

**KALKARA LOCAL COUNCIL**

**Annual Report and  
Financial Statements**

**For the year ended 31 December 2023**

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

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**For the year ended 31 December 2023**

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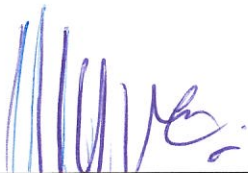
**Financial Statements for the year ended 31 December 2023**

**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 Profit or Loss 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 for maintaining 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 22 May 2024 by:



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**Wayne Aquilina**  
**Mayor**



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**Etienne Scicluna**  
**Executive Secretary**

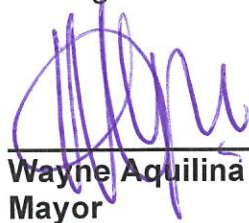
**STATEMENT OF FINANCIAL POSITION**


As at 31 December 2023

<b>Assets</b>	Notes	<b>2023</b> €	<b>2022</b> €
<b>Non-current assets</b>			
Property, plant and equipment	3	35,921	32,121
<b>Current Assets</b>			
Trade and other receivables	4	52,057	42,779
Cash and cash equivalents	5	109,778	49,583
		<u>161,835</u>	<u>92,362</u>
<b>Total Assets</b>		<u><u>197,756</u></u>	<u><u>124,483</u></u>
<b>Reserves and liabilities</b>			
<b>Reserves</b>			
Accumulated losses		(152,345)	(117,858)
<b>Current liabilities</b>			
Trade and other payables	6	350,101	242,341
<b>Total reserves and liabilities</b>		<u><u>197,756</u></u>	<u><u>124,483</u></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 22 May 2024 and signed on its behalf by:

  
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**Wayne Aquilina**  
 Mayor

  
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**Etienne Scicluna**  
 Executive Secretary

## KALKARA LOCAL COUNCIL

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### STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	2023 €	2022 €
<b>Income</b>			
Funds received from central government	7	343,567	397,826
Income raised under Local Enforcement System	8	1,819	2,034
General income	9	25,928	16,653
		<u>371,314</u>	<u>416,513</u>
<b>Expenditure</b>			
Personal emoluments	10	(137,917)	(148,928)
Operations and maintenance	11	(159,520)	(206,546)
Administration and other expenditure	12	(99,438)	(72,659)
		<u>(396,875)</u>	<u>(428,133)</u>
<b>Deficit for the year</b>		<u>(25,561)</u>	<u>(11,620)</u>
Depreciation	13	(8,926)	(6,422)
<b>Total Deficit</b>		<u>(34,487)</u>	<u>(18,042)</u>

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

**STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2023

	<b>Accumulated Losses €</b>
Balance as at 31 December 2021	(99,816)
Total deficit for the year ended 31 December 2022	(18,042)
Balance as at 31 December 2022	<u>(117,858)</u>
Total deficit for the year ended 31 December 2023	(34,487)
Balance as at 31 December 2023	<u>(152,345)</u>

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

**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2023

	Notes	2023 €	2022 €
<b>Cash Flows from Operating Activities</b>			
Loss for the year		(34,487)	(18,042)
Adjustments for:			
Depreciation of property plant and equipment		8,926	6,422
Operating loss before working capital changes		(25,561)	(11,620)
Increase in trade receivables		(2,717)	(32,042)
Increase in payables		116,901	54,478
Net cash generated from operating activities		88,623	10,816
<b>Cash flows from Investing Activities</b>			
Purchase of property, plant and equipment		(168,702)	(53,474)
Grants received		140,274	41,400
Net cash used in Investing Activities		(28,428)	(12,074)
Net movement in cash and cash equivalents		60,195	(1,258)
Cash and cash equivalents at the beginning of year	5	49,583	50,841
Cash and cash equivalents at end of year	5	109,778	49,583

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 2023

**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 12, Binja tas-Salvatur, Wesgħet I-10 ta' Diċembru 1897, II-Kalkara.

**2. Material accounting policies**

**Overall considerations**

The Local Council should disclose its material accounting policies. Accounting policies are material and must be disclosed if they can be reasonably expected to influence the decisions of users of the financial statements.

The Local Council's management has concluded that the disclosure of the Local Council's material accounting policies below are appropriate.

**(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 with 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) New or revised Standards or Interpretations**

**New and amended Standards adopted by the Council as at 1 January 2023**

Some accounting pronouncements which have become effective from 1 January 2023 and have therefore been adopted do not have a significant impact on the Local Council's financial results or position.

Standards and amendments that are effective for the first time in 2023 and could be applicable to the Local Council are:

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2023

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

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)

These amendments do not have a significant impact on these financial statements and therefore no disclosures have been made.

**Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Council.**

Standards and amendments that are not yet effective and have not been adopted early by the Local Council include:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- Lack of Exchangeability (Amendments to IAS 21)

These amendments are not expected to have a significant impact on the financial statements in the period of initial application and therefore no disclosures have been made.

The Local Council's management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the 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's 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.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2023

**(d) Local Enforcement System**

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) Expenses**

Expenses are recognised in the statements of profit or loss upon utilisation of the services or at the date of their origin.

**(f) 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:

	<b>Years</b>
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 2023

### **(g) 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 asset 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.

### **(h) Government Grants**

In 2018, the Local Council 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.

### **(i) 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 2023

**(j) Trade and other receivables**

Trade and other receivables 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 trade and other receivables 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.

**(k) 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 Local Council's functional and presentation currency.

**(l) 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.

**(m) 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.

**(n) Related parties**

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

**(o) Trade and other payables**

Trade and other payables 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.

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2023

**(p) Financial Instruments**

Financial assets and financial liabilities are recognised when the Local 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 Local 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 Local 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 2023

**(p) Financial Instruments – continued**

**Financial liabilities**

The Local 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'.

**(q) 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 the 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 2023

#### 3. Property, plant and equipment

	Office furniture & fittings €	Computer equipment €	Office equipment €	Plant and machinery €	New street signs €	Urban improv. €	Construction €	Motor vehicle €	Special program €	Total €
<b>Cost</b>										
At 1 Jan 2023	39,089	28,102	15,027	6,935	4,864	371,690	444,167	48,292	-	958,166
Additions	1,575	-	6,561	-	-	-	5,871	1,056	153,639	168,702
At 31 Dec 2023	40,664	28,102	21,588	6,935	4,864	371,690	450,038	49,348	153,639	1,126,868
<b>Grants and other reimbursements</b>										
At 1 Jan 2023	-	2,173	2,671	-	-	162,093	280,342	41,400	-	488,679
Additions	-	-	6,561	-	-	-	-	-	149,415	155,976
At 31 Dec 2023	-	2,173	9,232	-	-	162,093	280,342	41,400	149,415	644,655
<b>Depreciation</b>										
At 1 Jan 2023	23,571	21,548	10,768	6,935	4,864	207,100	162,465	115	-	437,366
Charge for the year	1,442	3,321	487	-	-	1,735	212	1,589	140	8,926
At 31 Dec 2023	25,013	24,869	11,255	6,935	4,864	208,835	162,677	1,704	140	446,292
<b>Net Book Value</b>										
At 31 Dec 2023	15,651	1,060	1,101	-	-	762	7,019	6,244	4,084	35,921

KALKARA LOCAL COUNCIL

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2023

**3. Property, plant and equipment – Continued**

	Office furniture & fittings €	Computer equipment €	Office equipment €	Plant and machinery €	New street signs €	Urban improv. €	Construction €	Motor vehicle €	Total €
<b>Cost</b>									
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
<b>Grants and other reimbursements</b>									
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
<b>Depreciation</b>									
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
<b>Net Book Value</b>									
At 31 Dec 2022	15,518	4,381	1,588	-	-	2,497	1,360	6,777	32,121

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2023

<b>4. Trade and other receivables</b>	<b>2023</b>	<b>2022</b>
	€	€
<b>Financial</b>		
Accounts receivable	2,709	21,908
Accrued income	46,401	16,840
	<u>49,110</u>	<u>38,748</u>
<b>Non-Financial</b>		
Prepayments	2,947	4,031
	<u>52,057</u>	<u>42,779</u>
	<b>2023</b>	<b>2022</b>
<b>Receivables</b>	€	€
Within the current period	52,057	42,779
	<u>52,057</u>	<u>42,779</u>
<u>Credit period analysis</u>		
Impaired and provided for	52,039	62,688
Provision for bad debts	(52,039)	(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 Local 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 2023

**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's statement of financial position:

	<b>2023</b>	<b>2022</b>
	€	€
Cash at bank	108,778	49,566
Cash in hand	1,000	17
	<u>109,778</u>	<u>49,583</u>

**6. Trade and other payables**

	<b>2023</b>	<b>2022</b>
		€
Accounts payable	272,728	185,072
Amounts due to other Government entities	3,821	3,466
Deferred income	67,252	9,414
Accruals	6,300	44,389
	<u>350,101</u>	<u>242,341</u>

**7. Funds received from Central Government**

	<b>2023</b>	<b>2022</b>
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	314,783	306,516
Other government income	28,784	91,310
	<u>343,567</u>	<u>397,826</u>

**8. Income raised from Local Enforcement System**

	<b>2023</b>	<b>2022</b>
	€	€
LES Administration fees	1,819	2,034
	<u>1,819</u>	<u>2,034</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2023

<b>9. General income</b>	<b>2023</b>	<b>2022</b>
	€	€
Income from permits	11,680	7,037
Other income	14,248	9,616
	<u>25,928</u>	<u>16,653</u>
<b>10. Personal emoluments</b>	<b>2023</b>	<b>2022</b>
	€	€
Personal emoluments include:		
Mayor's allowance	11,079	10,742
Mayor and councillors' allowance	13,000	13,000
Executive secretary salary and allowances	30,910	44,608
Employees' salaries	73,435	69,867
Social security contributions	7,192	7,985
Scheme workers overtime	2,301	2,726
	<u>137,917</u>	<u>148,928</u>
<b>11. Operations and maintenance</b>	<b>2023</b>	<b>2022</b>
<b>Operations and maintenance includes:</b>		
<b>Repairs and upkeep:</b>	€	€
Street signs	5,376	2,851
Other repairs and upkeep	9,567	2,172
	<u>14,943</u>	<u>5,023</u>
<b>Contractual services:</b>		
Refuse and organic waste collection	40,382	112,854
Bulky refuse collection	7,214	8,086
Bins	283	23,854
Road and street cleaning (mechanical and manual)	15,846	19,469
Waste disposal	54,772	21,196
Cleaning and upkeeping of soft areas	12,135	12,754
Street lighting	13,945	3,310
	<u>144,577</u>	<u>201,523</u>
Total operations and maintenance expenses	<u>159,520</u>	<u>206,546</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2023

<b>12. Administration and other expenditure</b>	<b>2023</b>	<b>2022</b>
	€	€
Utilities	12,850	7,254
Materials and supplies	7,808	8,513
Office services	8,420	7,353
Rent	3,059	2,126
Memberships	113	560
Transport	594	597
Information services	495	293
Professional services	1,510	2,785
Accountancy fees	5,664	6,667
Architect services	8,438	4,923
Covid-19 expenses	-	60
IT services	2,849	5,479
Insurance	5,074	4,309
Community and hospitality	40,783	20,661
Local Enforcement expenses	921	529
Bank charges	660	567
Sundry expenses	-	317
Legal fees	-	590
Bad debt write-off	-	(924)
Donation	200	-
	<u>99,438</u>	<u>72,659</u>
<b>13. Depreciation</b>	<b>2023</b>	<b>2022</b>
	€	€
Depreciation on property, plant and equipment	<u>8,926</u>	<u>6,422</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2023

**14. Related parties disclosures**

During the year, the Local 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:

	<b>2023</b>	<b>2022</b>
	€	€
Significant control		
Revenue:		
Annual financial allocation	<u>314,783</u>	<u>306,516</u>

The ultimate controlling party of the Local Council is Central Government since the Local 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**

There are no projected capital commitments as at 31 December 2023.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 16. Risk management objectives and policies

The Local Council's activities expose it to credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Local Council is not exposed to any market risk. The Local 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 Local 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 Local Council. The Local 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:

	2023	2022
	€	€
Class of financial assets – carrying amounts		
Trade and other receivables	49,110	38,748
Cash and cash equivalents	109,778	49,583
	<u>158,888</u>	<u>88,331</u>

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

The Local 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 Local Council's financial assets is secured by collateral or other credit enhancements.

The Local Council applies IFRS 9's 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 Local 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 Local Council to its debtors is 60 days.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2023

**16. Risk management objectives and policies – continued**

<b>16.1 Credit risk (continued)</b>	<b>2023</b>	<b>2022</b>
	€	€
30 to 60 days	-	-
61 to 90 days	-	-
91 to 120 days	-	-
Over 120 days	13,357	29,026
	<u>13,357</u>	<u>29,026</u>

**16.2 Liquidity risk**

The Local 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 Local Council's obligations when they become due.

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

At 31 December 2023, the Local Council's financial liabilities are summarised as follows:

	<b>Current</b>		<b>Non – Current</b>	
	<b>Within 6 Months</b>	<b>6 to 12 months</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>
	€		€	€
Payables	272,728	-	-	-
Deferred income	67,252	-	-	-
Accruals	6,300	-	-	-

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2023

**16.3 Interest rate risk**

The Local 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 Local 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 Local Council's financial assets and liabilities as recognised at the reporting dates under review are categorised as follows:

<b>Current assets</b>	Notes	<b>2023</b>	<b>2022</b>
		€	€
Loans and receivables:			
Trade and other receivables	4	49,110	38,748
Cash and cash equivalents	5	109,778	49,583
		<u>158,888</u>	<u>88,331</u>
		<b>2023</b>	<b>2022</b>
		€	€
<b>Current liabilities</b>			
Financial liabilities measured at amortised costs:			
Trade and other payables	6	<u>350,101</u>	<u>242,341</u>

**16.5 Capital risk management**

The Local Council's objectives when managing capital are to safeguard the Local 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 Local Council's equity, as disclosed in the statement of financial position, constitutes its capital. The Local 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 Local Council's activities, the capital level as at the end of the reporting period is deemed adequate by the Local Council.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2023

**17. Fair value estimation**

At 31 December 2023 and 31 December 2022, 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 Local Council to be able to meet its financial obligations as they fall due without curtailing its future commitments.

**KALKARA LOCAL COUNCIL**

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