

KALKARA LOCAL COUNCIL

**Annual Report and
Financial Statements**

For the year ended 31 December 2022

REGISTRY

31 MAY 2023

NATIONAL AUDIT OFFICE

Prepared by: Laurence Manicaro
Certified Public Accountant
On behalf of Parker Russell Turner
Chartered Certified Accountants & Auditors
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KALKARA LOCAL COUNCIL

ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2022

CONTENTS	PAGES
Statement of Local Council Members' and Executive Secretary's Responsibilities	3
Statement of Financial Position	4
Statement of Profit or Loss and Other Comprehensive Income	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8-26
Report of the Local Government Auditors on the Financial statements	27 - 28

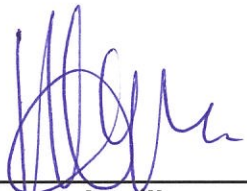
Financial Statements for the year ended 31 December 2022

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 Government (Financial) Regulations, and the Local Government (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 Government Act, Local Government (Financial) Regulations, and the Local Government (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 25 May 2023 by:



Wayne Aquilina
Mayor



Elaine Caruana
Executive Secretary

KALKARA LOCAL COUNCIL

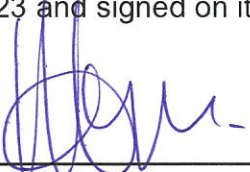
STATEMENT OF FINANCIAL POSITION

As at 31 December 2022


	Notes	2022 €	2021 €
Assets			
Non-current assets			
Property, plant and equipment	3	32,121	26,469
Current Assets			
Trade and other receivables	4	42,779	10,737
Cash and cash equivalents	5	49,583	50,841
		<u>92,362</u>	<u>61,578</u>
Total Assets		<u>124,483</u>	<u>88,047</u>
Reserves and liabilities			
Reserves			
Accumulated losses		(117,858)	(99,816)
Current liabilities			
Trade and other payables	6	242,341	187,863
Total reserves and liabilities		<u>124,483</u>	<u>88,047</u>

The notes on pages 8 to 26 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on 25 May 2023 and signed on its behalf by:



Wayne Aquilina
Mayor



Elaine Caruana
Executive Secretary

KALKARA LOCAL COUNCIL

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the year ended 31 December 2022

	Notes	2022 €	2021 €
Income			
Funds received from central government	7	397,826	339,781
Income raised under Local Enforcement System	8	2,034	3,896
General income	9	16,653	9,203
		<u>416,513</u>	<u>352,880</u>
Expenditure			
Personal emoluments	10	(148,928)	(135,573)
Operations and maintenance	11	(206,546)	(118,278)
Administration and other expenditure	12	(72,659)	(64,337)
		<u>(428,133)</u>	<u>(318,188)</u>
(Deficit)/ surplus for the year		<u>(11,620)</u>	<u>34,692</u>
Depreciation	13	(6,422)	(6,820)
Total Comprehensive (Deficit)/ surplus		<u>(18,042)</u>	<u>27,872</u>

The notes on pages 8 to 26 are an integral part of the financial statements.

KALKARA LOCAL COUNCIL

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Accumulated Losses €
Balance as at 31 December 2020	(127,688)
Total comprehensive surplus for the year ended 31 December 2021	27,872
Balance as at 31 December 2021	<u>(99,816)</u>
Total comprehensive deficit for the year ended 31 December 2022	(18,042)
Balance as at 31 December 2022	<u><u>(117,858)</u></u>

The notes on pages 8 to 26 are an integral part of the financial statements.

KALKARA LOCAL COUNCIL

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	2022 €	2021 €
Cash Flows from Operating Activities			
(Loss)/ profit for the year		(18,042)	27,872
Adjustments for:			
Depreciation of property plant and equipment		6,422	6,820
Operating (loss)/ profit before working capital changes		(11,620)	34,692
(Increase)/ decrease in trade receivables		(32,042)	24,602
Increase/ (decrease) in payables		54,478	(21,832)
Net cash from/ (used in) operating activities		10,816	37,462
Cash flows from Investing Activities			
Purchase of property, plant and equipment		(53,474)	(11,648)
Grants received		41,400	-
Net Cash used in Investing Activities		(12,074)	(11,648)
Net movement in Cash and Cash Equivalents		(1,258)	25,814
Cash and cash equivalents at the beginning of year	5	50,841	25,027
Cash and cash equivalents at end of year	5	49,583	50,841

The notes on pages 8 to 26 are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 Government 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 (IFRS's) as adopted by the European Union (EU) and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Government (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 2022 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 adopt the new accounting pronouncements which have become effective this year, and are as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022 – continued

(b) Standards, amendments and interpretations to existing standards – continued

Onerous Contract – Cost of Fulfilling a Contract (Amendments to IAS 37)

This pronouncement amended IFRS 37 'Provisions, Contingent Liabilities and Contingent Assets' and clarifies that when assessing if a contract is onerous, the cost of fulfilling it includes all costs related directly to the contract. Such costs include both:

- the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract, like direct labor and materials); and
- an allocation of other costs that relate directly to fulfilling the contract (e.g. contract management and supervision, or depreciation of equipment used in fulfilling it).

Proceeds before Intended Use (Amendments to IAS 16)

The amendments introduce new guidance to IAS16 'Property, Plant and Equipment', which prohibit entities from deducting from the costs of PPE amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognise such sales proceeds and related costs in profit and loss.

These amendments do not have a significant impact on these financial statements and therefore the disclosures have not been made.

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

At the date of authorisation of these financial statements, several new, but not effective Standards and amendments to existing standards, and Interpretations have been published by the International Accounting Standards Board (IASB). And have not been adopted early by the Council.

On 23 January 2020, the IASB issued 'Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place of the reporting date. The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022 – continued

(b) Standards, amendments and interpretations to existing standards – continued

On 12 February 2021, the IASB issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2), that require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

On 12 February 2021, the IASB issued amendments to IAS 8, replacing the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

On 31 October 2023, the IASB issued amendments to IAS 1, that clarifies how conditions with which an entity must comply within twelve months after the reporting period effect the classification of a liability. The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

The Councillors and Executive Secretary anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Local Council financial statements.

(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 2021, 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 2022 – 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 straight line 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 2022 – continued

(f) Leased assets

For any new contracts entered, the Local Council considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration'.

At lease commencement date, the Local Council recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability.

The Local Council depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Local Council also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Local Council measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

On the statement of financial position, right-of-use assets have been under investment property and lease liabilities have been included in trade and other payables.

(g) Government Grants

In 2018 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.

(h) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022 – continued

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) Related parties

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

(n) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022 – continued

(o) 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'.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022 – continued

(o) Financial Instruments – continued

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'.

(p) 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 2022 – continued

3. PROPERTY, PLANT AND EQUIPMENT

	Office Furniture & Fittings	Computer Equipment	Office Equipment	Plant and Machinery	New Street Signs	Urban Improv.	Construction	Motor Vehicle	Total
	€	€	€	€	€	€	€	€	€
Cost									
At 1 Jan 2022	33,907	28,102	15,027	6,935	4,864	371,690	444,167	-	904,692
Additions	5,182	-	-	-	-	-	-	48,292	53,474
At 31 Dec 2022	39,089	28,102	15,027	6,935	4,864	371,690	444,167	48,292	958,166
Grants and other reimbursements									
At 1 Jan 2022 & Additions	-	2,173	2,671	-	-	162,093	280,342	-	447,279
At 31 Dec 2022	-	2,173	2,671	-	-	162,093	280,342	41,400	41,400
Depreciation									
At 1 Jan 2022	22,543	19,250	9,698	6,935	4,864	205,365	162,289	-	430,944
Charge for the year	1,028	2,298	1,070	-	-	1,735	176	115	6,422
At 31 Dec 2022	23,571	21,548	10,768	6,935	4,864	207,100	162,465	115	437,366
Net Book Value									
At 31 Dec 2022	15,518	4,381	1,588	-	-	2,497	1,360	6,777	32,121

KALKARA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021 – continued

3. PROPERTY, PLANT AND EQUIPMENT – Continued

	Office Furniture & Fittings €	Computer Equipment €	Office Equipment €	Plant and Machinery €	New Street Signs €	Urban Improv. €	Construction €	Total €
Cost								
At 1 Jan 2021	24,686	28,102	12,600	6,935	4,864	371,690	444,167	893,044
Additions	9,221	-	2,427	-	-	-	-	11,648
At 31 Dec 2021	33,907	28,102	15,027	6,935	4,864	371,690	444,167	904,692
Grants and other reimbursements								
At 1 Jan 2021 & At 31 Dec 2021	-	2,173	2,671	-	-	162,093	280,342	447,279
Depreciation								
At 1 Jan 2021	20,990	16,911	8,685	6,935	4,864	203,630	162,109	424,124
Charge for the year	1,553	2,339	1,013	-	-	1,735	180	6,820
At 31 Dec 2021	22,543	19,250	9,698	6,935	4,864	205,365	162,289	430,944
Net Book Value								
At 31 Dec 2021	11,364	6,679	2,658	-	-	4,232	1,536	26,469

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022 – continued

4. Trade and other receivables	2022	2021
	€	€
Financial		
Accounts receivable	21,908	6,420
Other debtors	-	1,086
Accrued income	16,840	2,200
	<u>38,748</u>	<u>9,706</u>
Non-Financial		
Prepayments	4,031	1,031
	<u>42,779</u>	<u>10,737</u>
	2022	2021
	€	€
Receivables		
Within the current period	42,779	10,737
	<u>42,779</u>	<u>10,737</u>
<u>Credit period analysis</u>		
Impaired and provided for	62,688	62,688
Provision for bad debts	(62,688)	(62,688)
	<u>-</u>	<u>-</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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022 – continued

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:

	2022 €	2021 €
Cash at bank	49,566	50,823
Cash in hand	17	18
	49,583	50,841

6. Trade and other payables

	2022 €	2021 €
Accounts payable	185,072	96,916
Amounts due to other Government entities	3,466	4,186
Deferred income	9,414	9,414
Accruals	44,389	77,347
	242,341	187,863

7. Funds received from central government

	2022 €	2021 €
In terms of section 55 of the Local Councils Act (CAP 363)	206,516	295,784
Supplementary government income	-	17,982
Other government income	91,310	26,015
	397,826	339,781

8. Income raised from Local Enforcement System

	2022 €	2021 €
LES Administration fees	2,034	2,554
Past fines paid	-	1,342
	2,034	3,896

KALKARA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022 – continued

9. General income	2022	2021
	€	€
Income from permits	7,037	8,803
Other income	9,616	400
	<u>16,653</u>	<u>9,203</u>
10. Personal emoluments	2022	2021
	€	€
Personal emoluments include:		
Mayor's allowance	10,742	10,571
Mayor and councillors' allowance	13,000	13,000
Executive secretary salary and allowances	44,608	32,239
Employees' salaries	69,867	68,247
Social security contributions	7,985	7,646
Scheme workers overtime	2,726	3,870
Total	<u>148,928</u>	<u>135,573</u>
11. Operations and maintenance	2022	2021
Operations and maintenance includes:	€	€
Repairs and Upkeep:		
Street signs	2,851	4,026
Other repairs and upkeep	2,172	1,227
Total	<u>5,023</u>	<u>5,253</u>
Contractual services:		
Refuse and organic waste collection	112,854	41,620
Bulky refuse collection	8,086	6,000
Bins	23,854	398
Road and street cleaning (mechanical and manual)	19,469	21,200
Waste disposal	21,196	23,245
Cleaning and upkeeping of soft areas	12,754	12,875
Cleaning and maintenance of parks and gardens	-	1,424
Street lighting	3,310	6,263
	<u>201,523</u>	<u>113,025</u>
Total operations and maintenance expenses	<u>206,546</u>	<u>118,278</u>

KALKARA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022 – continued

12. Administration and other expenditure	2022	2021
	€	€
Utilities	7,254	5,013
Materials and supplies	8,513	9,785
Office services	7,353	6,628
Rent	2,126	2,670
Memberships	560	-
Transport	597	947
Information services	293	1,083
Professional services	2,785	4,236
Slow streets projects	-	2,631
Accountancy fees	6,667	6,980
Architect services	4,923	6,126
Covid-19 expenses	40	695
IT services	5,479	1,781
Insurance	4,309	1,082
Community and hospitality	20,661	12,534
Local Enforcement expenses	529	3,741
Bank charges	567	290
Sundry expenses	317	-
Legal fees	590	-
Bad debt write off	(924)	(1,885)
	<u>72,659</u>	<u>64,337</u>
13. Depreciation	2022	2021
	€	€
Depreciation on property plant and equipment	<u>6,422</u>	<u>6,820</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022 – 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
LESA	No control
Malta Environment and Planning Authority	No control
ARMS Limited	No control
Assocjazzjoni Kunsill Lokali	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:

	2022	2021
	€	€
Significant control Revenue:		
Annual financial allocation	306,516	295,784

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

	2022	2021
	€	€
Commitment but not contracted for:		
Purchase of E-van	-	35,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022 – 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:

	2022	2021
	€	€
Class of financial assets – carrying amounts		
Trade and other receivables	38,748	9,706
Cash and cash equivalents	49,583	50,841
	88,331	60,547

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 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.

Included in the Council's receivables balance are the following debtors which are past due at the end of the reporting period net of an allowance for doubtful debts and excluding related party receivables. The remaining amounts are still considered recoverable as these customers have not defaulted in the past. The credit period allowed by the Council to its debtors is 60 days.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022 – continued

16. Risk management objectives and policies – continued

16.1 Credit risk (continued)	2022	2021
	€	€
30 to 60 days	-	6,420
61 to 90 days	-	-
91 to 120 days	-	-
Over 120 days	29,026	-
	<u>€ 29,026</u>	<u>€ 6,420</u>

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 2022, the Council's financial liabilities are summarised as follows:

	Current		Non – Current	
	Within 6 Months	6 to 12 months	1 to 5 years	More than 5 years
	€		€	€
Payables	185,072	-	-	-
Deferred income	9,414			
Accruals	44,389	-	-	-

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

	Current		Non – Current	
	Within 6 Months	6 to 12 months	1 to 5 years	More than 5 years
	€	€	€	€
Payables	101,102	-	-	-
Deferred income	9,414	-	-	-
Accruals	77,347	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022 – continued

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	Notes	2022 €	2021 €
Loans and receivables:			
Trade and other receivables	4	38,748	9,706
Cash and cash equivalents	5	49,583	50,841
		<u>88,331</u>	<u>60,547</u>
		2022 €	2021 €
Current liabilities			
Financial liabilities measured at amortised costs:			
Trade and other payables	6	<u>242,341</u>	<u>187,863</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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022 – continued

17. Fair value estimation

At 31 December 2022 and 31 December 2021, 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. Going Concern

The statement of financial position suggests that the going concern assumption in the preparation of these financial statements is dependent on support from its creditors and other sources of funds, mainly 'The Government of Malta'. Any adverse change in these assumptions above, would not let the Council to be able to meet its financial obligations as they fall due without curtailing its future commitments.



Report of the Local Government Auditor

To the Auditor General

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Kalkara Local Council set out on pages 4 to 26 which comprise the statement of financial position as at 31 December 2022, 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.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Council as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to the council's Statement of Financial Position on page 4 which shows that at 31 December 2022 the council's current liabilities exceeded current assets by €149,979. 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 Local 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 Local 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 Local Council are responsible for overseeing the Council's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

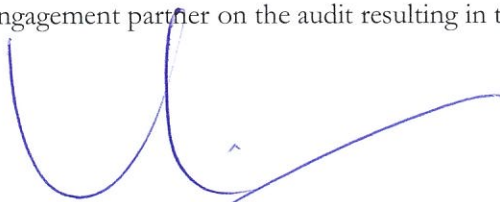
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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25 May 2023