</u>	<u>134,356</u>
<i>Net cash (used in) from operating activities</i>	<u>205,919</u>	<u>134,356</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(146,480)	(313,674)
Interest received	<u>423</u>	<u>594</u>
<i>Net cash used in investing activities</i>	<u>(146,057)</u>	<u>(313,080)</u>
<b>Cash flows from financing activities</b>		
Government grants	-	25,022
Decrease in long-term payables	<u>(41,373)</u>	<u>-</u>
<i>Net cash from financing activities</i>	<u>(41,373)</u>	<u>25,022</u>
<b>Net (Decrease)/ Increase in cash and cash equivalents</b>	<u>18,489</u>	<u>(153,702)</u>
Cash and cash equivalents at beginning of year	<u>94,537</u>	<u>248,239</u>
<b>Cash and cash equivalents at end of year</b>	<u>113,026</u>	<u>94,537</u>

**Notes to the Financial Statements  
for the year ended 31 December 2013****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.

**Notes to the Financial Statements  
for the year ended 31 December 2013**

.....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 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.

**Notes to the Financial Statements  
for the year ended 31 December 2013**

.....continued

**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 2013**

.....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 2013**

.....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 2013**

.....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.

	2013	2012
	Euro	Euro
<b>4. Funds received from central government</b>		
In terms of section 55 of the Local Councils Act (Cap 363)	702,879	713,520
Supplementary Government Income	28,813	-
Other Government Income	45,059	29,459
	<u>776,751</u>	<u>742,979</u>

	2013	2012
	Euro	Euro
<b>5. Income raised from Bye-Laws</b>		
Income raised under Local Council Bye-Laws	<u>12,639</u>	<u>11,096</u>

**Notes to the Financial Statements  
for the year ended 31 December 2013**

.....continued

	2013	2012
	Euro	Euro
<b>6. Local Enforcement Income</b>		
Share of Profit from Joint Committee/ Fines and Penalties:		
Pre- Regional Committees	-	-
Regional Committees	3,956	5,029
	<u>3,956</u>	<u>5,029</u>
	2013	2012
	Euro	Euro
<b>7. Investment Income</b>		
Bank interest	423	595
	<u>423</u>	<u>595</u>
	2013	2012
	Euro	Euro
<b>8. General Income</b>		
Income from other activities	44,699	14,770
Income from tender documents	2,550	1,650
Contributions	6,749	12,672
	<u>53,998</u>	<u>29,092</u>
	2013	2012
	Euro	Euro
<b>9. Personal Emoluments</b>		
Mayor's allowance	10,055	9,818
Executive Secretary salary	28,722	28,079
Employees' wages and salaries	47,657	47,700
Councillors' allowances	8,800	8,800
Social Security Contributions	6,121	5,178
	<u>101,355</u>	<u>99,575</u>



**Notes to the Financial Statements  
for the year ended 31 December 2013**

.....continued

	2013	2012
	Euro	Euro
<b>10. Operations and Maintenance</b>		
<b>Repairs and upkeep:</b>		
Road and street pavements (Patching works)	81,404	104,765
Walkways	11,635	8,080
Street signs	5,765	10,528
Road Markings	3,273	3,034
	<u>102,077</u>	<u>126,407</u>
 <b>Contractual Services:</b>		
Refuse collection (including bins on wheels)	70,152	76,421
Bulky refuse collection (including open skips)	59,271	60,803
Road and Street Cleaning (mechanical and manual)	39,288	45,193
Cleaning and Maintenance of Non-Urban Roads	45,232	45,152
Cleaning and Maintenance of Public Conveniences	10,721	10,000
Cleaning and Maintenance of Parks and Gardens	33,913	21,286
Cleaning and Maintenance of Beaches & Catchment Areas	1,137	1,092
Street Lighting	24,786	33,770
Local Enforcement Expenses	9,184	9,537
	<u>293,684</u>	<u>303,254</u>
	<u><u>395,761</u></u>	<u><u>429,661</u></u>

**Notes to the Financial Statements  
for the year ended 31 December 2013**

.....continued

	2013	2012
	Euro	Euro
<b>11. Administration and other expenditure</b>		
Utilities	12,143	7,574
Other repairs and upkeep	20,369	31,596
Rent	19,945	9,916
National and International Memberships	1,012	7,956
Office Services	6,920	13,268
Travel	-	-
Transport	1,573	1,221
Information Services	5,172	4,245
Other contractual services	12,183	10,444
Professional services	19,964	23,632
Community and hospitality	14,665	3,485
Social events	1,569	3,634
Cultural events	42,815	47,370
Training	160	-
Loss on disposal of Fixed Assets	-	9,546
Depreciation	114,422	113,129
	<u>272,912</u>	<u>287,016</u>

**Notes to the Financial Statements  
for the year ended 31 December 2013**

.....continued

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

<b>Cost</b>	<b>Council Premises</b>	<b>Office Furniture</b>	<b>New Street Signs</b>	<b>Office Equipment</b>	<b>Urban Improvements</b>	<b>Special Prg. Re-surf</b>	<b>Total</b>
As at 1 Jan 2013	497,614	1,715	25,283	23,268	358,354	2,570,720	3,476,954
Additions	13,416	1,731	-	2,931	-	128,402	146,480
Disposals	-	-	-	-	-	-	-
As at 31 December 2013	511,030	3,446	25,283	26,199	358,354	2,699,122	3,623,434
<b>Grants and Other Reimbursements</b>							
As at 1 Jan 2013	-	-	-	-	-	591,618	591,618
Additions	-	-	-	-	-	-	-
As at 31 December 2013	-	-	-	-	-	591,618	591,618
<b>Depreciation</b>							
As at 1 Jan 2013	-	470	25,283	11,418	47,196	1,250,454	1,334,821
Charge for the year	-	212	-	3,598	14,987	95,625	114,422
Disposals	-	-	-	-	-	-	-
As at 31 December 2013	-	682	25,283	15,016	62,183	1,346,079	1,449,243
<b>Net Book Value</b>							
As at 31 December 2013	511,030	2,764	-	11,183	296,171	761,425	1,582,573

**Notes to the Financial Statements  
for the year ended 31 December 2013**

.....continued

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

	Council Premises	Office Furniture	New Street Signs	Office Equipment	Urban Improvements	Special Prg. Re-surf	Total
<b>Cost</b>							
As at 1 Jan 2012	475,841	6,132	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	497,614	1,715	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	497,614	1,245	-	11,850	311,158	728,648	1,550,515

**Notes to the Financial Statements  
for the year ended 31 December 2013**

.....continued

	2013	2012
	Euro	Euro
<b>13. Receivables</b>		
Trade receivables	35,050	32,057
LES	-	7,228
Other receivables	11,710	48,457
Prepayments and accrued income	45,291	23,505
	<u>92,051</u>	<u>111,247</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:

	2013	2012
	Euro	Euro
Bank balances:		
ordinary funds	113,026	94,537
	<u>113,026</u>	<u>94,537</u>

	2013	2012
	Euro	Euro
<b>15. Payables</b>		
<b><i>Current Liability</i></b>		
Trade Payables	98,858	211,355
Accruals	115,620	13,272
Other Payables	-	2,173
Deferred Income	21,285	13,978
	<u>235,763</u>	<u>240,778</u>
<b><i>Non-Current Liability</i></b>		
Deferred Income	178,887	121,932
Trade Payables	69,424	167,752
<b>Total Payables</b>	<u>248,311</u>	<u>289,684</u>

**Notes to the Financial Statements  
for the year ended 31 December 2013**

.....continued

**16. Capital Commitments**

The council does not have any capital commitments which have been contracted for, but have not been provided for in the financial statements as at 31 December 2013.

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 2013.

**17. Contingent Liabilities**

A contingent liability exists with the supplier Xuereb Bros for the amount of Eur 13,700. The contract for the collection of household waste, stipulates that the Council has to pay over and above the cost of fuel whenever there is an increase in its price. Xuereb Brothers never invoiced the council for the claimed amount. At the end of the four year period, the supplier sent the bill to the council. The council is contesting this case.

Another contingent liability exists as there is a court case against the council in which the claimant is seeking € 3,673.44 for damages. The council lost the court case but, has appealed the decision. The council is still waiting for the final court decision.

**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 2013**

.....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 2013, 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	
	2013 EUR	2012 EUR	2013 EUR	2012 EUR
Income	(702,879)	(713,520)	(3,956)	(5,029)
Amount Receivable	-	-	-	(7,228)