

The Mayoress
Msida Local Council,
Msida Civic Centre
Pjazza Menqa
Msida

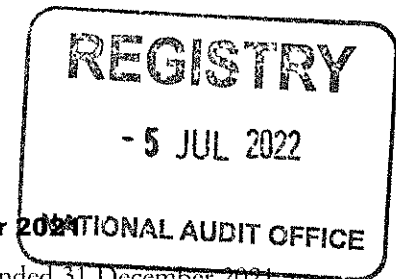
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Our Ref MB/mc/88522

28 June 2022

Dear Madam,



Financial statements for the year ended 31 December 2021

During the course of our financial statements audit for the year ended 31 December 2021, we have reviewed the accounting system and procedures operated by the Local Council. We set out in this report the more important points that arose as a result of our review.

1 Previous management letter

1.1 Income

We are pleased to note that we have not identified any further issues with regards to accrued income.

Shortcomings were again noted in other government income (refer to note 2.3).

1.2 Expenditure

We are pleased to note that we did not identify any issues related to the Local Council's expenditures.

1.3 Payroll

We are pleased to note that prior period issues have been resolved and no further issues have been noted.

1.4 Fixed assets

We are pleased to note that we have not identified any further issues with regards to fixed assets.

1.5 Debtors

We still identified shortcomings while obtaining confirmation of debtors (refer to note 3.5)

We have once again noted overdue receivables (refer to note 3.3).

We are pleased to note that prior period issues on other debtors have been resolved and no further issues were noted.



1.6 Creditors

We are pleased to note that we have not identified any further issues with regards to the Local Council's creditors' balance.

We are pleased to note that prior period issues on accrued expenditures have been resolved and no further issues were noted.

1.7 Bank and cash

We are pleased to note that we did not encounter any issues regarding the Local Council's cash balances.

1.8 Financial statements

We still identified shortcomings in the financial statements (refer to note 4.1).

2 Income

Other Government income

2.1 It was noted that the Local Council recorded the amount of €48,693, pertaining to funds received from various schemes from Central Region and DLG as 'other supplementary Government income'. An audit reclassification was proposed from our end to record this amount as 'other Government income'. The audit reclassification was approved by the Local Council and was properly presented in the audited financial statements.

2.2 We would like to remind the Local Council that correct classification is an integral part of the accounting system.

2.3 During the year the Local Council received €20,301 in relation to Scheme 01/2020. Such income was used to fund capitalised works carried out during the year amounting to €25,738. We noted that the Local Council treated the grant as Other Government Income. An audit adjustment was proposed to capitalise the income as a grant addition. The audit adjustment was approved by the Local Council and was properly presented in the audited financial statements.

2.4 We recommend that the Local Council capitalises any income received, that is related to capitalised property, plant and equipment, as grant additions.

Joint Committee

2.5 We noted that the Central Joint Committee, of which Msida Local Council formed part up to 31 August 2011, has provided audited financial statements for the year ended 31 December 2010.

2.6 We have obtained the last audited financial statements of the Central Joint Committee and noted that reserves at that date amount to €43,207. In the absence of audited financial statements, we were unable to determine whether the Local Council is entitled to receive any further income from the Joint Committee. As a result, our audit report has been qualified for the year ended 31 December 2021.



- 2.7 Nevertheless, we recommend that the Local Council raises this issue with the Department for Local Government and ensures that the Joint Committee is liquidated and that the Local Council receives any further income that may be due to it.

3 Debtors

LES receivables

- 3.1 According to report 622 issued from Loqus, the Local Council’s tribunal payments for the pooling period up to 31 August 2011 is €399,237. No amount is recognised as LES receivable in the Local Council’s books of account and in the financial statements. We did not propose an audit adjustment to account for LES debtors because it has no effect on the financial statements since LES debtors are carried at nil value following a provision for doubtful debts for the same amount.

- 3.2 We recommend that the Local Council takes the matter up with Loqus to determine what the correct balance is and then considers whether an adjustment should be passed in the Local Council’s books.

Overdue receivables

- 3.3 We noted that the Local Council’s debtors list still includes the following material overdue receivables for which no provision was made in the books of account.

Debtor	€
LESA	19,585
WasteServ Malta Limited	15,927
	<u>35,512</u>

- 3.4 The Local Council should regularly review overdue receivables for recoverability and, if so, chase these debtors by sending them reminders for the long overdue amounts. If recoverability of these debtors remains doubtful, the Local Council should also consider making a provision for doubtful debts in the books of account after obtaining Local Council approval in meeting.

Confirmation of debtors

- 3.5 During our audit fieldwork, we identified a difference between a debtor confirmation and the debtors’ list provided by the Local Council, namely:

Debtor	Balance in books of account €	Balance confirmed by debtor €	Difference €
Wasteserv (Malta) Limited	32,239.90	-	32,239.90

- 3.6 Upon further investigation, we noted that Wasteserv did not record invoices numbered 269 to 274 amounting to €16,312.71. Furthermore, an unreconciled difference of €15,927.19 is arising from prior years. We were not provided with an explanation for the opening balance difference.

- 3.7 We recommend that the Local Council contacts Wasteserv Malta Limited and ensures that all invoices are approved and recorded in their books. The Local Council should also chase for payment. Furthermore, the Local Council should perform regular reconciliations with all debtors to promptly highlight any differences.

4 Financial statements

- 4.1 The Local Council is required to prepare financial statements in conformity with International Financial Reporting Standards (IFRS). During our audit, we identified that the Local Council's unaudited financial statements needed updates and further corrections in accordance with IFRS.
- 4.2 We recommend that the Local Council gives more attention to the preparation of the financial statements. The required updates and corrections have been amended in the audited financial statements.

Conclusion

We would like to point out that the matters dealt with in this report came to our notice during the conduct of our normal audit procedures which are primarily designed for the purpose of expressing an opinion on the financial statements of the Local Council. In consequence our work did not encompass a detailed review of all aspects of the system and cannot be relied upon necessarily to disclose defalcation or other irregularities or to include all possible improvements in internal control that a more extensive special examination might develop.

We would like to take this opportunity to thank Mr Alan Vella and his staff for their co-operation and assistance during the course of the audit.

Yours faithfully,

