



# Grant Thornton

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The Mayor  
Marsaxlokk Local Council  
2, Triq Vittorjo Cassar,  
Marsaxlokk MXK

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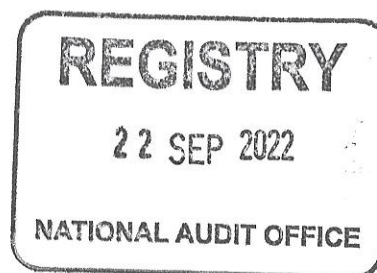
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Our ref MB/cs/117822

2 September 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 Payroll**

We have not noted any material differences in the reconciliation of wages between FS5s and books of account.

#### **1.2 Upkeep of fixed asset register**

We are pleased to note that council has rectified this issue during the year under review.

#### **1.3 Tagging of fixed assets**

The council has rectified this issue.

#### **1.4 Additions to fixed assets, procurement procedures and expired tender**

Whilst testing additions to fixed assets we have noted that the council failed to obtain the necessary approvals, procurement procedures are not followed and the use of expired tenders. (refer to note 2.1).

#### **1.5 Garnishee order**

The garnishee order is still recorded in the books of account (refer to note 3.3).

#### **1.6 Pre-regional LES debtors**

We have once again noted an issue with respect to pre-regional LES debtors (refer to note 3.1).

### 1.7 **Accrued legal expenses**

The council did not obtain the final judgement for the pending court case thus legal expenses have been left with accruals (refer to note 4.3).

### 1.8 **Schedule of payments**

We have not come across any irregularities with respect to schedule of payments.

### 1.9 **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).

## 2 **Fixed assets**

### **Additions to fixed assets, procurement procedures and expired tenders**

- 2.1 During the audit fieldwork we noted that the following additions to fixed assets have no indication in the minutes of meetings that these additions are specifically approved, only approval through the monthly schedule of payments was noted.

Item No.	Supplier	Description	Amount
99132	MEPA	PA application CC	13,418.56
98791	N003	Decorative lantern - St Catherine Str	6,840.00
98151	STERAUTO	Citroen C4 Picasso GBR417	4,950.00
99784	ELBROS	Concrete pots	4,543.00

We recommend that proper approval of the fixed asset additions through minutes of meetings to serve as evidence that these have been discussed and duly approved by the council.

- 2.2 Our testing on fixed additions revealed the below irregularities for the following listed fixed asset additions:

Item No.	Supplier	Description	Amount	Notes
98791	N003	Decorative lantern - St Catherine Str	6,840.00	(a)
99897	7558	Dog park application	2,738.72	(b)
99116	PERROB	Community centre prof fees	2,296.72	(b)
99010	PERROB	Drawings - gym area	1,192.83	(b)

- (a) It was noted that the council was using services provided by Nexos Street Lighting for street lighting in the locality of Marsaxlokk even though the contract had expired. We were also notified by the council that the tender will be issued at regional level. To date of the audit fieldwork no tender has been issued.
- (b) It was noted that the council was still using services provided by Robert Grech in relation to a tender granted in 2017.

### **3 Receivables**

#### **Pre-regional LES debtors**

- 3.1 In our testing on LES debtors, we obtained report 622 generated from the Loqus system and found that tribunal pending payments as at 31 December 2021 were €94,166.95. In the previous year, the council had passed an entry of €49,890.63 against LES debtors to agree the books with the LES report and the audit team have proposed an adjustment to reverse the entry passed by the council as there is uncertainty as to whether the LES reports are correct, such reversal was not passed in the local council's books of accounts. Thus the balance per books of the LES debtors amounted to €49,319, a difference of €44,848 with the amount as reported in the report 622. We have proposed the adjustment to agree to the LES report.
- 3.2 We would like to remind the council that it is the council's responsibility to investigate these differences and refer them to Loqus.

#### **Garnishee order**

- 3.3 As noted in our previous management letter, other debtors include the amount of €2,808.36 with respect to a garnishee order dated 2008. The latter was served on the council by Dr Gaetano. During 2017, audit the executive secretary informed us that it was released by the Joint Committee in 2014. If the garnishee order was released, it should have been adjusted for in the council's books of account.
- 3.4 We strongly advise the council to investigate the matter and verify whether the garnishee order was released. Once established and supported by documentary evidence, the council should adjust its books of account.

### **4 Trade and other payables**

#### **Long-outstanding creditors**

- 4.1 The council's creditors' list includes a long overdue balance of €1,706.72 due to Progressive Solutions Ltd.
- 4.2 We recommend that the council reviews this amounts and, either settles it if still due, or else reverses it after having obtained approval from the council. Furthermore, decisions and discussions regarding these balances should be minuted during the council meetings.

### **Accrued expenses**

- 4.3 In 2018, we noted that the council's list of accruals includes €17,381 in relation to legal expenses. We were informed that the council had a court case dating back to 2013. The parties involved are Mr Derek Fenech, Mr Jason Carabott, Enemalta Corporation and Marsaxlokk Local Council. The court case was filed due to a traffic accident which took place in Marsaxlokk. On 16 October 2018 the court decision stated that the total damage of €52,142 should be equally divided by Mr Fenech, Mr Carabott and Marsaxlokk Local Council. The council has filed an appeal in court. However, the final judgement has still not been given. In 2020 and 2021, we have again noted that the accrual for legal expenses is still included in the accruals list. The council informed us that the final decision was not decided by the courts. Thus, the accrual will be carried forward until the final judgement.
- 4.4 We advise the council to review this amount after the final judgement has been received and reflect the decision in the books of account.
- 4.5 The council should endeavour to compute accruals as accurately as possible so that expenditure is recorded in the correct financial period based on the accruals concept of accounting. We also recommend that the council distinguishes between accruals and creditors to correctly disclose liabilities in the financial statements.

## **5 Government Allocation**

- 5.1 The council failed to apply for the additional government fund allocation for Tourism Zones and Adjustment Fund for under € 11,000 in 2020 Total Allocation, amounting to € 7,000 and € 14,970, respectively.
- 5.2 We would like to remind the Council to review this allocation and ensure that timely application of the Funds available be made from their end. We would like to point out that it is the council's responsibility to investigate these matter.

## **6 Income**

### **Joint Committee**

- 6.1 We noted that the Zejtun Joint Committee, of which Marsaxlokk local council formed part up to 31 August 2021, has provided audited financial statement for the year ended 31 December 2014.
- 6.2 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.
- 6.3 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.

### **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 as 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 Carmel Attard and their staff for their co-operation and assistance during the course of the audit.

Yours faithfully,

