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Our ref:

___ May 2024

Dear Sir,

Financial statements for the year ended 31 December 2023

During the course of our audit for the year ended 31 December 2023, we have reviewed the accounting system and procedures operated by Tarxien 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 Unsupported 5-a-side football ground balances

In previous year’s management letter, we noted that the Council provided us with the unaudited management accounts of the joint venture for the year ended 31 December 2019. Since 2020 and up until during the year under review, we were not provided with the audited or unaudited management accounts. As a result, our audit report has been qualified.

1.2 Joint Committee

The Tarxien 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.

1.3 Supplementary Government Income

In the prior year testing of supplementary government income, we noted that the Council received an amount of €9,735 in 2022. The amount forms part of a grant from Agenzija Komunita Malta for the purpose of carrying out various projects in the Tarxien locality. This was used by the Council for the restoration of eleven benches and gazebo in the Tarxien locality.

The Council recorded the amount as revenue instead of grants which are deducted against the cost of the capitalised property, plant and equipment. We reminded the Council that grants relating to the purchase of property, plant and equipment are accounted for using the capital approach and are thus deducted from the carrying amount of the relative property, plant and equipment.

We are pleased to note that we have not noted any issues on Grants received during the year.

1.4 **Fixed assets**

Fixed asset classification

In prior year, we noted that certain fixed assets are not being classified under the appropriate fixed asset category. We suggest that the council updates its fixed asset register and classify assets appropriately. This would ensure that the council is calculating depreciation using the appropriate depreciation rate and thus showing the correct net book value.

We are pleased to inform that there are no differences identified between the fixed assets accounting records, the fixed asset register and the unaudited financial statements.

Recognition of grants received

In prior year, the Council received grants from the Norwegian Financial Mechanism 2014-2021 (Norway Grant) related to office furniture and fittings of €13,317. The grant was classified in Special Programs in Property, Plant and Equipment instead of Office Furniture and Fittings. Additionally, the council was also awarded a grant of €30,000 for winning First Runner Up in the 'Permanent Sustainable Mobility Measures Competition' launched by Transport Malta. We noted that the Grant and the additions to Motor Vehicles of €30,000 was not included in Property, Plant and Equipment. We suggest that the council allocates its grants appropriately and reminded the Council that grants relating to the purchase of property, plant and equipment are accounted for using the capital approach and are thus deducted from the carrying amount of the relative property, plant and equipment, and should not be depreciated.

We are pleased to inform that these transactions were classified appropriately during the year.

1.5 **Trade and other receivables**

In the prior year, we noted that the receivable from Environment & Resources Authority (ERA) amounted to €13,169 whilst balance per confirmation reply is €8,531. We have proposed an adjustment of €4,638 to correct the amount of receivable from ERA. We reminded the Council to have a regular reconciliation of the balances with counterparties to ensure that the balances in the books of accounts are accurate.

We are pleased to note that we have not noted any issues on debtors' balances during the year other than the amount due from Loqus IT system.

Debtors in Loqus IT system are more than LES debtors recorded in the Council's books of account (refer to note 2.1).

1.6 Trade payables

We again identified long-outstanding creditors in the Council's books of account (refer to note 3.1).

2 Trade and other receivables

Pre-regional receivables

2.1 In last year's management letter, during the testing of pre-regional receivables, we noted a balance of €86,738 in the Council's books whilst report 622 shows a balance of €211,523. This results in a difference of €124,785 for which the Council did not provide us with any explanation. We did not propose an audit adjustment 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.

2.2 We would like to remind the Council that it is the Council's responsibility to investigate these differences and refer them to Loqus.

3 Payables

Long outstanding creditors

3.1 We again noted that the Council has kept the following balances in other creditors.

(a) An amount of €2,446 relating to an audit adjustment passed by the previous auditor in 2010. The Council could not provide an explanation as to what this adjustment relates to.

(b) A balance brought forward since 2008 of €2,200. This amount is due to Youth Exchanges, however, it has never been claimed.

3.2 We again recommend that the Council investigates the above amounts and, if due, pay them. Furthermore, decisions and discussions regarding these balances should be noted during the Council meetings.

4 Salaries and allowances

Salaries and allowances classification

4.1 During the year, we noted that the unaudited financial statements do not reflect the correct classification of the salaries and allowances according to the reported FS filings to the Internal Revenue.

4.2 We recommend that the Council monitors and keeps record on the actual classification and posting of the salary expenses accordingly to avoid incorrect disclosure in the financial statements.

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 Lianne Cassar and her staff for their co-operation and assistance during the course of the audit.

Yours faithfully,

DRAFT