

KALKARA LOCAL COUNCIL

**Annual Report and
Financial Statements**

For the year ended 31 December 2018

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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 11 February 2019 by:



Speranza Chircop
Mayor



Elaine Caruana
Executive Secretary

KALKARA LOCAL COUNCIL

STATEMENT OF FINANCIAL POSITION As at 31 December 2018

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

The notes on pages 8 to 24 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on 11 February 2019 and signed on its behalf by:



Speranza Chircop
Mayor



Elaine Caruana
Executive Secretary

KALKARA LOCAL COUNCIL

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 €	2017 €
Income			
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>
Expenditure			
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>
Surplus/ (Deficit) for the year		<u>8,768</u>	<u>(16,512)</u>
Depreciation	13	(40,404)	(11,470)
Impairment provisions	13	(2,695)	-
Total Comprehensive (Deficit)		<u>(34,331)</u>	<u>(27,982)</u>

The notes on pages 8 to 24 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

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

The notes on pages 8 to 24 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 €	2017 €
Cash Flows from Operating Activities			
(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)
Cash flows from Investing Activities			
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	55,282
Cash and cash equivalents at end of year		1,309	20,663

The notes on pages 8 to 24 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

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 20 to the financial statements.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018 – continued

(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	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
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	replacement basis
Playing Field Equipment	100
New Street 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 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 & Mach. €	New Street Signs €	Urban Improv. €	Construction €	Total €
Cost								
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
Grants and other reimbursements								
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
Depreciation								
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
Net Book Value								
At 31 Dec 2018	4,044	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 & Mach. €	New Street Signs €	Urban Improv. €	Construction €	Total €
Cost								
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
Grants and other reimbursements								
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
Depreciation								
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
Net Book Value								
At 31 Dec 2017	6,055	665	1,277	2,360	-	30,443	38,278	79,078

KALKARA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018 – continued

4 Receivables	2018	2017
	€	€
Accounts receivable	317	1,397
Accrued income	228	228
Prepayments	1,779	1,269
	<u>2,324</u>	<u>2,893</u>
	2018	2017
Receivables		€
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:

	2018	2017
	€	€
Ordinary funds	1,309	20,663

KALKARA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018 – continued

	2018 €	2017 €
6 Payables		
Accounts payable	133,768	168,610
Accruals	28,768	19,532
	<u>162,536</u>	<u>188,142</u>
Deferred Grants		
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 20 to the financial statements.

	2018 €	2017 €
7 Funds received from central government		
In terms of section 55 of the Local Councils Act (CAP 363)	269,494	248,829
Other government income	11,805	18,200
	<u>281,299</u>	<u>267,029</u>

	2018 €	2017 €
8 Income raised from Local Enforcement System		
LES Administration fees	1,445	2,258
	<u>-</u>	<u>-</u>

	2018 €	2017 €
9 General income		
Income from permits	5,995	4,029
General income	-	406
	<u>5,995</u>	<u>4,435</u>

KALKARA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018 – continued

10 Personal emoluments	2018	2017
	€	€
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
Total	102,072	97,888

11 Operations and maintenance

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

Contractual services:	2018	2017
	€	€
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
	92,262	111,156
Total operations and maintenance expenses	104,587	124,538

KALKARA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018 – continued

12 Administration and other expenditure	2018	2017
	€	€
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
	73,312	67,808

13 Depreciation and impairments provisions	2018	2017
	€	€
Impairment of assets	2,695	-
Depreciation	40,404	11,470
	43,099	11,470

KALKARA LOCAL COUNCIL

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 Councils	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

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	2,324	2,893
Cash at bank and in hand	1,309	20,663
	<u>3,633</u>	<u>23,556</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 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 credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

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.

	2018	2017
	€	€
Payables	162,537	188,142

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.

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:

Current assets	2018	2017
	€	€
Loans and receivables:		
Trade and other receivables	2,324	2,893
Cash at bank and in hand	1,309	20,663
	3,633	23,556

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018 – continued

16 Risk management objectives and policies - continued

Current liabilities	2018	2017
	€	€
Financial liabilities measured at amortised costs:		
Payables	162,537	188,142

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.

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 did not effected the Statement of Comprehensive Income, but has effected the Statement of Financial Position as follows:

KALKARA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018 – continued

18 Prior year adjustment – continued

The comparative figures in the balance sheet were restated as follows:

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

KALKARA LOCAL COUNCIL

**REPORT OF THE LOCAL GOVERNMENT AUDITORS' ON THE KALKARA
LOCAL COUNCIL TO THE DIRECTOR OF AUDIT**