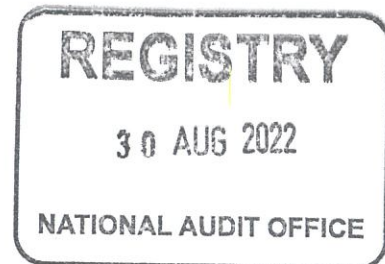


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Our ref: MB/mf/114222
24 August 2022



Dear Sir,

Financial statements for the year ended 31 December 2021

During the course of our audit for the year ended 31 December 2021 we have reviewed the accounting system and procedures operated by your 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

The council once again failed to obtain audited financial statements of the Joint Committee (refer to note 2.3).

1.2 Trade payables

Once again we identified irregularities in deferred income (refer to note 5.5).

We still identified debit balances on the creditor's list (refer to note 5.3).

1.3 Trade receivables

We still identified long overdue trade receivables (refer to note 4.1).

2 Income

LES administration fees

2.1 During our audit fieldwork we tested income from LES administration fees by comparing report 483 generated from the Loqus system and the amounts in the books of account. We found that the amount in the books of account is understated by €1,584 due to the wrong posting of a credit note which should be posted under other government income account. The audit reclassification adjustment was approved by the council and was properly presented in the audited financial statements.

2.2 We recommend that the council regularly reconciles invoices with the 483 report to ensure accuracy and completeness.

Joint Committee

- 2.3 We also noted that Attard Local Council formed part of the Birkirkara Joint Committee up to 31 August 2011.
- 2.4 We have obtained the last audited financial statements of the Birkirkara Joint Committee and noted that reserves of the committee only amount to €5,229. To this end our audit report was not qualified as the amount to be divided between all committee members would not be material.
- 2.5 Nevertheless, we recommend that the council raises this issue with the Department for Local Government and ensures that the joint committee is liquidated, and that the council receives any further income that may be due to it.

3 IFRS 16

IFRS 16 Lease Workings

- 3.1 When reviewing the IFRS 16 related balances and disclosures during the year, we noted several differences below.

Account Description	Amount Per Audit €	Amount Per Books €	Difference €
Interest expense on lease liability	199	515	(316)
Depreciation expense	8,257	10,303	(2,046)
Lease liability	2,821	4,535	(1,714)
Right-of-use asset, net book value	2,752	-	2,752

No adjustments were made on the differences noted as they are considered immaterial. Furthermore, the outstanding balances will be nil in 2022 as this is the end of the lease contract.

- 3.2 We recommend that the council regularly perform assessment on its lease agreement and IFRS 16 lease assessment for the accuracy of the recorded IFRS 16 related accounts.

4 Trade receivables

Overdue trade receivables

- 4.1 The books of account includes the following overdue receivables for which no provision was made in the books of account:

Debtor	€
Brandon Briffa	233
De Trafford	466
Globe Stationers	80
George Farrugia & Sons	840
Higher Grades	47
LESA	768
La Piazzetta	116
Miracle Foods	350
Era Monitoring Unit	700
Go Plc	9
Maltco Sandro	250
Regjun Xlokk	5
Santa Lucia	280
Vella Violet	20
Maris Young	932
	5,096

- 4.2 The council should regularly review overdue receivables for recoverability and if so, chase these debtors by sending 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 a meeting.

Accrued income

- 4.3 During our testing, based on contract reference ALC03/2021, the Local Council has been allocated a grant amounting to €353,091 (excluding VAT) for the set-up of Tourism Cultural Information Centre at Gnien Stazzjon in Attard. In which 80% of the project will be funded by EU while the 20% is from the Local Council's fund.

During the year, the Local Council recorded an amount of €83,329 as part of its fixed assets. However, as per the Local Council's representation and based on review of the documents provided, the project has not started yet as at 2021 and the balance recorded of €83,329 pertains to advance payments made to start the works on this project. Hence, the audit team proposed to reclassify 80% of the balance amounting €66,663 to accrued income, as this is funded by EU while the 20% amounting €16,666 to prepayments as this is the portion funded by the Local Council. The audit reclassification adjustment was approved by the council and was properly presented in the audited financial statements.

- 4.4 We remind the council that the books of account review the appropriateness of the nature of the accounts recorded.

5 Trade payables

Trade creditors

- 5.1 Upon testing the aged creditors account of the Local Council, we have noted a difference of €393 from the creditors list and the trial balance provided. We asked for the reconciliation on this difference, however, the Local Council has failed to give us the reason for the difference. We did not propose an audit adjustment to correct this discrepancy since the difference was not deemed to be material.
- 5.2 We recommend that the council investigates all debit balances in the creditors' list since they may arise from overpayments or omitted invoices. In addition, these balances should also be disclosed separately with other receivables rather than set off against trade creditors. This was properly reflected in the financial statements but not reflected in the books of account. In this regard an audit reclassification was passed to agree the books of account with the audited financial statements.

Debit balances in creditors' list

- 5.3 The council's creditors' list at the end of the year includes debit balances amounting to €1,205. Details of the debit balances are presented below:

Debtor	€
Atoz Electronics	5
Azzopardi Bros Limited	33
Attard Bros	9
CVA	10
Island Beverages Co. Ltd.	4
Go Plc	1
Strand Electronics	10
ARMS Limited	1,133
	<u>1,205</u>

- 5.3 We recommend that the council investigates all debit balances in the creditors' list since they may arise from overpayments or omitted invoices. In addition, these balances should also be disclosed separately with other receivables rather than set off against trade creditors. This was properly reflected in the financial statements but not reflected in the books of account. In this regard an audit reclassification was passed to agree the books of account with the audited financial statements.

Deferred Income

- 5.4 During our testing on deferred income, we noted that balance of €14,931 is still presented as deferred income even though the project Triq il-Katlan Project of the Local Council is completed during the year. To correct, the audit team proposed an adjustment to reclassify this balance under capitalised grants to be presented as part of property, plant and equipment of the Local Council. The audit adjustment were approved by the council and were properly presented in the audited financial statements.
- 5.5 We recommend that the council records a deferred income once the money has been approved and received and then released either to income or fixed assets as required under the capital approach as specified by Directive 1/2017. This would also ensure that a proper depreciation calculation is being calculated.

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 Ms Marica Mifsud and her staff for their co-operation and assistance during the course of the audit.

Yours faithfully,

