

Siggiewi Local Council

Report and Financial Statements

For the year ended 31 December 2018

Prepared by:

GMM & Associates (Malta) Limited



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Financial Statements for the year ended 31 December 2018**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 25 April 2019 and signed on its behalf by:



Dr. Alessia Psaila Zammit
Mayor



KUNSILL LOKALI
IS- SIGGIEWI
Città Ferdinand



Ms. Ritiene Giorgino
Executive Secretary

**REPORT OF THE LOCAL GOVERNMENT AUDITORS ON THE SIGGIEWI LOCAL COUNCIL
TO THE AUDITOR GENERAL****Report on the Audit of the Financial Statements****Opinion**

We have audited the financial statements of Siggiewi Local Council which comprise the Statement of Financial Position as at 31 December 2018, and the statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the statement of financial position of Siggiewi Local Council as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Executive Secretary

The Executive Secretary is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the EU, and for such internal control as the Executive Secretary determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Secretary is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the entity is intended to be liquidated or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error,
- Design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Secretary.
- Conclude on the appropriateness of the Executive Secretary's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements comply fully with the Local Councils Act, the Financial Regulations issued in terms of this Act and the Local Council (Financial) Procedures.



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: 25 April 2019

Statement of Comprehensive Income for the year ended 31 December 2018

			* Restated
		2018	2017
	Note	Euro	Euro
Income			
Funds received from central government	4	836,821	837,982
Income raised from Bye-Laws	5	24,214	25,084
Local Enforcement Income	6	7,908	6,119
Investment Income	7	-	59
General Income	8	13,703	16,018
		<u>882,646</u>	<u>885,262</u>
Expenditure			
Personal emoluments	9	(114,381)	(105,010)
Operations and maintenance	10	(349,989)	(327,691)
Administration and other expenditure	11	(260,832)	(268,240)
		<u>(725,202)</u>	<u>(700,941)</u>
Surplus for the year		<u>157,444</u>	<u>184,321</u>
Other Comprehensive Income		<u>-</u>	<u>-</u>
Total Comprehensive Income		<u><u>157,444</u></u>	<u><u>184,321</u></u>

* See note 21 for details about restatements for changes in accounting policies.

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.


Statement of Financial Position as at 31 December 2018

	Notes	2018 Euro	* Restated 2017 Euro	*As previously stated 2017 Euro
Assets				
Non-current Assets				
Property, Plant and Equipment	12	<u>1,389,853</u>	<u>1,423,447</u>	<u>2,076,914</u>
Current Assets				
Receivables	13	<u>329,448</u>	<u>159,032</u>	<u>159,032</u>
Cash and Cash Equivalents	14	<u>490,544</u>	<u>183,815</u>	<u>183,815</u>
		<u>819,992</u>	<u>342,847</u>	<u>342,847</u>
Total assets		<u><u>2,209,845</u></u>	<u><u>1,766,294</u></u>	<u><u>2,419,761</u></u>
Reserves and Liabilities				
Reserves				
Retained Funds		<u>1,739,648</u>	<u>1,582,204</u>	<u>1,582,204</u>
Non-current Liabilities				
Trade payables	15	-	3,291	3,291
Deferred income	15	-	-	574,041
		-	3,291	577,332
Current Liabilities				
Bank balances overdrawn	14	<u>16,517</u>	<u>25,674</u>	<u>25,674</u>
Payables	15	<u>453,680</u>	<u>155,125</u>	<u>234,551</u>
		<u>470,197</u>	<u>180,799</u>	<u>260,225</u>
Total Liabilities		<u><u>470,197</u></u>	<u><u>184,090</u></u>	<u><u>837,557</u></u>
Total reserves and liabilities		<u><u>2,209,845</u></u>	<u><u>1,766,294</u></u>	<u><u>2,419,761</u></u>

* See note 21 for details about restatements for changes in accounting policies.

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

The financial statements were approved by the Council on the 25 April 2019 and were signed on its behalf by:


 Dr Alessia Psaila Zammit
 Mayor


 Ms. Ritiene Giorgino
 Executive Secretary

Statement of Changes in Equity for the year ended 31 December 2018**Retained
Funds****Euro**

Balance at 1 January 2017	1,397,883
Surplus for the year	184,321
Other Comprehensive Income	-
Total Comprehensive income	<u>184,321</u>
Balance at 31 December 2017	<u>1,582,204</u>
Balance at 1 January 2018	1,582,204
Surplus for the year	157,444
Other Comprehensive Income	-
Total Comprehensive income	<u>157,444</u>
Balance at 31 December 2018	<u>1,739,648</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 2018

		2018 Euro	* Restated 2017 Euro
	Notes		
Cash flow from operating activities			
Surplus for the year		157,444	184,321
Adjustments for:			
Depreciation		102,297	119,147
Interest receivable		-	(59)
		<u>259,741</u>	<u>303,409</u>
Movement in payables		298,555	(13,609)
Movement in receivables		<u>(170,416)</u>	<u>(27,760)</u>
<i>Net cash from operating activities</i>		<u>387,880</u>	<u>262,040</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(68,703)	(97,786)
Interest received		-	59
<i>Net cash used in investing activities</i>		<u>(68,703)</u>	<u>(97,727)</u>
Cash flows from financing activities			
Movement in long-term payables		<u>(3,291)</u>	<u>(70,195)</u>
Movement in cash and cash equivalents		<u>315,886</u>	<u>94,118</u>
Cash and cash equivalents at beginning of year		<u>158,141</u>	<u>64,023</u>
Cash and cash equivalents at end of year	14	<u><u>474,027</u></u>	<u><u>158,141</u></u>

* See note 21 for details about restatements for changes in accounting policies.

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements for the year ended 31 December 2018**1. General Information**

The Siggiewi Local Council is a local government set up by the Local Councils Act, 1993. The office of the Council is situated at Siggiewi Civic Centre - 18, Pjazza San Nikola, Siggiewi. The Local Council's presentation as well as the functional currency are denominated in € (euro). The financial statements were authorised for issue by the Council on the 25 April 2019. Siggiewi Local Council prepares the financial statements on a yearly basis from 1st January to 31st December.

2. Reporting procedures

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Accounting Convention

These Financial Statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in Conjunction with the Minister Responsible for Local Government in terms of section 67 of the Local Councils Act (Cap 363).

These financial statements are prepared under the historical cost Convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act (Cap 363), the Financial Regulations issued in terms of this act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the international reporting standards.

New and revised standards that are effective for the current period

In the current year, the Council has applied IFRS 9 Financial Instruments and the related consequential amendments to other International Financial Reporting Standards that are effective for periods that begin on or after 1 January 2018. IFRS 9 introduced new requirements for the classification and measurement of financial assets and introduced an 'expected credit loss' model for the impairment of financial assets.

There have been no changes to the classification, measurement or impairment of financial assets and liabilities as a result of the application of IFRS 9.

In the current year, the Council has applied IFRS 15 Revenue from Contracts with Customers which is effective for periods that begin on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition.

The application of IFRS 15 has not had an impact on the financial position and financial performance of the Council.

Notes to the Financial Statements for the year ended 31 December 2018**2. Reporting Procedures (Continued)****New and revised standards that are issued but not yet effective**

IFRS 16, 'Leases' introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised, with the exception of short-term and low-value leases. IFRS 16 will supersede the current lease guidance of IAS 17 and the related interpretations. The standard is mandatory for periods commencing on or after 1 January 2019.

The application of IFRS 16 will have no impact on the Council's financial statements.

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 2018 the amount disclosed in the financial statements under Local Enforcement Income represented the share of profit derived from the administrative fee of 10% that is chargeable to the respective Regional Committees for contraventions paid at the Council.

Property, plant and equipment

Freehold land is not depreciated. Furniture and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives. In line with directive 1/2017 the council has adopted the straight-line method of depreciation as from 1 January 2018 instead of the previously used reducing balance method. The estimated useful lives, residual values and depreciation method are renewed at the end of each reporting year, 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.

Notes to the Financial Statements for the year ended 31 December 2018**3. Accounting policies (Continued)****Property, plant and equipment (Continued)**

Tangible fixed assets are stated at cost less accumulated depreciation and grants received for specific projects. Depreciation is calculated on a yearly basis using the straight line 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.

Further to the change in the depreciation method as instructed under directive 1 of 2017 the council was also instructed to adopt the capital approach of grants rather than the previously used income approach of grants, where such change is classified as a change in accounting policy as further described in note 21.

Related Parties

Related parties are those persons or bodies of persons having relationships with the council as defined in IAS 24. During the year under review, the Local Council's related party that exercises a significant control was the Department for Local Government.

Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Comprehensive Income.

Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Council will not be able to collect all amounts receivable.

Notes to the Financial Statements for the year ended 31 December 2018**3. Accounting policies (Continued)**

Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are considered as indicators that the amount to be received is impaired. Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The amount of the provision is recognised in the Statement of Income and Expenditure.

Payables and borrowings

Payable and borrowing costs are recognised as an expense in the period in which they are incurred. Amounts payable comprise creditor payments, that is, the amounts payable for the procurement of supplies and services. When an invoice or request for payment is received from a supplier, this is checked to the purchase order previously issued or the service contract, before payment is released in favour of any vendor. All cheque payments are signed by the Mayor and Executive Secretary and then reconciled with the bank statements on a monthly basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for the intended use or sale.

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Council will comply with the conditions attaching to them and that the grants will be received.

As described in the property, plant and equipment note above the council was instructed to adopt the capital approach of government grants as opposed to the previously used income approach as per IAS 20. Such change is classified as a change in accounting policy as per IAS 8, which results in the change to be applied retrospectively as a result of which prior year figures were restated. Further information on the effect of this change is found in note 21 Change in Accounting Policy.

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.

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.

Notes to the Financial Statements for the year ended 31 December 2018**3. Accounting policies (Continued)****Surplus and deficits**

Only surpluses that were realised at the date of the Statement of Financial Position are recognised in these Financial Statements. All foreseeable liabilities and potential deficits arising up to the said date are accounted for even if they become apparent between the said date and the date on which the Financial Statements are approved.

Cash and cash equivalents

Cash and cash equivalents are carried in the Statement of Financial Position at face value. For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash in hand and balances held with banks.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

In the opinion of the council members, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

Capital management policies and procedures

The council's Capital consists of its net assets, including working capital, represented by its retained funds. The council's management objectives are to ensure the council's ability to continue as a going concern is still valid and that the council maintains a positive working capital ratio. To achieve this, the council carries out a quarterly review of the working capital ratio (financial situation indicator). This ratio was positive at the reporting date. The council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

Financial Instruments

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs. They are measured subsequently as described below.

Notes to the Financial Statements for the year ended 31 December 2018**3. Accounting policies (Continued)*****Financial assets***

For the purpose of subsequent measurement, financial assets of the council are classified into loans and receivables upon initial recognition.

Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below. All income and expenses relating to loans and receivables are presented within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administration and other expenditure'.

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'.

	2018	2017
	Euro	Euro
4. Funds received from central government		
In terms of section 55 of the Local Councils Act (Cap 363)	789,689	741,419
Supplementary Government Income	47,132	96,563
	836,821	837,982
	2018	2017
	Euro	Euro
5. Income raised from Bye-Laws		
Income raised under Local Council Bye-Laws	24,214	25,084

Notes to the Financial Statements for the year ended 31 December 2018

6. Local Enforcement Income	2018	2017
	Euro	Euro
Income from Contraventions	561	70
Regional Committees	<u>7,347</u>	<u>6,049</u>
	<u>7,908</u>	<u>6,119</u>

7. Investment Income	2018	2017
	Euro	Euro
Bank interest	<u>-</u>	<u>59</u>

8. General Income	2018	* Restated 2017
	Euro	Euro
Income from other activities	<u>13,703</u>	<u>16,018</u>

* See note 21 for details about restatements for changes in accounting policies.

9. Personal Emoluments	2018	2017
	Euro	Euro
Mayor's allowance	9,593	8,852
Executive Secretary's salary	25,127	23,557
Employees' wages and salaries	65,924	58,453
Councillors' allowances	6,400	7,040
Social Security Contributions	<u>7,337</u>	<u>7,108</u>
	<u>114,381</u>	<u>105,010</u>

Notes to the Financial Statements for the year ended 31 December 2018

	2018 Euro	2017 Euro
10. Operations and Maintenance		
Repairs and upkeep:		
Road and street pavements (Patching works)	56,345	31,624
Street signs	7,799	12,555
	<u>64,144</u>	<u>44,179</u>
Contractual services:		
Refuse collection (including bins on wheels)	56,176	52,226
Bulky refuse collection (including open skips)	89,027	78,609
Road and Street Cleaning (mechanical and manual)	33,834	32,785
Cleaning and Maintenance of Non-Urban Roads	47,133	46,850
Cleaning and Maintenance of Public Conveniences	8,400	9,839
Cleaning and Maintenance of Parks and Gardens	31,745	28,882
Cleaning and Maintenance of Beaches & Catchment Areas	-	1,115
Street Lighting	16,415	24,903
Local Enforcement Expenses	3,115	8,303
	<u>285,845</u>	<u>283,512</u>
	<u>349,989</u>	<u>327,691</u>
		* Restated
	2018 Euro	2017 Euro
11. Administration and other expenditure		
Utilities	8,046	14,732
Other repairs and upkeep	33,013	13,415
Rent	3,247	3,445
National and International Memberships	(1,014)	2,933
Office Services	7,105	4,877
Transport	1,140	990
Information Services	12,456	15,168
Other contractual services	9,873	12,164
Professional services	34,704	15,022
Training	207	3,095
Social events	8,295	17,973
Cultural events	41,463	45,279
Depreciation	102,297	119,147
	<u>260,832</u>	<u>268,240</u>

* See note 21 for details about restatements for changes in accounting policies.

Notes to the Financial Statements for the year ended 31 December 2018

12a 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
Cost									
As at 1 January 2018	532,927	8,517	25,283	41,239	9,738	1,321,383	2,912,067	-	4,851,154
Additions	-	2,661	-	2,382	-	13,088	301,085	5,196	324,412
As at 31 December 2018	532,927	11,178	25,283	43,621	9,738	1,334,471	3,213,152	5,196	5,175,566
Grants and Other Reimbursements									
As at 1 January 2018	-	-	-	-	-	(780,219)	(594,577)	-	(1,374,796)
Additions	-	-	-	-	-	-	(255,709)	-	(255,709)
As at 31 December 2018	-	-	-	-	-	(780,219)	(850,286)	-	(1,630,505)
Depreciation									
As at 1 January 2018	20,678	2,124	25,283	22,301	9,525	283,684	1,689,316	-	2,052,911
Charge for the year	5,122	574	-	4,099	213	26,060	66,229	-	102,297
As at 31 December 2018	25,800	2,698	25,283	26,400	9,738	309,744	1,755,545	-	2,155,208
Net Book Value									
As at 31 December 2018	507,127	8,480	-	17,221	-	244,508	607,321	5,196	1,389,853

Notes to the Financial Statements for the year ended 31 December 2018

12a Property, Plant and Equipment (Continued)

* Restated	Council Premises	Office Furniture	New Street Signs	Office Equipment	Plant & Machinery	Urban Improvements	Special Prg. Re-surf	Total
	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
Cost								
As at 1 January 2017	532,927	7,413	25,283	37,934	9,738	1,276,642	2,863,431	4,753,368
Additions	-	1,104	-	3,305	-	44,741	48,636	97,786
As at 31 December 2017	532,927	8,517	25,283	41,239	9,738	1,321,383	2,912,067	4,851,154
Grants and Other Reimbursements								
As at 1 January 2017	-	-	-	-	-	-	(594,577)	(594,577)
Additions - Adoption of the Capital Approach as per IAS20	-	-	-	-	-	(780,219)	-	(780,219)
As at 31 December 2017	-	-	-	-	-	(780,219)	(594,577)	(1,374,796)
Depreciation								
As at 1 January 2017	15,528	1,661	25,283	18,653	9,102	264,886	1,598,651	1,933,764
Charge for the year	5,150	463	-	3,648	423	18,798	90,665	119,147
As at 31 December 2017	20,678	2,124	25,283	22,301	9,525	283,684	1,689,316	2,052,911
Net Book Value								
As at 31 December 2017	512,249	6,393	-	18,938	213	257,480	628,174	1,423,447

* See note 21 for details about restatements for changes in accounting policies.

Notes to the Financial Statements for the year ended 31 December 2018

	2018 Euro	2017 Euro
13a. Receivables		
Trade receivables	30,093	31,246
Provision for doubtful debts	(458)	(458)
LES	54,737	54,737
LES Provision	(54,737)	(54,737)
Other Debtors	1,000	-
Accrued income	295,899	126,248
Financial Asset	326,534	157,036
Advance payments to suppliers	1,042	795
Prepayments	1,872	1,201
	<u>329,448</u>	<u>159,032</u>

13b. Receivables

Trade Receivables are analysed as follows:

	2018 Euro	2017 Euro
Within Credit Period	724	2,136
Exceeded Credit Period	29,369	29,110
Provision for Doubtful Debts	(458)	(458)
	<u>29,635</u>	<u>30,788</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:

	2018 Euro	2017 Euro
Cash at bank	490,544	183,815
Bank balances overdrawn	(16,517)	(25,674)
Cash and cash equivalents at year-end	<u>474,027</u>	<u>158,141</u>

Notes to the Financial Statements for the year ended 31 December 2018

	2018 Euro	* Restated 2017 Euro
15. Payables		
<i>Current Liabilities</i>		
Trade payables	377,021	103,513
Accruals	29,811	8,957
Other Payables	45,948	42,655
Deferred income	900	-
	<u>453,680</u>	<u>155,125</u>
<i>Non-Current Liabilities</i>		
Deferred Income	-	-
Trade and Other Payables	-	3,291
Total Payables	<u>-</u>	<u>3,291</u>
<i>Deferred Income</i>	Euro	Euro
Balance at the beginning of the year	-	688,500
Increase	900	37,799
Released to Income	-	(72,832)
Adoption of the Capital Approach as per IAS20	-	(653,467)
Balance at the end of the year	<u>900</u>	<u>-</u>
Short-Term Deferred Income	<u>900</u>	<u>-</u>
Long-Term Deferred Income	<u>-</u>	<u>-</u>

* See note 21 for details about restatements for changes in accounting policies.

16. Capital Commitments

The council approved the following Capital Commitments, but these have not been provided for within the Financial Statements as at 31 December 2018.

<u>Authorised by the Local Council but not yet contracted:</u>	2018 Euro	2017 Euro
Embellishment of urban and open areas	800,000	128,271
Night shelter	215,000	-

The Council had applied for EU funding under Measures 4.3 and 4.4 for capital projects to cover rural roads and construction of rubble walls for a total amount of €800,000 of which the council's share of finance would amount to €80,000. The council will also construct a night shelter and for which the council obtained permission to utilise the Urban Improvement Grant.

Notes to the Financial Statements for the year ended 31 December 2018**17. Contingent Liabilities**

A contingent liability exists with regards to small claims from car owners. The council estimates that the amount will be approximately €1,000 (2017: €3,540).

18. Post Balance Sheet Event

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

19. Financial Risk Management

Financial assets include equity, other receivables and cash held at bank and in hand. Financial liabilities include other payables and long-term borrowings.

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

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

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

As the Council has no interest-bearing assets, the Council's income and operating cash flows are independent of 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:

Classes of Financial assets – Carrying Amounts	2018	2017
	Euro	Euro
Trade & Other Receivables (Note 13)	326,534	157,036
Cash and Cash Equivalents (Note 14)	474,027	158,141
	800,561	315,177

Notes to the Financial Statements for the year ended 31 December 2018**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	2018 Euro	2017 Euro
Amount Invoiced Not yet Settled by Class:		
Government Owned Entities	<u>29,398</u>	<u>30,787</u>
	<u>29,398</u>	<u>30,787</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.

	2018 Euro	2017 Euro
Current	381	1,230
30 Days	343	59
60 Days	444	735
90 Days	-	112
120+ Days	<u>28,925</u>	<u>29,110</u>
	<u>30,093</u>	<u>31,246</u>

iii) Fair Values

As at 31 December 2018, 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.

2018

	Less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years
Payables	377,021	-	-	-
Other Payables	-	45,948	-	-
Accruals	<u>29,811</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements for the year ended 31 December 2018

19. Financial Risk Management - Continued

	2017			
	Less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years
Payables	103,513	-	-	-
Other Payables	-	42,655	-	-
Accruals	8,957	-	-	-

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:

	2018 Euro	2017 Euro
Current Assets		
Receivables:		
Trade and Other Receivables	326,534	157,036
Cash and Cash Equivalents	474,027	158,141
	<u>800,561</u>	<u>315,177</u>
Current Liabilities		
Financial Liabilities measured at amortised Cost:		
Payables	377,021	103,513
Other Payables	45,948	42,655
Accruals	29,811	8,957
	<u>452,780</u>	<u>155,125</u>

Notes to the Financial Statements for the year ended 31 December 2018**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

	2018	2017
	Euro	Euro
Annual Financial Allocation	789,689	741,419

Key Management Emoluments

<i>Executive Secretary</i>	25,127	23,557
<i>Mayor Honoraria</i>	9,593	8,852
<i>Councillors Allowance</i>	6,400	7,040

21. Change in Accounting Policies

This note explains the impact of the adoption of the capital approach of government grants as per directive 1/2017.

The adoption of IFRS 9 Financial Instruments did not have an impact on the financial statements of the council as the financial instruments held by the council were all accounted for at amortised cost under IAS 39 and this is permissible under the new standard IFRS 9.

The council's revenue mainly consists of government allocation except for Local Enforcement Income, which represents 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. Consequently, the adoption of IFRS 15 Revenue from Contracts with Customers did not have an impact on the financial statements of the council.

21. (a) Impact on the Financial Statements

As from 1 January 2018 the council was instructed by the department of local government (directive 1/2017) to adopt the capital approach of government grants as opposed to the previously used income approach as per IAS 20. As a result of the change in this accounting policy in-line with IAS 8 prior year financial statements had to be restated.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. This change did not have an impact on the retained earnings of the council.

Notes to the Financial Statements for the year ended 31 December 2018

21. (a) Impact on the Financial Statements (Continued)

Balance sheet (extract)	31/12/2017 as originally presented Euro	Adoption of capital approach Euro	31/12/2017 Restated Euro
Non-current Assets			
Property, plant and equipment	2,076,914	(653,467)	1,423,447
Total Assets	<u>2,419,761</u>	<u>(653,467)</u>	<u>1,766,294</u>
Total Equity	<u>1,582,204</u>	<u>-</u>	<u>1,582,204</u>
Non-current liabilities			
Deferred Income	574,041	(574,041)	-
Current liabilities			
Payables	234,551	(79,426)	155,125
Total Equity and Liabilities	<u>2,419,761</u>	<u>(653,467)</u>	<u>1,766,294</u>

Balance sheet (extract)	31/12/2016 as originally presented Euro	Adoption of capital approach Euro	01/01/2017 Restated Euro
Non-current Assets			
Property, plant and equipment	2,171,108	(688,500)	1,482,608
Total Assets	<u>2,351,360</u>	<u>(688,500)</u>	<u>1,662,860</u>
Total Equity	<u>1,397,883</u>	<u>-</u>	<u>1,397,883</u>
Non-current liabilities			
Deferred Income	613,477	(613,477)	-
Current liabilities			
Payables	243,757	(75,023)	168,734
Total Equity and Liabilities	<u>2,351,360</u>	<u>(688,500)</u>	<u>1,662,860</u>

Statement of comprehensive income (extract) 2017	31/12/2017 as originally presented Euro	Adoption of capital approach Euro	31/12/2017 Restated Euro
Income			
General income	88,851	(72,833)	16,018
Expenditure			
Administration and other expenditure	(341,073)	72,833	(268,240)
Surplus for the year	<u>184,321</u>	<u>-</u>	<u>184,321</u>