

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

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Our Ref MB/mf/85623

Date 25 April 2023

Dear Madam,

REGISTRY

28 APR 2023

NATIONAL AUDIT OFFICE

Financial statements for the year ended 31 December 2022

During the course of our audit for the year ended 31 December 2022 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 Income

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

1.2 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.

1.3 Bank and cash

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

1.4 Financial statements

We did not note any major shortcomings in the financial statements preparation.

2 Expenditures

We obtained samples from the architect service nominal account and noted that there were transactions related to the following activities:

Professional fees for the:	€
Embellishment of Pjazza Victor Dena	3,982
Setting up of play street	2,227
Swatar garden embellishment	1,534
Msida roundabout embellishment	1,534
Valuation of council's office	236
	<u>9,513</u>

These are professional fees incurred by the Council which are necessary to commence the construction of capitalizable assets. In accordance with *LAS 16*, professional fees are considered directly attributable cost to an asset hence, these transactions should be capitalized. The council approved the adjustments.

We recommend for the council to establish a formal capitalization policy to ensure proper assessment of disbursements related to fixed assets.

3 Debtors

3.1 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.

Debtor	€
LESA	23,267
WasteServ Malta Limited	17,527
	<u>40,794</u>

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.

3.2 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 €96,972, the balance confirmed by WasteServ Malta Limited was credit amount of €800. This resulted in a discrepancy of €97,772. Upon further investigation, it was identified that as at date of audit fieldwork, WasteServ Malta Limited has not posted various invoices pertaining to April 2022 to December 2022 in its system amounting to €80,245 and included the overdue invoices for 2021 which amounts to €17,527, hence resulting in the difference identified.

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.

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,



