

The Mayor
Zejtun Local Council
28, Dar iz-Zwieten
St Angelo Street
Zejtun

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

T +356 20931000
www.grantthornton.com.mt

Our ref: MB/mf/103523

22 May 2023

Dear Madam,



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 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

The Zejtun Local Council formed part of the Zejtun Joint Committee up to 31 August 2011.

We have obtained the last audited financial statements of the Zejtun Joint Committee and noted that the reserves of the committee only amount to €2,672. To this end, our audit report was not qualified as the amount to be divided between all committee members would not be material.

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.

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 2.1 and 2.2)

1.3 Property, plant and equipment

We again noted issues on grants deducted in fixed asset in which we recommended in 2021 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 3.1 to 3.2)

1.4 Debtors

We again noted issues raised in prior year 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 4.1 to 4.2)

2 Expenditure**Rent Expense**

2.1 Whilst performing audit procedures we noted that the council recorded a rent expense amounting to €4,534 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.

2.2 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.

3 Property, plant, and equipment**Grants**

3.1 We 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 and the council recorded it as grants in the same year under Assets under Construction account, however, project for this has not been started as of 31 December 2022.

We have proposed an adjustment to record half of the grant received as deferred income.

3.2 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.

Reconciliation of financial statements to fixed asset register

- 3.3 During our fieldwork, we noted that the fixed asset register provided does not agree to the audited financial statements. The following is a summary of the differences:

| | NBV in fixed asset register | NBV in the financial statements | Difference |
|--------------------|-----------------------------|---------------------------------|------------|
| Fixed asset totals | 1,554,528 | 1,628,480 | -73,952 |

| | Depreciation in fixed asset register | Depreciation in the financial statements | Difference |
|--------------------|--------------------------------------|--|------------|
| Fixed asset totals | 237,750 | 249,063 | -11,313 |

- 3.4 We recommend to the council to investigate and reclassify the variances identified between asset categories in the financial statements and the fixed asset register.

4 Debtors

LES receivables

- 4.1 According to report 622 issued from Loqus, the council's tribunal payments for the pooling period up to 31 August 2011 is €273,026.20. 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.
- 4.2 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.

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,

