

*Auditor General*

Our Ref: NAO 107/2021/10  
Your Ref:

5<sup>th</sup> September 2022

The Mayor  
Zejtun Local Council  
Zejtun


Dear Sir/Madam,

**AUDIT REPORT and FINANCIAL STATEMENTS  
YEAR ENDING 31 DECEMBER 2021**

In terms of Section P2.06 (c.02) of the Local Councils (Audit) Procedures 2006, I am forwarding a copy of the Audit Report and Financial Statements, together with the Management Letter for the financial year ending 31 December 2021.

After seeking the Local Council's approval, you are kindly requested to submit your response to the Director (Monitoring & Support) Local Government Division, the Local Government Auditor, and to this Office as stipulated in Section P2.06 (d) of the same Procedures, by not later than six weeks following receipt of this letter.

Yours faithfully,



**C. Deguara**

Encls.

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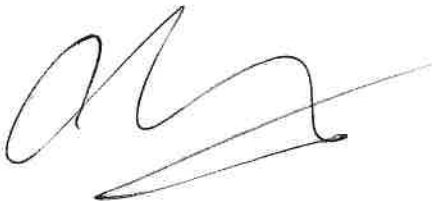
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The Mayoress  
Zejtun Local Council  
28, Dar iz-Zwieten  
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Our ref MB/mf/114122

2 August 2022

Dear Madam,

### **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 Zejtun Local Council (the "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 inform you that we did not note any issues in relation to general income, other government income and accrued income.

We recommend that the council raises issue on Joint Committee with the Department for Local Government and ensures that the committee is liquidated, and that the council received any further income that may be due to it. The issue on Zejtun Joint Committee is still outstanding (refer to note 2.1 to 2.3).

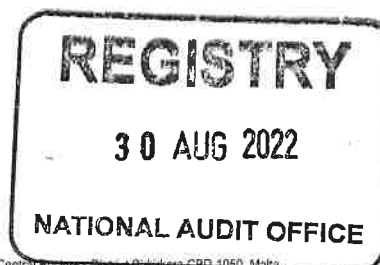
##### **1.2 Expenditures**

In prior year, we recommended that council to reviews all lease contracts in place and considers the impact of IFRS 16 'Leases' on the council's financial statements and adjust if the need arises.

We again noted issues on rent expense (refer to note 3.1 and 3.2)

##### **1.3 Property, plant and equipment**

We are pleased to inform you that we did not note any significant issues in relation to the local council's fixed asset register reconciliation, fixed asset additions, obsolete assets, and depreciation reconciliation.





However, we again noted issues on grants deducted in fixed asset in which we recommended in 2020 that the council ensure that the grant received should be matched on the account which the cost of the assets is recorded. In this manner the cost of the asset would be clearly identifiable, whilst ensuring a clear trail as to which projects the amounts received were utilised for (refer to note 4.1 to 4.3)

## 1.4 Debtors

We again noted issues raised in 2020 on debtors such as the reconciliation of LES receivable with Loqus, recoverability assessment of overdue receivables and regular reconciliations of amounts due to debtors (refer to note 5.1 to 5.6)

## 1.5 Creditors

We again noted issues in relation to supplier statements in which we recommend that the council keeps on chasing its suppliers for regular statements. This will ensure that the council's creditors are properly recorded in the accounts and that any differences or disputes are highlighted promptly (refer to note 6.1).

## 1.6 Bank and cash

We are pleased to inform you that we did not note any issues in relation to bank and cash.

## 2 Income

### Joint Committee

2.1 We noted that the Zejtun Joint Committee, of which Zejtun local council formed part up to 31 August 2021, has provided audited financial statement for the year ended 31 December 2014.

2.2 The reserves of the committee at that date amount to €840,665. We were unable to determine whether the council is entitled to receive any further income from the Joint Committee. As a result, our audit report has been qualified.

2.3 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 Expenditure

### Rent Expense

3.1 Whilst performing audit procedures we noted that the council recorded a rent expense amounting to €1,425 in the books of account. We noted that the council did not account this amount in accordance to IFRS 16 'Leases'. The council also failed to provide us with an assessment of leases in line with the new standard. However, given that the effect on the financial statements was not deemed to be material, no adjustments were proposed from our end.

3.2 We recommend that the council reviews all lease contracts in place and considers the impact of IFRS 16 'Leases' on the council's financial statements and adjust if the need arises.



## **4 Property, plant, and equipment**

### **Grants**

- 4.1 Whilst reviewing property, plant, and equipment grants, we noted that the council recorded grant for the 'Measure 19.2 – Rehabilitation and embellishment of a part of the central area of Gnien San Girgor' amounting to €25,074.50, which is not yet paid by the Central Government, under Assets under Constructions account. However, per confirmation of the accountant and executive secretary, the project is done already in 2020 which is recorded under Special Programmes account. We have proposed an audit adjustment to deduct this grant under special programme account in which the project for this grant was recorded and to properly present in the audited financial statements.
- 4.2 Further, we also noted upon testing that the council received additional co-financing grant on 15 May 2021 for the 'Measure 19.2 – Rehabilitation and embellishment of a part of the central area of Gnien San Girgor' amounting to €28,427.22. Half of the amount was received by the council in 2021. The council recorded it as grants under Assets under Construction account, however, project for this has not been started as of 31 December 2021. We have proposed an adjustment to record half of the grant received as deferred income and reverse the entry on the unpaid portion of grant.
- 4.3 We recommend that the council should ensure that the grant received should be matched on the account which the cost of the assets is recorded. In this manner the cost of the asset would be clearly identifiable, whilst ensuring a clear trail as to which projects the amounts received were utilised for.

## **5 Debtors**

### **LES receivables**

- 5.1 According to report 622 issued from Loqus, the council's tribunal payments for the pooling period up to 31 August 2011 is €322,432.02. No amount is recognised as an LES receivable in the 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.
- 5.2 We recommend that the 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 council's books.

### **Overdue receivables**

- 5.3 The council's books of account include the provision for doubtful debts of €11,892.85 for the long-outstanding balances more than 180 days.
- 5.4 Even all the long outstanding balances are fully provided of allowance, the council should ensure that the balances are valid and, if so, pursue these debtors by sending them reminders for the long overdue amounts.

**Confirmation of debtors**

- 5.5 As part of our audit procedures we circularised confirmation letters to selected debtors. We noted the following discrepancy between the council's books of account and the confirmation letters which were received.

Debtor	Amount in council's books of account €	Amount in confirmation reply €	Difference €	Notes
WasteServ Malta Ltd	20,316.78	4,983.29	15,333.49	(a)

- (a) It was noted that invoices 261, 268 and 267 which amounted to €15,333.20 were not included in the WasteServ Malta Ltd statement. These invoices were issued by the council to WasteServ Malta Ltd on 31 October, 30 November, and 31 December 2021, respectively.

- 5.6 We recommend that, as with all debtors, regular reconciliations of amounts due are prepared to promptly highlight any differences.

**6 Creditors**
**Supplier statements**

- 6.1 It was noted that once again, the council did not obtain monthly and year end statements from all suppliers. Memos and circulars issued from time to time by the Department specifically emphasise that every council should acquire monthly statements from all its suppliers.
- 6.2 We understand that the council does make effort to obtain statements from its suppliers and that sometimes it is difficult to obtain monthly statements due to suppliers' inefficiency. However, we recommend that the council keeps on chasing its suppliers for regular statements. This will ensure that the council's creditors are properly recorded in the accounts and that any differences or disputes are highlighted promptly.

**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 Anton Falzon and his staff for their co-operation and assistance during the course of the audit.

Yours faithfully,



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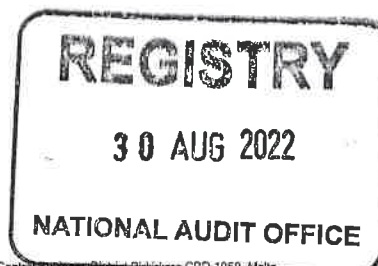
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