

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

**Grant Thornton**  
Fort Business Centre,  
Triq l-Intornjatur, Zone 1  
Central Business District  
Birkirkara CBD 1050  
Malta

T +356 20931000  
[www.grantthornton.com.mt](http://www.grantthornton.com.mt)

Our Ref MB/bb/102724

Date 7 May 2024

Dear Madam,

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

During the course of our audit for the year ended 31 December 2023 we have reviewed the accounting system and procedures operated by your council. We have also reviewed the operations of the council and how they conform to the Local Councils Act, 1993, the Financial Regulations issued in terms of this Act, and the supplementary Financial Procedures. We set out in this report the more important points that arose as a result of our review.

**1 Previous management letter**

**1.1 Debtors**

We have once again noted overdue receivables (refer to note 2.1).

We again identified shortcomings while obtaining confirmation of debtors (refer to note 2.2).

**1.2 Expenditures**

We are pleased to inform that the Council's expenditures are appropriately accounted for.





**2 Debtors**

**2.1 Overdue receivables**

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

<b>Debtor</b>	<b>€</b>
LESA	15,747
WasteServ Malta Limited	21,994
	<u>37,741</u>

Furthermore, we noted that the Council has an outstanding other receivable since year 2014 amounted to €1,000. As confirmed by the Council, the amount is not expected to be recovered. An adjustment was proposed for this and is properly reflected in the financial statements.

The 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 council should also consider making a provision for doubtful debts in the books of account after obtaining council approval in meeting.

**2.2 Confirmation of debtors**

As part of our audit procedures, we circularised confirmation letters to selected debtors. It was noted that whilst the balance due from WasteServ Malta Limited included in the debtors’ list amounted to € 31,837.11, the balance confirmed by WasteServ Malta Limited was € 22,582.10. This resulted in a discrepancy of € 9,225,01. Upon further investigation, it was identified that the discrepancy was due to the timing difference in the posting of invoices. To obtain comfort over the balances, we inspected the subsequent bank statement of the Council and traced the amount received by the Council from WasteServ Malta Limited.

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

**3 Income**

**3.1 Government Allocation**

We noted that the Council was not in compliance with Circular 1/2024 in relation to the treatment of year 2023 annual allocation – local councils and treatment of loan and additional liquidity funds payable back on demand – regional councils. The Council did not present the remaining allocation amounted to € 79,256 as a receivable from the Local Government Division as set out in the circular but accounted for the amount by offsetting it against the amounts payable to Regjun Lvant. Upon reconciling with Regjun Lvant, the Council received the amount of € 21,996 from the Regional Council. An adjustment was proposed to reverse the off-setting effect of € 57,260 and is properly reflected in the financial statements.

### 3.2 **Other Government income**

Whilst reviewing the projects implemented by the Council to qualify for the Local Building Projects scheme which allows the Council to apply for a reimbursement amounted to € 35,000, we noted that the project was related to the Project Green and PA Development Fund (Plan to add two-floors to Local Council building). The professional fees incurred amounted to € 35,000 should be presented as Property, Plant and Equipment grants. An adjustment was proposed for this and is properly reflected in the financial statements.

We recommend that the Council reviews the projects implemented to qualify for the schemes implemented by the Local Government Division to account appropriately for the expenditures incurred.

## **4 Leases**

- 4.1 During the year under audit, the lease agreement of the Council was modified. The Council failed to affect the new lease term as stated in the latest lease agreement. An adjustment was proposed for this and is properly reflected in the financial statements.

We recommend that the Council reviews its lease agreement and the term to account its leases accordingly and in compliance with IFRS 16.

## **5 Deferred Income**

- 5.1 Whilst reviewing the Council's deferred income as of 31 December 2023, we noted that the amount of € 408,200.47 was received as grant and pertains to the cost incurred in their Project Green of Pjazza Victor Denaro. The amount should be presented as net of Property, Plant, and Equipment. A reclassification was proposed for this and is properly reflected in the financial statements.

We recommend that Council regularly reviews the grants received and its appropriate presentation for the proper accounting and compliance of IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance.

**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 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,

