

The Mayor  
Dingli Local Council  
Community Centre  
Dahla tas-Sienja  
Dingli  
Malta

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Our ref MB/mf/92822

15 July 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**

##### **Income**

##### **LES Administration fees**

- 1.1 Due to the amount not being material, we have not performed specific procedures on the income from administration fees. However we have noted a discrepancy in the LES administration fee receivables of € 9,181 which has to be investigated and resolved (refer to note 6.1).

##### **Other supplementary government income**

- 1.2 Although the error noted in the previous year has been resolved, some other adjustments were deemed necessary this year (refer to note 2.1).

##### **Income from central government**

- 1.3 We have not noted any significant discrepancies in the income from central government and all issues from prior year have been resolved. However we have not yet received sufficient explanation for a difference of € 3,000 between the government allocation and the amount recorded in the books (refer to note 2.3).

##### **Payroll and councillors' allowances**

- 1.4 With the exception of an adjustment for wage allowances (refer to point 5.9 below), we have not noted any other significant discrepancies in payroll and councillors allowances.

REGISTRY

- 3 AUG 2022

Certified Public Accountants

Member firm of Grant Thornton International Ltd

A list of partners and directors of the firm is available at Fort Business Centre, Triq L-Intornjatur, Zone 1, Central Business District, Birkirkara CBD 1050, Malta

**Rent expense**

- 1.5 The Council is still not recording its rental obligations in accordance with the requirements of IFRS 16 (refer to point 3.1 below).

**Fixed asset register**

- 1.6 We again note the same deficiency as in our previous management letter for 2020 (refer to points 4.1 and 4.2 below)

**Trade and other payables: confirmation and reconciliations**

- 1.7.1 Regular reconciliation with supplier statements is required to avoid omissions and discrepancies that go unresolved. Certain errors have again been noted below (refer to points 5.1, 5.2 and 5.7).
- 1.7.2 We have again noted significant amounts still due to creditors (refer to point 5.3 below)

**Trade and other payables: confirmation and reconciliations**

- 1.8.1 The discrepancy in the Pre-regional LES debtors has not yet been resolved and differences have been reported again in this management letter (refer to point 6.1 below).
- 1.8.2 Long outstanding debtors are reported again in this management letter (refer to point 6.3 below).
- 1.8.3 The balance with Wasteserv could not be confirmed again this year but no significant difference is expected on this account in view of Wasteserv accounting records not being up-to-date and hence considered to be unreliable.

**Bank and cash**

- 1.9 No particular issues of a financial nature were observed to have been brought forward from the previous year except for additional points made in this management letter (refer to points 7.1 and 7.3 below).

**2 Income****Other supplementary Government income**

- 2.1 During the year under review, we noted that an amount of €2,274 relating to the Students Placement Programme was recorded under Other Supplementary Income. When the council received payment from MITA, the amount was credited to Other Government Income instead of allocating such amount to the particular invoice in the debtor's account.
- 2.2 We recommend that the council reviews the amounts recorded in the various revenue accounts to ensure that only those transactions pertaining solely to income are recorded as revenue.
- 2.3 During our testing of the annual government contribution we have noted that the council has recognised an total government income amount of € 3,000 less than the total allocation due to the Council. This difference pertians to the 'Adjustment Fund for under 11,000 in total allocation from 2020'.

- 2.4 It is recommended that reconciliations to total allocations from the government are done on a regular basis to identify possible instances of omission or mis-postings. In the absence of appropriate documentation, the Council should contact the appropriate government officials to investigate on whether such amount was effectively paid or still due and appropriate action taken.

### **3 Expenditure**

#### **Rent expense**

- 3.1 The council recorded a rent expense amounting to €1,405 in the books of account. We noted that the council did not account for this amount in accordance with IFRS 16 'Leases'. The council also failed to provide us with an assessment of leases in line with this 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.

### **4 Fixed assets**

#### **Fixed asset register**

- 4.1 It was noted that the council still keeps a fixed asset register on Excel workbooks and not on the council's accounting software and therefore the depreciation is being calculated using Excel and not through the council's accounting software.
- 4.2 On the other hand it was also identified that the fixed asset register does not contain complete details such as reference numbers, invoice numbers, suppliers' details or location of all assets thus posing difficulty in the identification of specific assets.

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

- 4.3 Individual assets cannot be traced from the register to the councils' premises and locality.
- 4.4 As pointed out in our prior years' management letters, the fixed asset register must at least include the following details:
- Description of asset
  - Date of purchase
  - Supplier details
  - Invoice number
  - Asset tag code (where applicable)
  - Cost
  - Depreciation method and rate
  - Location of the asset
  - Grants received
- 4.5 We suggest that the council updates its fixed asset register with full details and categorises assets appropriately. This will ensure that assets can be easily identified and further ensure that the depreciation calculated is correct

## 5 Trade and other payables

### Trade payables

- 5.1 We have again noted that the council failed to request monthly statements from all suppliers so that reconciliation of balances with the accounting records can be performed regularly.
- 5.2 Reconciliation to supplier statements are essential, especially for those suppliers with whom the council has more activity. The council should make sure that reconciliations are done on a regular basis and any differences investigated and resolved.

### Long outstanding creditors

- 5.3 The council's creditor list includes the following balances which have been outstanding for more than one year:

Creditors	€
Bonnici Brothers	51,810
WM Environmental Ltd	28,226
WasteServ Malta	10,589
MicaMed Ltd	8,857
Asfaltar	8,567
BAVA Holdings Ltd	7,623
Carmel Gauci	1,900
Bargains Shop	1,201
J.C. Land Measurements Services	800
Koperattiva Tabelli u Sinjali	670
Faith Garage	454
Intercomp	418
ARMS G'nien il-Familja - William Reid	369
M&N Camilleri	260
Margaret Sammut	133
St Mary Self Service	92
GO	78
Arms – Store	77
EPIC Communications Ltd	73
Arms CCTV Bring in Sites	25
Nibe Marketing Ltd	13
	<b>122,235</b>

- 5.4 We recommend that the council reviews these amounts and either settles them if still due, or else, reverses them after having obtained approval from the council. Furthermore, decisions and discussion regarding these balances should be minuted during council meeting.
- 5.5 In addition to the above, the Council has written off an amount of € 8,366 comprising of creditor balances which were not considered to be any longer payable. We have not found any approval for such write-offs in the Council's records. We therefore recommend that the council obtains the necessary approvals for amounts written off and minutes prepared accordingly.

**Confirmation of creditor**

- 5.6 Similarly it was noted that at year-end, the council had a balance still due amounting to €8,567 with Asfaltar Ltd. Upon enquiry, the council explained that this amount is disputed since the council has been chasing the contractor for a certification of works in Triq l-Irdum since 2016, however, to no avail. Following several attempts by the council, to obtain the certification, it was decided by the council that it will not settle the amount due.
- 5.7 The council maintained that an amount of € 7,623 included with a total amount of € 24,741 owed to BAVA Holdings Ltd is disputed as the architect did not certify the full amount of the works performed. We have also noted that the council did not account for another two invoices amounting to €17,119. These invoices were sent by the creditor and included in their statement but not recorded by the Council.
- 5.8 Whilst we understand that the council has a dispute with these creditors, we recommend that the council continues discussions with the creditors to resolve the issue with respect to these balances. Furthermore, the council should then consider whether to settle these amounts or if no longer due, write them off after careful consideration and approval by the council.

**Accruals**

- 5.9 Our testing on accruals revealed that the council's provisions for wage allowances was understated by €8,476. We have proposed an audit adjustment to correct the accrual balance as at year end. This has been approved by the council and was correctly incorporated in the audited financial statements.
- 5.10 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. This ensures that the results for the year are presented fairly

**Deferred income**

- 5.11 During our testing of revenue, we noted that the council received the amount of €3,000 in relation to research study done by Studjurban. Since the project has not yet commenced, the amount received should be credited to deferred income. An audit adjustment was proposed to show this amount as other payables. This has been correctly incorporated in the audited financial statements.
- 5.12 We recommend that the council keeps up to date with all grants received to make sure that the capital approach for grants is adhered to.
- 5.13 During our testing of revenue, we noted that the council received the amount of €13,500 from DLG. However, no further documentation was provided to us and its purpose or nature could not be established. As a result, this was adjusted to deferred income from revenue. An audit adjustment was proposed to show this amount as other payables. This has been correctly incorporated in the audited financial statements.
- 5.14 We recommend that the council keeps up to date with all grants received to make sure that all supporting documentation is in place.

- 5.15 During our testing, we noted that the Council received the amount of € 11,456 in relation to Slow-streets project. Since the project has not yet been completed, the amount received has been credited to deferred income. An audit adjustment was proposed to show this amount as deferred income. This has been correctly incorporated in the audited financial statements.
- 5.16 We recommend that the council keeps up to date with all grants received to make sure that the capital approach for grants is adhered to.

## **6 Trade and other receivables**

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

- 6.1 We noted that the council's receivables at year-end contain pre-regional LES debtors of €15,129 which do not agree to receivables based on the Loqus report (622) of €5,948 and this resulted in the discrepancy of €9,181. The council could not provide a reasonable explanation for this discrepancy. We did not propose any 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.
- 6.2 We recommend the council investigates the difference mentioned above and addresses its queries to Loqus.

### **Long outstanding balances**

- 6.3 Whilst reviewing receivables we noted the following overdue balances:

	€
Department for Local Government	3,972
Malta Public Transport	120
LESA	186
Wasteserve	212
Water Services Corporation	1,858
	<u>6,348</u>

- 6.4 We recommend that the council regularly reviews overdue receivables for recoverability. The council should determine how the receivable amount originated and if it is not valid or no longer recoverable the council should obtain approval in a council meeting to make a specific provision or write it off. It is strongly recommended that a write off of a balance in the council's books of account is approved during a council meeting and minuted. Furthermore, the council should send continuous reminders / statements to its debtors to ensure that the council still has the right to collect the amounts due.

## **7 Bank and Cash**

### **Bank reconciliations**

- 7.1 It was noted that bank reconciliations were not prepared for all accounts. As represented by the accountant, some bank accounts were rarely used and as a result, no reconciliation was performed.
- 7.2 We recommend that bank reconciliations are prepared for all bank accounts irrespective whether such bank accounts are used seldomly or not. Any resulting differences, where these are identified, should be discussed internally and resolved in a timely manner by the Council.

**Central Bank of Malta bank accounts**

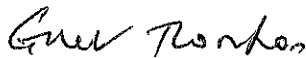
- 7.3 We noted that at the end of the year under review the council held four bank accounts with the Central Bank of Malta. One bank account was not recorded in the council's books of account. The bank account had a balance as at year end amounting to €2,690.
- 7.4 As mentioned above, statements must be obtained for all bank accounts operated by the Council and reconciliations performed regularly to ensure that the accounting records are kept up-to-date and free from error.

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

Yours faithfully,

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