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Our ref: MB/bb/109424

13 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 your 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 Classification differences were noted in the fixed asset register. The council has rectified the issue during the year under review.
- 1.2 In 2022, we recommended that the council reconciles the creditors' list with the creditors' control account. We again noted a shortcoming in the trade and other payables reconciliation – see point 2.
- 1.3 In 2022, we recommended that the council take the matter up with Loqus concerning its LES receivables. This is to determine what the correct balance is and then consider whether an adjustment should be passed in the council's books. We again noted that the council has still not communicated with Loqus - see point 3.
- 1.4 We again noted a shortcoming in Wasteserv reconciliation – see point 4.
- 1.5 In 2022, we recommended that the council includes account numbers in the petty cash summaries to ensure payments are correctly allocated in the books of account. We again noted that the council has still not rectified the issue during the year under review – see point 5.



## **2 Payables**

### **Unaccounted variance per aging and trial balance**

- 2.1 During the audit testing on creditors, we noted that the creditor's aging generated from the system includes an unaccounted variance of €7,926.66. Upon the manual review and reconciliation of the Council, the variance was eventually reduced to an immaterial amount.
- 2.2 We recommend that the Council regularly review and reconcile the creditor's aging report to the system trial balance.

### **Trade creditors**

- 2.3 During our review of the trade creditors of the Council, the remaining balance due to Urban Furniture per Council's books amounts to €3,044 however, based on the creditor's confirmation reply, the council's payable balance is €1,298. An audit adjustment was passed for the difference of €1,746 and accepted by the council.
- 2.4 We reiterate our recommendation that the Council should reconcile creditors' balances on a regular basis. We refer to the Procedures and circular 1/2021 which state that councils should obtain monthly statements in order to reconcile balances with the accounts.

## **3 Receivables**

### **LES receivables**

- 3.1 According to report 622 issued from Loqus, the council's tribunal payments for the pooling period up to 31 August 2011 is €87,429.52.08. 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.
- 3.2 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.

## **4 Wasteserv reconciliation**

- 4.1 During the audit testing on creditors, we noted that the Council's creditor balances related to Wasteserv has initial variance amounting to €29,158 when verified to the Wasteserv transactions statement. Upon performing a reconciliation exercise, the council booked an additional expense amounting to €15,666 relating to omitted Wasteserv invoices. The variance was eventually reduced to an immaterial amount of €13,492 which is due to the timing difference in the posting of invoices.
- 4.2 We again emphasise the importance of obtaining the supplier statements and regular reconciliation of the balances with the suppliers. We also recommend that the council maintains frequent communication with Wasteserv to agree any recordable transactions occurring on both sides.

**5 Expenditure****Petty cash payments**

- 5.1 We noted that the petty cash summaries do not include all the necessary details, namely account numbers. This lack of information renders it difficult to identify to which nominal accounts the expense was allocated to.
- 5.2 We recommend that the council includes account numbers in the petty cash summaries to ensure payments are correctly allocated in the books of account.

**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 the Marsa Local Council staff for their co-operation and assistance during the course of the audit.

Yours faithfully,

