

Siggiewi Local Council

Report and Financial Statements

for the year ended 31 December 2014

Prepared by:

GMM & Associates (Malta) Limited

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Financial Statements for the year ended 31 December 2014**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 29 April 2015 and signed on its behalf by:

Mr. Karol Aquilina
Mayor

Mr. Nicholas Baldacchino
Executive Secretary

Financial statements for the year ended 31 December 2014
Report of the Local Government Auditor to the Auditor General**Report on the Financial Statements for the year ended 31 December 2014**

We were engaged to audit the accompanying financial statements of Siggiewi Local Council, which comprise the statement of financial position as at 31 December 2014, and the Statement of Profit or Loss and Other 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 Auditors

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

Auditors' 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 from 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 the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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.

Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however we were not able to obtain sufficient appropriate audit evidence to provide a basis for our audit opinion.

Basis for Disclaimer of 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 provided us with a detailed list of these write offs.
In 2013, the Council approved the disposal of a number of items of property, plant and equipment, and the related transaction was not recorded in the accounts.
During the year ended 31 December 2014, the net book value of property, plant and equipment as per fixed asset register was lower by €162,580 than the net book value as per accounts. The depreciation was calculated on the property, plant and equipment as per register, and therefore it could be misstated.
Due to the issues mentioned above, we were unable to test the completeness, accuracy, valuation and existence of the carrying amount of property, plant and equipment.
2. No circularisations were received to test related party balances amounting to €30,731. No alternative procedures could be performed and thus we were unable to test the completeness, accuracy and valuation of these related party balances.

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

3. The Council's financial statements do not disclose all the quantitative and qualitative disclosure requirements under IFRS 7.
4. The Council's statement of cash flows is not in accordance to IAS 7.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly we do not express an opinion on the financial statements.

Report on other legal and regulatory requirements

In our opinion the financial statements do not comply fully with the Local Councils Act, the Financial Regulations issued in terms of this Act and the Local Council (Financial) Procedures, as the financial statements do not include budgeted figures for the year, depreciation is calculated on an annual basis and due to the matters described in the Disclaimer of Opinion paragraph.

Other Matter

The financial statements of Siggiewi Local Council for the year ended 31 December 2013 were audited by Grant Thornton, Certified Public Accountants, who expressed a qualified opinion on 12 May 2014.

Mr Manuel Castagna

For and on behalf of
Nexia BT
Certified Public Accountants

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

Date: 29 April 2015

**Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2014**

		2014	2013
	Notes		
		Euro	Euro
Income			
Funds received from central government	4	755,304	776,751
Income raised under Local Council Bye-Laws	5	11,021	12,639
Income raised under Local Enforcement System	6	13,625	3,956
Investment Income	7	383	423
General Income	8	13,846	53,998
		<u>794,180</u>	<u>847,767</u>
Expenditure			
Personal emoluments	9	105,892	101,355
Operations and maintenance	10	349,098	395,761
Administration and other expenditure	11	280,419	272,912
		<u>(735,409)</u>	<u>(770,028)</u>
Surplus for the year		<u>58,771</u>	<u>77,739</u>
Total Comprehensive Income		<u><u>58,771</u></u>	<u><u>77,739</u></u>

**Statement of Financial Position
as at 31 December 2014**

	Notes	2013	2013
Assets		Euro	Euro
Non-current Assets			
Property, plant and equipment	12	1,796,330	1,582,573
Current Assets			
Receivables	13	69,692	92,051
Cash and cash equivalents	14	<u>201,575</u>	<u>113,026</u>
		<u>271,267</u>	<u>205,077</u>
Total assets		<u><u>2,067,597</u></u>	<u><u>1,787,650</u></u>
Reserves and Liabilities			
Reserves			
Retained funds		1,362,347	1,303,576
Long Term Liabilities			
Non Current Liabilities	15	35,906	69,424
Deferred Income	15	<u>424,166</u>	<u>178,887</u>
		460,077	248,311
Current Liabilities			
Payables	15	<u>245,178</u>	<u>235,763</u>
Total reserves and liabilities		<u><u>2,067,597</u></u>	<u><u>1,787,650</u></u>

The financial statements were approved by the Council on the 29 April 2015 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**

	Retained Earnings
	Euro
Balance at 31 December 2012	1,225,837
Surplus for the year	77,739
Total Comprehensive Income	<u>77,739</u>
Balance at 31 December 2013	1,303,576
Surplus for the year	58,771
Total Comprehensive Income	<u>58,771</u>
Balance at 31 December 2014	<u>1,362,347</u>

Statement of Cash Flows
for the year ended 31 December 2014

	2014	2013
	Euro	Euro
Note		
Cash flow from operating activities		
Surplus for the year	58,771	77,739
Adjustments for:		
Depreciation	118,467	114,422
Interest receivable	(383)	(423)
Increase in provision for bad debts	-	-
Loss on disposal of assets	-	-
Income from Government Grants	-	-
	<u>176,855</u>	<u>191,738</u>
Increase in payables	9,415	(5,015)
Decrease in receivables	<u>22,359</u>	<u>19,196</u>
Cash generated (used in) from operations	<u>208,629</u>	<u>205,919</u>
<i>Net cash (used in) from operating activities</i>	<u>208,629</u>	<u>205,919</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(332,223)	(146,480)
Interest received	<u>383</u>	<u>423</u>
<i>Net cash used in investing activities</i>	<u>(331,840)</u>	<u>(146,057)</u>
Cash flows from financing activities		
Government grants	-	-
Movement in long-term payables	<u>211,761</u>	<u>(41,373)</u>
<i>Net cash from financing activities</i>	<u>211,761</u>	<u>(41,373)</u>
Net (Decrease)/ Increase in cash and cash equivalents	<u>88,550</u>	<u>18,489</u>
Cash and cash equivalents at beginning of year	<u>113,025</u>	<u>94,537</u>
Cash and cash equivalents at end of year	<u>14</u> <u>201,575</u>	<u>113,026</u>

**Notes to the Financial Statements
for the year ended 31 December 2014****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 below.

2.1 Standards, amendments and interpretations that are not yet effective

IFRS 9, 'Financial instruments' addresses the classification and measurement of financial assets and replaces the multiple classification and measurement tools in IAS 39 with a single model that only has two classification categories: amortised cost and fair value. Classification under IFRS 9 will be driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. Subject to adoption by the EU, IFRS 9 will be effective for financial periods beginning on, or after, 1 January 2018. The Local Council is considering the implications of the standard and its impact on the Local Council's financial results and position.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Local Council.

**Notes to the Financial Statements
for the year ended 31 December 2014**

.....continued

2. 2 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. 3 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.

2.4 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 2014**

.....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 1st September 2011, the Central Government re-allocated the full management of the LES system from the Joint Committee to the Regional Offices. From 1st 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 2014**

.....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 2014**

.....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.

	2014	2013
4. Funds received from central government	Euro	Euro
In terms of section 55 of the Local Councils Act (Cap 363)	702,124	702,879
Supplementary Government Income	53,180	28,813
Other Government Income	-	45,059
	<u>755,304</u>	<u>776,751</u>

	2014	2013
5. Income raised from Bye-Laws	Euro	Euro
Income raised under Local Council Bye-Laws	<u>11,021</u>	<u>12,639</u>

**Notes to the Financial Statements
for the year ended 31 December 2014**

.....continued

	2014	2013
	Euro	Euro
6. Local Enforcement Income		
Share of Profit from Joint Committee/ Fines and Penalties:		-
Pre- Regional Committees		-
Regional Committees	<u>13,625</u>	<u>3,956</u>
	<u><u>13,625</u></u>	<u><u>3,956</u></u>
	2014	2013
	Euro	Euro
7. Investment Income		
Bank interest	<u>383</u>	<u>423</u>
	2014	2013
	Euro	Euro
8. General Income		
Income from other activities	11,816	44,699
Income from tender documents	1,050	2,550
Contributions	<u>980</u>	<u>6,749</u>
	<u><u>13,846</u></u>	<u><u>53,998</u></u>
	2014	2013
	Euro	Euro
9. Personal Emoluments		
Mayor's allowance	11,902	10,055
Executive Secretary salary	29,440	28,722
Employees' wages and salaries	48,898	47,657
Councillors' allowances	7,800	8,800
Social Security Contributions	<u>7,852</u>	<u>6,121</u>
	<u><u>105,892</u></u>	<u><u>101,355</u></u>

**Notes to the Financial Statements
for the year ended 31 December 2014**

.....continued

	2014	2013
	Euro	Euro
10. Operations and Maintenance		
Repairs and upkeep:		
Road and street pavements (Patching works)	65,156	81,404
Walkways	33,976	11,635
Street signs	10,739	5,765
Road Markings	-	3,273
	<u>109,872</u>	<u>102,077</u>
 Contractual Services:		
Refuse collection (including bins on wheels)	58,429	70,152
Bulky refuse collection (including open skips)	34,135	59,271
Road and Street Cleaning (mechanical and manual)	35,559	39,288
Cleaning and Maintenance of Non-Urban Roads	46,813	45,232
Cleaning and Maintenance of Public Conveniences	7,213	10,721
Cleaning and Maintenance of Parks and Gardens	33,314	33,913
Cleaning and Maintenance of Beaches & Catchment Areas	850	1,137
Street Lighting	20,546	24,786
Local Enforcement Expenses	2,368	9,184
	<u>239,226</u>	<u>293,684</u>
	<u><u>349,098</u></u>	<u><u>395,761</u></u>

**Notes to the Financial Statements
for the year ended 31 December 2014**

.....continued

	2014	2013
	Euro	Euro
11. Administration and other expenditure		
Utilities	13,503	12,143
Other repairs and upkeep	24,742	20,369
Rent	5,675	19,945
National and International Memberships	35	1,012
Office Services	7,996	6,920
Travel	-	-
Transport	2,622	1,573
Information Services	6,383	5,172
Other contractual services	11,320	12,183
Professional services	31,278	19,964
Community and hospitality	17,413	14,665
Social events	10,613	1,569
Cultural events	28,213	42,815
Training	-	160
Increase in Provision for Bad Debts	2,159	-
Depreciation	118,467	114,422
	<u>280,419</u>	<u>272,912</u>

**Notes to the Financial Statements
for the year ended 31 December 2014**

.....continued

12a. Property, Plant and Equipment

	Council Premises	Office Furniture	New Street Signs	Office Equipment	Urban Improvements	Special Prg. Re-surf	Total
Cost							
As at 1 Jan 2014	511,030	3,446	25,283	26,199	358,354	2,699,122	3,623,434
Additions	-	1,247	-	3,615	278,241	49,120	332,223
Disposals							
As at 31 December 2014	511,030	4,693	25,283	29,814	636,595	2,748,242	3,955,657
Grants and Other Reimbursements							
As at 1 Jan 2014	-	-	-	-	-	(591,618)	(591,618)
Additions	-	-	-	-	-	-	-
As at 31 December 2014	-	-	-	-	-	(591,618)	(591,618)
Depreciation							
As at 1 Jan 2014	-	682	25,283	15,016	62,183	1,346,079	1,449,243
Charge for the year	4,976	300	-	3,966	13,489	95,736	118,467
Disposals	-	-	-	-	-	-	-
As at 31 December 2014	4,976	982	25,283	18,982	75,671	1,441,815	1,567,709
Net Book Value							
As at 31 December 2014	506,054	3,711	-	10,832	560,923	714,809	1,796,330

**Notes to the Financial Statements
for the year ended 31 December 2014**

.....continued

12a. Property, Plant and Equipment

	Council Premises	Office Furniture	New Street Signs	Office Equipment	Urban Improvements	Special Prg. Re-surf	Total
Cost							
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	<u>511,030</u>	<u>3,446</u>	<u>25,283</u>	<u>26,199</u>	<u>358,354</u>	<u>2,699,122</u>	<u>3,623,434</u>
Grants and Other Reimbursements							
As at 1 Jan 2013	-	-	-	-	-	591,618	591,618
Additions	-	-	-	-	-	-	-
As at 31 December 2013	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>591,618</u>	<u>591,618</u>
Depreciation							
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	<u>-</u>	<u>682</u>	<u>25,283</u>	<u>15,016</u>	<u>62,183</u>	<u>1,346,079</u>	<u>1,449,243</u>
Net Book Value							
As at 31 December 2013	<u>511,030</u>	<u>2,764</u>	<u>-</u>	<u>11,183</u>	<u>296,171</u>	<u>761,425</u>	<u>1,582,573</u>

**Notes to the Financial Statements
for the year ended 31 December 2014**

.....continued

	2014	2013
	Euro	Euro
13. Receivables		
Trade receivables	-	-
LES	55,144	52,985
LES Provision	(55,144)	(52,985)
Amounts due from related parties	34,108	35,085
Provision for doubtful debts	(1,560)	-
Other receivables	9,433	11,675
Prepayments and accrued income	27,294	45,291
Advance Payments to suppliers	417	-
	<u>69,692</u>	<u>92,051</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:

	2014	2013
	Euro	Euro
Cash at bank	246,393	113,026
Bank balances overdrawn	<u>(44,818)</u>	<u>(5,044)</u>
	<u>201,575</u>	<u>113,026</u>

As at year end the council had blocked amounts of Euro 7,300.

**Notes to the Financial Statements
for the year ended 31 December 2014**

.....continued

	2014	2013
	Euro	Euro
15. Payables		
Current Liability		
Trade Payables	93,579	72,699
Accruals	90,186	115,620
Amounts due to related parties	26,289	26,159
Debtor Negative Balance	28	-
Deferred Income	35,096	21,285
	<u>245,178</u>	<u>235,763</u>
Non-Current Liability		
Deferred Income	424,166	178,887
Trade Payables	35,906	69,424
Total Payables	<u>460,072</u>	<u>248,311</u>

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 2014.

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 2014.

17. Contingent Liabilities

A contingent liability exists with the supplier Xuereb Bros. Limited for the amount of €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 Bros. Limited 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.

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

**Notes to the Financial Statements
for the year ended 31 December 2014**

.....continued

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 2014**

.....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 31st December 2014, 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	
	2014 EUR	2013 EUR	2014 EUR	2013 EUR
Income	702,124	702,879	13,626	3,956