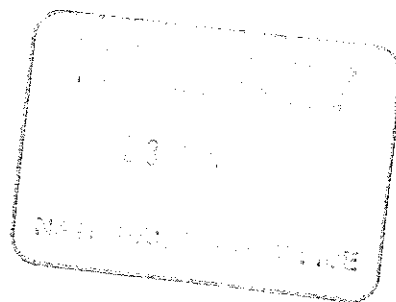


**KALKARA LOCAL COUNCIL**

**Annual Report and  
Financial Statements**

**For the year ended 31 December 2018**



Prepared by: Laurence Manicaro  
Certified Public Accountant  
On behalf of Parker Randall Turner  
Chartered Certified Accountants & Auditors  
13, Curate Fenech Street  
Birzebbugia BBG 2032

## KALKARA LOCAL COUNCIL

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### ANNUAL REPORT AND FINANCIAL STATEMENTS For the year ended 31 December 2018

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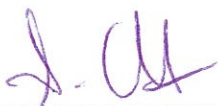
**Financial Statements for the year ended 31 December 2018**

**Statement of 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 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 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 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 Local 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 the 26 March 2019 by:



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**Speranza Chircop**  
Mayor



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**Elaine Caruana**  
Executive Secretary

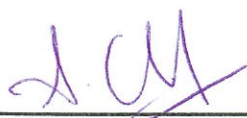
**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2018

	Notes	2018 €	(re-stated) 2017 €
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	39,065	79,078
<b>Current Assets</b>			
Receivables	4	2,324	2,893
Cash at bank and in hand	5	1,309	20,663
		3,633	23,556
<b>Total Assets</b>		42,698	102,634
<b>Reserves and liabilities</b>			
<b>Reserves</b>			
Accumulated losses		(119,839)	(85,508)
<b>Current liabilities</b>			
Trade and other payables	6	162,537	188,142
<b>Total reserves and liabilities</b>		42,698	102,634

The notes on pages 8 to 25 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on 26 March 2019 and signed on its behalf by:

  
 Speranza Chircop  
 Mayor

  
 Elaine Caruana  
 Executive Secretary

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2018

	Notes	2018 €	(re-stated) 2017 €
<b>Income</b>			
Funds received from central government	7	281,299	267,029
Funds raised under Local Enforcement System	8	1,445	2,258
General income	9	5,995	4,435
		<u>288,739</u>	<u>273,722</u>
<b>Expenditure</b>			
Personal emoluments	10	(102,072)	(97,888)
Operations and maintenance	11	(104,587)	(124,538)
Administration and other expenditure	12	(73,312)	(67,808)
		<u>(279,971)</u>	<u>(290,234)</u>
<b>Surplus/ (Deficit) for the year</b>		<u>8,768</u>	<u>(16,512)</u>
Depreciation	13	(40,404)	(11,470)
Impairment provisions	13	(2,695)	-
<b>Total Comprehensive Deficit</b>		<u>(34,331)</u>	<u>(27,982)</u>

The notes on pages 8 to 25 are an integral part of the financial statements.

**STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2018

	<b>Accumulated Losses €</b>
Balance as at 31 December 2016	(57,526)
Total comprehensive deficit for the year ended 31 December 2017	(27,982)
Balance as at 31 December 2017	<u>(85,508)</u>
Total comprehensive deficit for the year ended 31 December 2018	(34,331)
Balance as at 31 December 2018	<u><u>(119,839)</u></u>

The notes on pages 8 to 25 are an integral part of the financial statements.

**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2018

	Note	2018 €	2017 €
<b>Cash Flows from Operating Activities</b>			
(Loss) for the year		(34,331)	(27,982)
Adjustments for:			
Depreciation		40,404	11,470
Impairment provision		2,695	-
Release of deferred income		-	(7,793)
Grant adjustment		-	(6,857)
Impairment provisions			
Operating profit/ (loss) before working capital changes		8,768	(31,162)
Decrease in receivables		569	30,941
(Decrease) in payables		(25,605)	(31,494)
Net cash used in operating activities		(16,268)	(31,715)
<b>Cash flows from Investing Activities</b>			
Purchase of property, plant and equipment		(3,086)	(2,907)
Net Cash used in Investing Activities		(3,086)	(2,907)
Net movement in Cash and Cash Equivalents		(19,354)	(34,622)
Cash and cash equivalents at the beginning of year		20,663	55,285
Cash and cash equivalents at end of year		1,309	20,663

The notes on pages 8 to 25 are an integral part of the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 1. General Information

Kalkara Local Council is the local authority of Kalkara setup in accordance with the Local Councils Act. The office of the Local Council is situated at 1, Binja tas-Salvatur, Triq Luigi Pisani, Il-Kalkara.

### 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

The new and revised standards that became effective for annual periods beginning on or after 1 January 2018 made several minor amendments to a number of IFRSs. None of the changes to IFRSs and interpretations has had, or is expected to have, a material impact on the council's financial statements.

#### New and amended standards adopted by the Council

Information on new standards, amendments and interpretations that are relevant to the Council's financial statements is provided below. Certain other new standards and interpretations not listed below have been issued but are not relevant and therefore are not expected to have any impact on the Council's financial statements. The Council started to implement IFRS 15, 'Revenue from contracts with customers' which deals with revenue recognition and established principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaced IAS18 "Revenue" and IAS11 'Construction contracts' and related interpretations.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018 – continued

### **(b) Standards, amendments and interpretations to existing standards - continued**

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements.

The Council has adopted The Council has also changed the accounting policy on government grants as advised by the Local Government Authority. A detailed explanation of the effect of this change of policy is explained in Note 18 to the financial statements.

### **New standards and amendments not yet effective and not yet adopted by the Local Council**

The following standards and amendments to existing standards have been published and are mandatory (as applicable) for the Council accounting periods beginning on or after 1 January 2019 or later periods, but the Council has not early adopted them:

IFRS 16 presents new requirements for the recognition of leases replacing IAS 17 'Leases, and some lease-related Interpretations. The new standard requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value leases. The standard also provides new guidelines on the application of the definition of lease and on sale and lease back accounting. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. The council has started to assess the impact of IFRS 16 but is not yet in a position to provide quantified information.

The Councillors and Executive Secretary are assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Council anticipates that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

## KALKARA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018 – continued

#### (c) Revenue recognition

Revenue is recognised when the amount of revenue and the associated costs can be measured reliably. Interest income is recognised in the statement of comprehensive income as it accrues.

#### (d) Local Enforcement System

During 2018, the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is chargeable to the LESA and various 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:

	Years
Buildings	100
Office Furniture and Fittings	14
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	5
Plant and Machinery	4
Computer Equipment	4
Plants	replacement basis
Litter Bins	replacement basis
Playing Field Equipment & Street lights	replacement basis
New Street Signs & Street Mirrors	replacement basis

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 profit. 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018 – continued

### **(f) Government Grants**

During the year the Local Council has changed the accounting of Government grants, from the Income Approach to the Capital Approach as defined in IAS 20 'Government Grants'. With the Capital Approach grants are deducted from Capital assets.

### **(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 presentation 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018 – continued

### **(k) 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.

### **(l) Related parties**

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24.

### **(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 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018 – continued

### (n) Financial Instruments – continued

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'.

### (o) Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS adopted by the EU 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 period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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).

# KALKARA LOCAL COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018 – continued

### 3. PROPERTY, PLANT AND EQUIPMENT

	Office Furniture & Fittings €	Computer Equipment €	Office Equipment €	Plant and Machinery €	New Street Signs €	Urban Improv. €	Construction €	Total €
<b>Cost</b>								
At 1 Jan 2018	22,020	17,378	9,681	6,935	4,864	371,690	442,529	875,097
Additions	-	167	2,919	-	-	-	-	3,086
At 31 Dec 2018	22,020	17,545	12,600	6,935	4,864	371,690	442,529	878,183
<b>Grants and other reimbursements</b>								
At 1 Jan 2018	-	2,173	2,671	-	-	162,093	280,342	447,279
Additions	-	-	-	-	-	-	-	-
At 31 Dec 2018	-	2,173	2,671	-	-	162,093	280,342	447,279
<b>Depreciation</b>								
At 1 Jan 2018	15,965	14,540	5,733	4,575	4,864	179,154	123,909	348,740
Charge for the year	1,651	236	788	551	-	20,959	16,219	40,404
Impairment	-	278	842	1,575	-	-	-	2,695
At 31 Dec 2018	17,616	15,054	7,363	6,701	4,864	200,113	140,128	391,839
<b>Net Book Value</b>								
At 31 Dec 2018	4,404	318	2,566	234	-	9,484	22,059	39,065

# KALKARA LOCAL COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018 – continued

### 3. PROPERTY, PLANT AND EQUIPMENT – Continued

	Office Furniture & Fittings €	Computer Equipment €	Office Equipment €	Plant and Machinery €	New Street Signs €	Urban Improv. €	Construction €	Total €
<b>Cost</b>								
At 1 Jan 2017	22,020	17,378	9,296	6,935	4,864	369,168	442,529	872,190
Additions	-	-	385	-	-	2,522	-	2,907
At 31 Dec 2017	22,020	17,378	9,681	6,935	4,864	371,690	442,529	875,097
<b>Grants and other reimbursements</b>								
At 1 Jan 2017	-	-	-	-	-	112,156	280,523	392,679
Prior year adjustment - Note 18	-	2,173	2,671	-	-	56,613	-	61,457
Disposals	-	-	-	-	-	(6,676)	(181)	(6,857)
At 31 Dec 2017	-	2,173	2,671	-	-	162,093	280,342	447,279
<b>Depreciation</b>								
At 1 Jan 2017	15,492	14,652	6,360	4,048	4,864	202,483	119,885	367,784
Prior year adjustment - Note 18	-	(721)	(1,212)	-	-	(28,581)	-	(30,514)
Charge for the year	473	609	585	527	-	5,252	4,024	11,470
At 31 Dec 2017	15,965	14,540	5,733	4,575	4,864	179,154	123,909	348,740
<b>Net Book Value</b>								
At 31 Dec 2017	6,055	665	1,277	2,360	-	30,443	38,278	79,078

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2018 – continued

<b>4 Receivables</b>	<b>2018</b>	<b>2017</b>
	€	€
<b>Financial</b>		
Accounts receivable	317	1,397
Accrued income	228	228
	<u>545</u>	<u>1,625</u>
<b>Non-Financial</b>		
Prepayments	1,779	1,268
	<u>2,324</u>	<u>2,893</u>
	<b>2018</b>	<b>2017</b>
<b>Receivables</b>		€
Within the current period	2,324	1,177
Amounts against which a provision was made	-	1,716
	<u>2,324</u>	<u>2,893</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.

**5 Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand and balances with the bank. Cash at bank and in hand included in the statement of cash flow comprise the following amounts in the Local Council statement of financial position:

	<b>2018</b>	<b>2017</b>
	€	€
Ordinary funds	1,252	20,663
Cash in hand	57	-
	<u>€ 1,309</u>	<u>€ 20,663</u>



**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2018 – continued

	<b>2018</b>	<b>Re-stated 2017</b>
	<b>€</b>	<b>€</b>
<b>6 Payables</b>		
Accounts payable	133,768	168,610
Accruals	28,769	19,532
	<u>162,537</u>	<u>188,142</u>
<b>Deferred Grants</b>		
Current Portion	-	3,210
Long-term portion	-	27,733
		<u>30,943</u>
Prior-year adjustment – transferred to PPE Note 18		(30,943)
	<u>-</u>	<u>-</u>

The deferred grant on 1 January 2018 has been transferred to Property, plant and equipment after a change in accounting policy as explain in note 18 to the financial statements.

<b>7 Funds received from central government</b>	<b>2018</b>	<b>2017</b>
	<b>€</b>	<b>€</b>
In terms of section 55 of the Local Councils Act (CAP 363)	269,494	248,829
Supplementary government income	10,755	9,498
Other government income	1,050	8,702
	<u>281,299</u>	<u>267,029</u>
<b>8 Income raised from Local Enforcement System</b>	<b>2018</b>	<b>2017</b>
	<b>€</b>	<b>€</b>
LES Administration fees	<u>1,445</u>	<u>2,258</u>
<b>9 General income</b>	<b>2018</b>	<b>2017</b>
	<b>€</b>	<b>€</b>
Income from permits	5,995	4,029
General income	-	406
	<u>5,995</u>	<u>4,435</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2018 – continued

<b>10 Personal emoluments</b>	<b>2018</b>	<b>2017</b>
	<b>€</b>	<b>€</b>
Personal emoluments include:		
Mayor's allowance	7,464	8,648
Mayor and councillors' allowance	6,400	4,080
Executive secretary salary and allowances	28,905	23,163
Employees' salaries	52,550	55,391
Social security contributions	6,753	6,606
<b>Total</b>	<b>102,072</b>	<b>97,888</b>

**11 Operations and maintenance**

Operations and maintenance includes:	<b>2018</b>	<b>2017</b>
Repairs and Upkeep:	<b>€</b>	<b>€</b>
Road patching	1,334	6,854
Street signs	3,681	2,692
Other repairs and upkeep	7,310	3,836
<b>Total</b>	<b>12,325</b>	<b>13,382</b>

<b>Contractual services:</b>	<b>2018</b>	<b>2017</b>
	<b>€</b>	<b>€</b>
Refuse collection	31,554	46,577
Bulky refuse collection	6,633	7,329
Road and street cleaning (mechanical and manual)	17,347	10,828
Waste disposal	20,374	24,460
Cleaning and maintenance of public conveniences	1,382	1,151
Cleaning and maintenance of parks and gardens	9,317	9,317
Cleaning and maintenance of beaches	-	568
Street lighting	5,655	10,926
	<b>92,262</b>	<b>111,156</b>
<b>Total operations and maintenance expenses</b>	<b>104,587</b>	<b>124,538</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2018 – continued

<b>12 Administration and other expenditure</b>	<b>2018</b>	<b>2017</b>
	<b>€</b>	<b>€</b>
Utilities	5,798	8,469
Materials and supplies	11,964	6,628
Office services	8,116	4,080
Rent	10,362	9,670
Memberships	471	-
Transport	1,010	1,160
Information services	2,857	7,097
Professional services	18,186	7,025
Training costs	1,357	-
Insurance	1,755	1,239
Community and hospitality	11,345	22,164
Bank charges	91	276
	<u>73,312</u>	<u>67,808</u>

<b>13 Depreciation and impairments provisions</b>	<b>2018</b>	<b>Re-stated 2017</b>
	<b>€</b>	<b>€</b>
Impairment of assets	2,695	-
Depreciation	40,404	11,470
	<u>43,099</u>	<u>11,470</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2018 – continued

**14 Related parties disclosures**

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

Name of entity	Nature of relationship
Department of Local Government	Significant control
Waste Serv Malta	No control
Regional Committees	No control
Malta Environment and Planning Authority	No control
ARMS Limited	No control
Assocjazzjoni Kunsill Lokali	No control
Office of the Attorney General	No control
Police Department	No control
Department of Information	No control
Court of Justice	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 Limited	No control

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

	2018	2017
	€	€
Significant control		
Revenue:		
Annual financial allocation	269,494	248,829

The ultimate controlling party of the Local Council is 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.

**15 Capital commitments**

As at 31 December 2018 the Local Council does not have any capital commitments.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2018 – continued

**16 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.

**16.1 Credit risk**

Credit risk is the risk that a counterparty fails to discharge an obligation to the Council. The council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period, as summarised below:

	2018	2017
	€	€
Class of financial assets – carrying amounts		
Trade and other receivables	545	1,624
Cash at bank and in hand	1,309	20,663
	1,854	22,287

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 notes 4 and 5 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 Council applies IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivable as these items do not have a significant financial component.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2018 – continued

**16 Risk management objectives and policies - continued****16.2 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.

At 31 December 2018, the Council's financial liabilities have contractual maturities which are summarised as follows:

	Current		Non – Current	
	Within 6	6 to 12	1 to 5 years	More than 5
	months	months		years
	€		€	€
Payables	133,768	-	-	-
Accruals	28,769	-	-	-

This compares to the maturity of the Council's financial liabilities in the previous reporting period as follows:

	Current		Non – Current	
	Within 6	6 to 12	1 to 5 years	More than 5
	months	months		years
	€		€	€
Payables	168,610	-	-	-
Accruals	19,532	-	-	-

**16.3 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 profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2018 – continued

**16.4 Summary of the financial assets and liabilities by category**

The carrying amounts of the council's financial assets and liabilities as recognised at the reporting dates under review are categorised as follows:

<b>Current assets</b>	<b>2018</b>	<b>2017</b>
	€	€
Loans and receivables:		
Trade and other receivables	545	1,624
Cash at bank and in hand	1,309	20,663
	<u>1,854</u>	<u>22,287</u>

<b>Current liabilities</b>	<b>2018</b>	<b>2017</b>
	€	€
Financial liabilities measured at amortised costs:		
Payables	<u>162,537</u>	<u>188,142</u>

**16.5 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, the capital level as at the end of the reporting period is deemed adequate by the Council.

**17 Fair value estimation**

At 31 December 2018 and 31 December 2017, 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 period of time between the origination of the instruments and their expected realisation.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018 – continued

### 18 Prior Year Adjustment

On 1 January 2018, the Local Council applied Directive 1/2017 issued by the Department for Local Government in respect of the Accounting of Grants as per IAS 20 'Government Grants'. The Department for Local Government has instructed Local Councils to adopt the alternative capital approach as from 1 January 2018.

This is a change in accounting policies and, according to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', this has been accounted for retrospectively. The change in accounting policy has effected the Statement of Comprehensive Income and the Statement of Financial Position as follows:

### STATEMENT OF CHANGES IN EQUITY

	Retained Funds €
Balance at 31 December 2017 before adjustment	(85,508)
Adjustment on depreciation for the year ended 31 December 2017	3,317
Adjustment on other government income for the year ended 31 December 2017 – Deferred government income	(3,317)
Balance at 31 December 2017 as restated	<u>€ (85,508)</u>



# KALKARA LOCAL COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018 – continued

### 18 Prior year adjustment – continued

### STATEMENT OF FINANCIAL POSITION

	Note	Balances before adjustments €	Adjustments €	Balances after adjustments €
<b>Non-current assets</b>				
Property plant and equipment	3	110,021	(30,943)	79,078
<b>Current assets</b>				
Receivables	4	2,893	-	2,893
Cash at bank	5	20,663	-	20,663
		23,556	-	23,556
<b>Total assets</b>		133,577	(30,943)	102,634
<b>Reserves and liabilities</b>				
<b>Reserves</b>				
Retained earnings		(85,508)	-	(85,508)
<b>Non-current liabilities</b>				
Non-current payables	6	27,733	(27,733)	-
<b>Current liabilities</b>				
Trade and other payables	6	191,352	(3,210)	188,142
<b>Total liabilities</b>		219,085	(30,943)	188,142
<b>Total equity and liabilities</b>		133,577	(30,943)	€ 102,634

# 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 25 which comprise the statement of financial position as at 31 December 2018, 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 4 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. During the years ended 31 December 2016 and 2017 the council passed adjustments to correct prior period errors. Together these comprised an amount of €63,323 representing assets under construction classified as property, plant and equipment which was written off, an amount of €31,789 credited to deferred income and an amount €6,253 representing a difference on creditors' control account charged to the profit and loss account. The effect of these adjustments on opening reserves as at 1 January 2018 amounted to €101,365. The council did not provide us with documentation to support their decision and consequently we were unable to satisfy ourselves as to the completeness of property, plant and equipment and reserves and the existence of deferred income and creditors.
2. During the year ended 31 December 2017 the council reversed an amount of €32,329 from accrued income and charged several accounts including salaries, general income, deferred income, street lighting, community services and urban improvements. The council did not provide us with documentation to support these adjustments and consequently we were unable to satisfy ourselves as to the completeness and existence of the amounts affected by these adjustments.
3. During the year ended 31 December 2017 the council passed two adjustments affecting deferred income, general income and grants received. We were not provided with satisfactory workings and supporting documentation in relation to these adjustments and to support the resultant deferred income of €30,943 in the statement of financial position.

- 4a. The work we conducted on trade payables as at 31 December 2017 had revealed that the list of trade payables was overstated by €14,176 when compared to the trade payables' control account.
- 4b. During the year under review this difference was charged to the profit and loss account for the year ended 31 December 2018. The Council could not provide us with satisfactory explanations to support this adjustment.

Because of the significance of the matters in paragraphs 1 to 4 (a) above, we did not express an opinion on the financial statements for the year ended 31 December 2017. We also do not express an opinion on the financial statements for the year ended 31 December 2018 because of the consequential effect of the matters explained in paragraphs 1 to 4 (a) and the effect of the matter explained in paragraph 4 (b) on the Council's financial statements.

Other identified matters that would have otherwise required a modification to our opinion

The council's financial statements do not include all the disclosures required by IAS 7, Statement of Cash Flows, IFRS 7, Financial Instruments: Disclosures and IFRS 9, Financial Instruments.

#### Emphasis of matter

We draw attention to the council's Statement of Financial Position on page 4 which shows that at 31 December 2018 the council's current liabilities exceeded current assets by €158,904. 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.

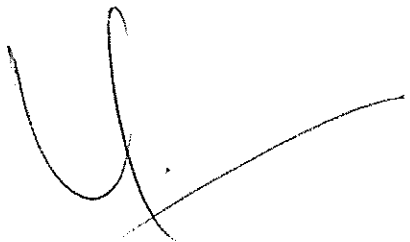
The Executive Secretary and the members of the council are responsible for overseeing the council's financial reporting process.

#### 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 Bugeja



Mark Bugeja (Partner) for and on behalf of

**GRANT THORNTON**  
Certified Public Accountants

Fort Business Centre  
Mriehel Bypass  
Birkirkara BKR 3000  
Malta

26 March 2019