

The Mayor
Attard Local Council
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26 April 2023

Dear Sir,



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 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

We still identified debit balances on the creditor's list (refer to note 6.1).

1.3 Trade receivables

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

1.4 IFRS 16

We still identified irregularities on the application of IFRS 16 (refer to note 3.1).

2 Income

Revenue from Wasteserv

2.1 The council bills Wasteserv on a monthly basis for the cost incurred on the organic waste collection at a maximum rate of €1,078 per collection.

We have obtained the monthly invoices issued to Wasteserv and noted that the December 2022 invoice amounting to €13,345 was not recorded as part of income.

Furthermore, we also noted that the billings starting March 2022 were understated since the management fee discounts granted by the service contractor to the council

were also passed on to Wasteserv. The total understatement amounted to €7,751. Audit adjustments to record the additional income were approved by the council.

- 2.2 We recommend that the council prepares a monthly checklist of all recurring transactions which needs to be recorded in the accounting system to ensure completeness of transactions every month. In addition, when seeking approval of the invoice to be issued to Wasteserv, we recommend to attach the billings from the service contractor to ensure the accuracy of the amount charged.

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 €
Lease liability	-	4,535	(4,535)
Interest expense on lease liability	13	-	13

As at December 31, 2022, the lease liability should be equivalent to nil since the council no longer entered into a long term lease agreement for its office space. An audit adjustment was proposed to eliminate the balance and was approved by the council.

- 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	€
LESA	768
Maris Young	466
George Farrugia & Sons	420
Globe Stationers	160
Santa Lucia Confectionery	140
Semplicemente Italiano	80
Higher Grades	47
Vella Violet	20
Receivables without provision	<u>2,101</u>
Era Monitoring Unit	700
Miracle Foods	350
De Trafford	349
La Piazzetta	116
Regjun Xlokk	5
Regjun Nofsinhar	5
Receivables with provision	<u>1,525</u>
Total long overdue receivables	<u>3,626</u>

- 4.2 Based on the council's representation, the receivables without provision can still be recovered since they have already chased these debtors and have committed to pay for the balances.

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.

5 Property and equipment

Non capitalizable assets

- 5.1 Upon examining the invoice from the contractor, we noted that there were transactions amounting to €12,755 related to the maintenance and reinstatement of existing culverts and extension of culverts in Triq Il-Mosta which are not qualified as capitalizable cost based on *LAS 16:Property, plant and equipment*. The council agreed to record the transaction as expense.

Furthermore, the project has a related grant from Infrastructure Malta. The council approved to record the grant equivalent to €12,755 as income instead of capital grant.

Capitalizable assets

- 5.2 We obtained samples from the professional fees nominal account and noted that there were transactions related to the following activities:

Professional fees for the:	€
Set-up of Tourism Cultural Information Center at Gnien Stazzjon	6,490
Maintenance and reinstatement of existing culverts and extension of culvert in Triq Il-Mosta	2,863
Other construction projects	3,679
	<u>13,032</u>

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.

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

6 Trade payables

Debit balances in creditors' list

- 6.1 The council's creditors' list at the end of the year includes debit balances amounting to €1,336. Details of the debit balances are presented below:

Supplier	Amount €
ARMS LIMITED	903
LESA	219
INSPIRATIONS LTD - THE ATRIUM - MRIEHEL	105
MELITA CABLE T.V.	90
CVA	10
ProMan Limited	9
	<u>1,336</u>

- 6.2 The council is aware of the debit balances and explained that these are either overpayments or advanced payments to the suppliers that are being deducted when they receive the billings from the supplier.

Based on its nature, these balances should also be disclosed separately with other receivables rather than set off against trade creditors. In this regard an audit reclassification was passed to present the balances as part of other receivables. This was properly reflected in the financial statements.

7 Beginning balance

7.1 We obtained the opening trial balance of the council and compared these to the prior year audited balance. We noted differences especially on the retained earnings balance due to double posting of prior year audit adjustments.

Account description	Classification	2022 Opening balance	2021 Audited balance	Difference
		€	€	€
Retained earnings	Fund balance	(351,834)	(340,148)	(11,686)
Payables	Liabilities	(18,883)	(18,874)	(9)
Lease liability	Liabilities	5,750	(4,535)	10,285
Accumulated depreciation	Non- Current assets	487	(923)	1,410
computer software		(364,480)	(364,480)	-

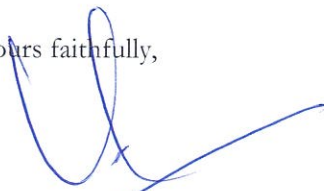
7.2 Prior to closing the retained earnings account in the accounting system, we recommend for the council to ensure that balances are reconciled with the audited figures.

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 cooperation and assistance during the course of the audit.

Yours faithfully,



Mark Bugeja