



GMM & Associates (Malta) Limited

Prepared by:

For the year ended 31st December 2016

Annual Report
and
Financial Statements

Kalkara Local Council

ANNUAL REPORT AND FINANCIAL STATEMENTS 31 DECEMBER 2016

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Financial Statements for the Year ended 31 December 2016

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 the Local Council's Statement of Comprehensive Income 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 Councils (Financial) Regulations, and the Local Councils (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 Councils (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Council and signed on its behalf on 30th November 2017 by:

Speranza Chircop
Mayor

Ernie Caruana
Executive Secretary

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

2016
2015
(restated)
€

| ASSETS | | | | |
|--------------------|-------------------------------|---|----------------|----------------|
| Non-Current Assets | Property, Plant and Equipment | 3 | 175,052 | 186,385 |
| | Current Assets | | | |
| | Trade and Other Receivables | 4 | 33,834 | 34,477 |
| | Cash and Cash Equivalents | 5 | 55,285 | 31,312 |
| | | | 89,119 | 65,789 |
| | Total Assets | | 264,171 | 252,174 |

RESERVES AND LIABILITIES

| | | | | |
|-------------------------|---------------------------------------|---|----------------|----------------|
| Capital and Reserves | Retained Funds | | (16,063) | (16,063) |
| | Retained Earnings | | 26,337 | - |
| | | | 10,274 | (16,063) |
| Non-Current Liabilities | Trade and Other Payables | 7 | 34,260 | 46,723 |
| | Current Liabilities | | | |
| | Trade and Other Payables | 7 | 219,637 | 221,514 |
| | Total Liabilities | | 253,897 | 268,237 |
| | TOTAL RESERVES AND LIABILITIES | | 264,171 | 252,174 |

The notes on pages 8 to 23 are an integral part of the financial statements.

Approved by the Council and signed on its behalf on 30th November 2017 by:

Speranza Chircop
Mayor

Elaine Caruana
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

| | Note | 2016 | 2015 |
|--|------|----------------------|------------------------|
| | | € | € |
| REVENUE | | | |
| Funds Received from Central Government | 8 | 304,321 | 272,011 |
| Income Raised under Local Enforcement System | 9 | 2,036 | 2,120 |
| Investment Income | 10 | - | - |
| General Income | 11 | 20,307 | 9,888 |
| | | <u>326,664</u> | <u>284,019</u> |
| EXPENDITURE | | | |
| Personal Emoluments | 12 | 92,762 | 92,852 |
| Operations and Maintenance | 13 | 129,930 | 119,437 |
| Administration and Other Expenditure | 14 | 77,635 | 82,239 |
| | | <u>300,327</u> | <u>294,528</u> |
| Surplus/(Deficit) for the year | | <u>26,337</u> | <u>(10,509)</u> |

The notes on pages 8 to 23 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

| Retained Funds | € |
|---|----------|
| Balance as At 31 December 2015 | (5,554) |
| Total Comprehensive Surplus | (10,509) |
| Balance as At 31 December 2015 as restated | (16,063) |
| Balance as at 31 December 2015 as previously stated | (49,627) |
| Prior year Adjustment | 33,564 |
| Balance as At 31 December 2015 as restated | (16,063) |
| Comprehensive Income | 26,337 |
| Balance as At 31 December 2016 | 10,274 |

The notes on pages 8 to 23 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 December 2016

| | 2016 | 2015 |
|---|----------|----------|
| Surplus/(Deficit) for the year | 26,337 | (10,509) |
| Adjustments for: | | |
| Increase in provision for doubtful LES debtors | - | - |
| Depreciation | 12,693 | 13,815 |
| Release of Deferred Income | (7,815) | - |
| Prior Year | 6,253 | 363 |
| | 37,468 | 3,669 |
| Movement in Receivables | 643 | 6,159 |
| Movement in Payables | (12,778) | 21,115 |
| Net Cash generated from Operating Activities | 25,333 | 30,943 |
| Cash flows from Investing Activities | | |
| Interest received | - | - |
| Interest paid | - | - |
| Purchase of Property, Plant and Equipment | (1,360) | (17,578) |
| Cash Flow (used in)/generated from Investing Activities | (1,360) | (17,578) |
| Cash flow From Financing Activities | | |
| Payments to Long-Term Borrowings | - | - |
| Cash Flow used in Financing Activities | - | - |
| Movement in Cash and Cash Equivalents | 23,973 | 13,365 |
| Cash and Cash Equivalents at the Beginning of year | 31,312 | 17,947 |
| Cash and Cash Equivalents at the End of year | 55,285 | 31,312 |

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The notes on pages 8 to 23 are an integral part of the financial statements.

1. General Information

Kalkara Local Council is the local authority of Kalkara setup in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at 1, Binja ras-Salvatur, Triq Luigi Pisani, Il-Kalkara. 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 9th February 2016. Kalkara Local Council prepares the financial statements on a yearly basis from 1st January to 31st December.

2. Accounting Policies and 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.

a. 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).

The financial statements are prepared under the historical cost convention as modified to include fair values stated in the accounting policies below. These Financial Statements are prepared in accordance to the requirements of International Financial Reporting Standards as adopted by the EU and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

b. Standards, amendments and interpretations to existing standards

New and revised standards that are effective for annual years beginning on or after 1st January 2016. A number of new and revised standard are effective for annual years beginning on or after 1st January 2016. Information on these new standards is presented below.

- Amendments to IFRS 11 in respect of Accounting for Acquisitions of Interest in Joint Operations which will be effective for accounting years beginning on or after 1 January 2016.
- Amendments to IAS 16 and IAS 38 in respect of Clarification of Acceptable Methods of Depreciation and Amortisation which will be effective for accounting years beginning on or after 1 January 2016.
- Amendments to IAS 41 in respect of Bearer Plants which will be effective for accounting years beginning on or after 1 January 2016.
- Amendments to IAS 27 to allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates which will be effective for accounting years beginning 1 January 2016.
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting - Annual improvements to IFRSs 2012-2014 Cycle (applicable for financial year beginning in or after 1 January 2016)
- IFRS 12 Disclosure of Interests in Other Entities - Investment Entities: Applying the Consolidation Exception: Narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities.
- Amendments to IAS 1 in respect of determining what information to disclose in annual financial statements which will be effective for accounting years beginning on or after 1 January 2016.

Notes to the Financial Statements for the year ended 31 December 2016 – continued

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the council.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements, were in issue but not yet effective for the year presented:

- IAS 7 in respect of Disclosure Initiative which will be effective for the accounting years beginning on or after 1 January 2017.
- IAS 12 in respect of Deferred Tax Assets for Unrealised Losses which will be effective for the accounting years beginning on or after 1 January 2017.
- IFRS 15 in respect of Revenue from Contracts with Customers which will be effective for accounting years beginning on or after 1 January 2018.
- IFRS 9 in respect of Financial Instruments which will be effective for the accounting years beginning on or after 1 January 2018.
- IFRS 2 in respect of Classification and Measurement of Share-based Payment Transactions which will be effective for the accounting years beginning on or after 1 January 2018.
- IFRS 16 in respect of Leases which will be effective for the accounting years beginning on or after 1 January 2019.
- IFRS 10 and IAS 28 in respect of Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, for which the effective accounting year is still to be determined.

c. Revenue recognition

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the income statement as it accrues.

d. Local Enforcement System

During the year ended 20/09/2016 the amount disclosed in the financial statements under Local Enforcement Income 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.

e. Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss to date. Depreciation is calculated on a monthly basis using the reducing balance method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

| | |
|---------------------------------------|-------------------|
| Land | % |
| 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 |
| Litter Bins | Replacement basis |
| Traffic and Road Signs | Replacement basis |
| Street Mirrors | Replacement basis |
| Street Lights | 100 |

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

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

f. Government Grants

Government grants are accounted for on the Income Approach according to IAS 20. They are accounted for on a systematic basis in the Statement of Comprehensive Income over the years necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related cost, then the grant is accounted for when it becomes receivable.

g. 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.

h. Amounts Receivable

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amounts of the asset in the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Comprehensive Income.

i. 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 present currency.

j. 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.

k. Cash and 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.

l. 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 (note 19). The parties that exercise no control are disclosed in note 19.

m. Payables

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

Amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Local Council.

n. 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.

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'.

Financial assets - continued

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 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'.

o. 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).

p. Borrowings

Borrowings are initially recognised at cost, being the fair value of the consideration received and including acquisition charges associated with the borrowing.

Subsequent to initial recognition, all interest-bearing borrowings, other than liabilities held for trading, are subsequently measured at amortised cost, using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on settlement. Liabilities which are held for trading are subsequently measured at fair value.

Borrowing costs are recognised as an expense in the year in which they are incurred.

q. Prior Year Adjustment

The comparative Statement of Financial Position and Statement of Changes in Equity were restated to correct the omission of the release of deferred income of Eur27,311. The release of deferred income was not done appropriately in prior years. During the year, a prior year adjustment was included to correct the above, and the effects have been described below:

Effect on 2015:

| As previously stated | Movement | As restated |
|----------------------|----------|-------------|
| 49,627 | (33,564) | 16,063 |
| 74,034 | (27,311) | 46,723 |
| 74,034 | (6,253) | 67,781 |
| Creditor | | |
| Deferred Income | | |
| Retained Funds | | |

Kalkara Local Council

Notes to the Financial Statements for the year ended 31 December 2016 – continued

3a Property, Plant and Equipment

| Tangible Assets | Office Furniture /Fittings | Computer Equipment | Office Equipment | Plant & Machinery | Street Lights | Urban Improvements | Construction | Assets not yet Capitalised | Total |
|---------------------------------|----------------------------|--------------------|------------------|-------------------|---------------|--------------------|--------------|----------------------------|---------|
| Cost | € | € | € | € | € | € | € | € | € |
| At 1st Jan 2016 | 22,020 | 16,603 | 9,296 | 6,350 | 4,864 | 369,168 | 442,529 | 63,325 | 934,155 |
| Additions | - | 775 | - | 585 | - | - | - | - | 1,360 |
| At 31st dec 2016 | 22,020 | 17,378 | 9,296 | 6,935 | 4,864 | 369,168 | 442,529 | 63,325 | 935,515 |
| Grants and other reimbursements | | | | | | | | | |
| At 1st Jan 2016 | - | - | - | - | - | 112,156 | 280,523 | - | 392,679 |
| Grants received | - | - | - | - | - | - | - | - | - |
| At 31st dec 2016 | - | - | - | - | - | 112,156 | 280,523 | - | 392,679 |
| Accumulated Depreciation | | | | | | | | | |
| At 1st Jan 2016 | 14,982 | 13,918 | 5,704 | 3,465 | 4,864 | 196,723 | 115,435 | - | 355,091 |
| Charge for the year | 510 | 734 | 656 | 583 | - | 5,760 | 4,450 | - | 12,693 |
| At 31st dec 2016 | 15,492 | 14,652 | 6,360 | 4,048 | 4,864 | 202,483 | 119,885 | - | 367,784 |
| Net Book Value | | | | | | | | | |
| At 31st dec 2016 | 6,528 | 2,726 | 2,936 | 2,887 | - | 54,529 | 42,121 | 63,325 | 175,052 |

Kalkara Local Council

Notes to the Financial Statements for the year ended 31 December 2016 – continued

3b Property, Plant and Equipment

| | Office Furniture /fittings | Computer Equipment | Office Equipment | Plant and Machinery | New Street Signs & lights | Urban Improvements | Construction | Assets not yet capitalised | Total |
|--|----------------------------|--------------------|------------------|---------------------|---------------------------|--------------------|--------------|----------------------------|---------|
| Tangible Assets | | | | | | | | | |
| Cost | € | € | € | € | € | € | € | € | € |
| At 1 January 2015 | 22,020 | 16,603 | 7,009 | 6,350 | 4,864 | 369,168 | 442,529 | 48,032 | 916,575 |
| Additions | - | - | 2,287 | - | - | - | - | 15,293 | 17,580 |
| At 31 December 2015 | 22,020 | 16,603 | 9,296 | 6,350 | 4,864 | 369,168 | 442,529 | 63,325 | 934,155 |
| Grants and other reimbursements | | | | | | | | | |
| At 1 January 2015 | - | - | - | - | - | 112,156 | 280,523 | - | 392,679 |
| Grants received | - | - | - | - | - | - | - | - | - |
| At 31 December 2015 | - | - | - | - | - | 112,156 | 280,523 | - | 392,679 |
| Accumulated Depreciation | | | | | | | | | |
| At 1 January 2015 | 14,432 | 13,146 | 5,144 | 2,820 | 4,864 | 190,354 | 110,516 | - | 341,276 |
| Charge for the year | 550 | 772 | 560 | 645 | - | 6,369 | 4,919 | - | 13,815 |
| At 31 December 2015 | 14,982 | 13,918 | 5,704 | 3,465 | 4,864 | 196,723 | 115,435 | - | 355,091 |
| Net Book Value | | | | | | | | | |
| At 31 December 2015 | 7,038 | 2,685 | 3,592 | 2,885 | - | 60,289 | 46,571 | 63,325 | 186,385 |

Notes to the Financial Statements for the year ended 31 December 2016 – continued

4 Trade and Other Receivables

| | 2016 | 2015 |
|---|---------------|---------------|
| Trade Receivables | 2,685 | 2,901 |
| Provision for bad debts | (1,885) | (1,885) |
| Les Debtors | 82,777 | 82,777 |
| Les Debtors Provision | (82,777) | (82,777) |
| Accrued income | 32,329 | 32,328 |
| Financial assets | 33,129 | 33,374 |
| Prepayments | 705 | 1,133 |
| | <u>33,834</u> | <u>34,477</u> |
| Trade receivables | 307 | 190 |
| Within the credit year | 2,378 | 2,711 |
| Exceeded credit year but not yet impaired | <u>2,685</u> | <u>2,901</u> |

The carrying value of short-term receivables is considered a reasonable approximation of fair value.

In determining the recoverability of receivables, the council considers any change in the credit quality of each receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the debtor base being unrelated.

The Council felt the need to make a provision for doubtful debts on an amount receivable from one of its customers. This customer seems to be undergoing financial difficulty so the whole debt is being considered as doubtful.

5 Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the Statement of cash flows comprise the following amounts in the Local Council's Statement of Financial Position:

| | 2016 | 2015 |
|--------------------------|---------------|---------------|
| Bank Balances: | € | € |
| Ordinary funds | 55,285 | 31,312 |
| Cash in hand | - | - |
| Cash at bank and in hand | <u>55,285</u> | <u>31,312</u> |
| Overdrawn bank | <u>55,285</u> | <u>31,312</u> |

Notes to the Financial Statements for the year ended 31 December 2016 – continued

| 6 Deferred Income | | |
|---------------------------------|----------------|----------------|
| Analysis | | |
| Balance brought forward | 74,034 | 46,723 |
| Released to as per prior year | (27,311) | - |
| Balance as at 01.01.16 Restated | 46,723 | 46,723 |
| Released to income | (7,815) | - |
| Current Portion | 38,908 | 46,723 |
| | (4,648) | - |
| | <u>34,260</u> | <u>46,723</u> |
| Deferred Income Allocation | | |
| Deferred Income 1 to 2 years | 3,273 | - |
| Deferred Income 2 to 5 years | 8,060 | - |
| Deferred Income over 5 years | <u>22,927</u> | <u>46,723</u> |
| | <u>34,260</u> | <u>46,723</u> |
| 7 Trade and Other Payables | | |
| Financial Liabilities | | |
| Trade Payables | 168,394 | 202,741 |
| Accruals | 46,595 | 18,773 |
| Deferred Income | 4,648 | - |
| | <u>219,637</u> | <u>221,514</u> |
| Non-financial Liabilities | | |
| Deferred Income Portion | 34,260 | 46,723 |
| Total Current Liabilities | <u>253,897</u> | <u>268,237</u> |
| | 2016 | 2015 |

| | | | |
|--|--|-----------|-----------|
| 8 Funds received from Central Government | In terms of section 55 of the Local Councils Act (CAP 363) | 2016 | 2015 |
| | Other Supplementary Government Income | € 248,228 | € 240,465 |
| 9 Income raised under the Law Enforcement System | Pre-regional Committees | 2,036 | 2,120 |
| | Regional Committees - Administrative Fees | 2,036 | 2,120 |
| 10 Investment Income | Bank Interest Receivable | € - | € - |
| | | 2016 | 2015 |
| 11 General Income | Income from tender documents | € - | € - |
| | Contributions and donations | - | 100 |
| 12 Personal Emoluments | Income from permits | 14,110 | 7,734 |
| | Government grant released | 310 | 411 |
| | Media Charges | 5,887 | - |
| | General | - | - |
| | Community Services | - | 1,643 |
| | | 20,307 | 9,888 |
| | Personal emoluments include, inter alia: | € - | € - |
| | Mayor's Allowance | 8,648 | 8,648 |
| | Councillor's Allowances | 4,170 | 4,260 |
| | Executive Secretary salary and allowance | 23,742 | 18,315 |
| | Employees' Salary and Allowances | 47,328 | 35,387 |
| | Employers' NI | 8,874 | 26,242 |
| | | 92,762 | 92,852 |

| 13 Operations and Maintenance | | |
|--|----------------|----------------|
| Operations and maintenance includes, inter alia: | | |
| Repairs and Upkeep: | | |
| Road and Street Pavements (patching works) | | |
| Road Signs | 5,032 | 223 |
| Street Markings | 3,191 | 5,625 |
| Others | 2,702 | 479 |
| | <u>10,925</u> | <u>6,327</u> |
| Contractual Services: | | |
| Refuse Collection (including bins on wheels) | 42,496 | 62,118 |
| Bulky Refuse Collection (including open skips) | 6,809 | 5,103 |
| Road and Street Cleaning (mechanical and manual) | 29,931 | 21,945 |
| Tipping fees | 14,733 | - |
| Hire of skips | - | 400 |
| Cleaning and Maintenance of Public Conveniences | 998 | 190 |
| Cleaning and Maintenance of Parks and Gardens | 9,496 | 10,682 |
| Cleaning and Maintenance Beaches | 3,430 | - |
| Cleaning – Soft Areas | 83 | - |
| Cleaning – Council Premises | 1,186 | 1,273 |
| Local Enforcement system expenses | - | 427 |
| Street Lighting | 9,843 | 10,118 |
| Other Contractual Service | - | 854 |
| | <u>119,005</u> | <u>113,110</u> |
| Total Operations and Maintenance | <u>129,930</u> | <u>119,437</u> |
| Expenses | | |

| 14 Administration and other expenditure | | |
|---|--------|---|
| 2016 | 2015 | € |
| 10,345 | 7,711 | € |
| 6,601 | 6,520 | |
| 3,995 | 7,520 | |
| 48 | - | |
| - | - | |
| 7,847 | 6,023 | |
| 8,668 | 280 | |
| 13,264 | 13,067 | |
| 2,753 | 1,683 | |
| 11,013 | 15,620 | |
| - | - | |
| 12,693 | 13,815 | |
| 344 | 1,410 | |
| - | 1,150 | |
| - | 2,129 | |
| - | 380 | |
| - | 3,067 | |
| - | 1,855 | |
| 64 | 9 | |
| 77,635 | 82,239 | |

15 Capital Commitments

As per instructions of the department of local government, the council is prohibited from incurring and capital commitments, due to the accumulated retained losses incurred in previous years by Kalkara Local Council.

16 Financial Instruments and Related Parties Disclosures

During the year under review, the Council carried out transactions with the following related parties:

| Name of entity | Nature of relationship: |
|--|-------------------------|
| Department of Local Councils | Significant control |
| Regional Committees | No control |
| Malta Environment and Planning Authority | No control |
| Assocjazzjon Kunskilli Lokali | No control |
| ARMIS Limited | No control |
| Office of The Attorney General | No control |
| Police Department | No control |
| Courts of Justice | No control |
| Department of Information | No control |
| Information And Data Protection Commissioner | No control |
| Malta Library & Information Association | No control |
| Ministry For Resources and Rural Affairs | No control |
| Malta Information Technology Agency | No control |
| Public Broadcasting Services Ltd | No control |
| WasteServ Malta Ltd | No control |

The following were the significant transactions carried out by the Council with related parties having:

| Significant control: Central Government: Financial allocation for the year | 2016 | 2015 |
|--|---------|---------|
| € | 248,228 | 240,465 |
| Joint Committee Expenses | - | 240,465 |
| € | | |

The ultimate controlling party of Kalkara Local Council is the Central Government since the Council's main revenue is from the Government allocation received every quarter. Apart from the normal funds received from Government, Councils also receive funds relating to specific projects as well as other funds for the improvement and betterment of the locality.

17 Risk management objectives and policies

The Council's activities expose it to credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Council is not exposed to any market risk. The Council's risk management is coordinated by the council members and focuses on actively securing the council's short to medium term cash flow by minimising exposure to financial risks.

The most significant financial risks to which the council is exposed are described below:

18.1 Credit risk

The council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting year, as summarised below:

| | 2016 | 2015 |
|--|---------------|---------------|
| Class of financial assets – carrying amounts | € | € |
| Trade and other receivables | 33,129 | 33,374 |
| Cash and Cash Equivalents | 55,285 | 31,312 |
| | <u>88,414</u> | <u>64,686</u> |

The council continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The council's policy is to deal with only creditworthy counterparties.

The council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See note 4 for further information on impairment or financial assets that are past due.

None of the council's financial assets is secured by collateral or other credit enhancements

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

18.2 Liquidity risk

The council's exposure to liquidity risk arises from its obligations to meet its financial liabilities which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funds to meet the council's obligations when they become due.

The council manage its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. The council's liquidity is deemed to be sufficient in view of an excess of financial assets.

| | 2016 | 2015 |
|-------------------------------------|----------------|----------------|
| Payables | € 168,394 | € 208,994 |
| Accruals and other creditors | 51,245 | 18,773 |
| | <u>219,639</u> | <u>227,767</u> |
| Long term and short term borrowings | | |
| Current within 1 year | € 219,639 | € 227,767 |
| Due in 1 to 5 years | - | - |
| Due after 5 years | - | - |
| | <u>219,639</u> | <u>227,767</u> |

18.3 Summary of the financial assets and liabilities by category

The council manages its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a regular basis.

| | 2016 | 2015 |
|--|----------------|----------------|
| Current Assets | | |
| Loans and Receivables: | - | - |
| Trade and Other Receivables | 33,129 | 33,374 |
| Cash and Cash Equivalents | 55,285 | 31,312 |
| | <u>88,414</u> | <u>64,686</u> |
| Non-current Liabilities | | |
| Financial liabilities measured at amortised costs: | | |
| Borrowings | - | - |
| Current Liabilities | | |
| Financial liabilities measured at historic costs: | | |
| Trade Payables | 168,394 | 208,994 |
| Accruals and Other Creditors | 51,245 | 18,773 |
| | <u>219,639</u> | <u>227,767</u> |

18.4 Interest rate risk

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 5), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on surplus or deficit of a defined interest rate shift that is reasonably possible at the end of the reporting year to be immaterial.

18.5 Capital risk management

The Council's objectives when managing capital are to safeguard the Council's ability to continue as a going concern so that it can continue to provide a service to the residents of the Local Council by maintaining an optimal capital structure to reduce cost of capital.

The Council's equity, as disclosed in the statement of financial position, constitutes its capital. The Council's capital structure is monitored by the Executive Secretary and the Council with appropriate reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Council's activities and the extent of borrowings, the capital level as at the end of the reporting year is deemed adequate by the Council.

19 Fair value estimation

At 31 December 2016, the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short year of time between the origination of the instruments and their expected realisation.

20 Leases

a. Total of future minimal lease payments under operating lease for each of the following years.

- i. Not later than one year – Eur 2,045
- ii. Later than one year and not later than five years – Eur 8,180
- iii. Later than five years – N/A

The maturity date of the contract is indefinite.

b. The expense for the current year is Eur 1,341

Report of the Local Government Auditor

To the Auditor General

Report on the audit of the financial statements

Disclaimer of opinion

We were engaged to audit the financial statements of Kalkara Local Council set out on pages 4 to 23 which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in paragraphs 1 to 5 under the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

1. The council's property, plant and equipment include an amount of €63,325 representing assets under construction. The council did not provide us with a supporting list and details of these assets and therefore we could not perform any procedures to verify the completeness, existence and valuation of those assets. Furthermore, because of this lack of information, we could not determine whether or not the projects have been completed and consequently whether or not depreciation should have been charged on these assets.

2. Included with accrued income at balance sheet date is an amount of € 23,120 for which no supporting documentation was available. Consequently we could not determine whether the said amount is materially misstated.

3. We were not provided with satisfactory workings and supporting documentation in relation to deferred income of €39,908 in the statement of financial position.

4. Our work on trade payables revealed that the list of trade payables is overstated by € 14,176 when compared to the trade payables' control account. Moreover our confirmation procedures revealed that the amount shown as due to a third party is understated by € 14,424. Should accruals related to the same third party be taken into consideration the total amount payable would be overstated by € 17,785. We were not provided with satisfactory explanations and documentation about these differences.

5. As shown in note 2 (g) to these financial statements, during the year under review the council passed adjustments to correct prior period errors. We were not provided with satisfactory explanations and documentation to support these adjustments and there were no alternative auditing procedures which we could adopt to ensure that these adjustments are not materially mis-stated.

6. These financial statements do not include:

- a. the disclosures required by IAS 16, Property, Plant and Equipment, relating to capital commitments
- b. all the quantitative and some of the qualitative disclosures required by IFRS 7 Financial Instruments: Disclosures relating to the council's maximum exposure to credit risk, the contractual maturities of the council's liabilities, details of any receivables that are past due but not impaired and categories of financial assets and liabilities at the end of the reporting period.
- c. proper disclosure on cash payments to acquire property, plant and equipment and cash receipts from grants in the cash flow statements as required by IAS 7 Statement of Cash Flows.

Emphasis of matter

We draw attention to the council's Statement of Financial Position on page 4 which shows that at 31 December 2016 the council's current liabilities exceeded current assets by €130,518. The significance of this deficiency casts doubt as to whether the council will be able to meet its liabilities as they fall due. Our opinion is not modified in respect of this matter.

Responsibilities of those charged with governance for the financial statements

As described on page 3 the Executive Secretary and the members of the council are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Legislation, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Secretary and the members of the council are responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is the intention to liquidate the council or to cease operations, or have no realistic alternative but to do so.

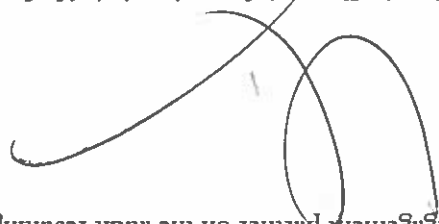
The Executive Secretary and the members of the council are responsible for overseeing the council's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit on the council's financial statements in accordance with International Standards on Auditing (ISAs) and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the council in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Mark Bugaja (Partner) for and on behalf of

GRANT THORNTON

Certified Public Accountants

Tower Business Centre, Suite 3
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Malta

30 November 2017