

The Mayoress
Naxxar Local Council
Civic Centre
21st September Avenue
Naxxar NXR 1017
Malta

Our ref MB/mf/116024
29 May 2024

Dear Madam,



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. 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 from Joint Committee

As the liquidation of the Joint Committee has not yet concluded, hence the issue regarding the income from the Joint Committee is still open (refer to note 2).

1.2 Accounting for grants

The council did not rectify the issue during the year under review (refer to note 3).

1.3 Tagging of fixed assets

The council again did not rectify the issue during the year under review (refer to note 4).

1.4 Trade and other payables

The council again did not rectify the issue during the year under review (refer to note 5).

2 Income

Income from Joint Committee

2.1 We noted that the North Joint Committee, of which Naxxar local council formed part up to 31 August 2011, has provided audited financial statements for the year ended 31 December 2010.



- 2.2 The reserves of the committee at that date amount to €1.7 million. In the absence of audited financial statements, 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.
- 2.3 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.
- 2.4 Further to the point above, in 2022, the Department for Local Government engaged an accountant as part of the process to liquidate the joint committee. In 2023, the liquidation is still underway.

3 Grants

Accounting for grants

- 3.1 As stated in previous year’s management letter, during 2018 the council has adopted the capital approach in line with Directive 1/2017. In 2018, it was noted that the amount released to income for special programmes and computer equipment categories up to 2016 was €145,897 and €3,605 respectively as indicated in the schedules provided by the council in audit 2018. However, in the audited financial statements for the year ended 2018 the amounts of grants released for special programmes and computer equipment categories were of €182,945 and €3,336 respectively. During the 2018 audit, the council failed to provide explanation for these discrepancies. During the current financial year-end, the Council provided a schedule showing the breakdown of the amount as recorded in their books however, no reconciliation was done for the discrepancies noted as mentioned above. As a result, our audit report has been qualified.
- 3.2 We recommend the council to investigate these discrepancies and establish whether the release of deferred income schedule or audited financial statements 2018 are correct and if necessary, the books of account should be adjusted accordingly.

4 Fixed Assets

Upkeep of Fixed Asset Register

- 4.1 When reviewing the fixed asset register, we noted again that relevant details like invoice number, date of purchase, location and depreciation for the year are missing. Examples include:

Asset category	Asset code	Description	Cost Price (€)	Depreciation Rate (%)	Depreciation to date (€)	Net book value (€)
Motor Vehicles	MVEH00 2	Sliding Side Step for Naxxar Community Van	1,298	20	1,038.40	259.60
Property	PROP00 5	Organizzazzjoni ghat-tpoggija tal-armar tal-Millied	160	1	3.33	156.67

4.2 We recommend that every possible effort should be made to update the fixed asset register and include at least the following details:

- Date of purchase
- Supplier details
- Invoice number
- Location of the asset
- Grants received

4.3 An updated fixed asset register enables the council to exercise proper control over the council's property, plant and equipment. It provides a suitable inventory/checklist which may be used to determine whether assets previously purchased are still in existence or in use. We therefore recommend that the council's fixed asset register is to be updated.

Reconciliation of Financial Statements with Fixed Asset Register

4.4 We identified differences between the net book value of assets in the financial statements and the net book value in the fixed asset register. These are summarised below:

Asset category	NBV in unaudited financial statements (a) €	NBV in fixed asset register (b) €	Difference (a - b) €
Urban improvements	920,780	42,598	878,182
Plant, machinery and equipment	5,547	11,043	(5,496)
Special programmes	196,316	416,139	(219,823)
Asset under construction	149,172	654,106	(504,934)
	1,271,815	1,123,886	147,929

4.5 We remind the council that any variances between the assets disclosed in the financial statements and the plant register need to be investigated and reclassified accordingly.

5 Trade and other Payables

Supplier statements and long-outstanding creditors

5.1 Circulars issued from time to time by the Department of Local Government specifically emphasise that the council should acquire monthly statements from all its suppliers. We noted that council did not obtain statements as at or near year-end from all suppliers to confirm the year-end balances and to ensure the completeness of the books of account. The council provided an excel file with the complete lists of the creditors with balances at year-end.



5.2 We also noted that the council’s creditors’ list includes the following balance which have been outstanding for more than one year:

Creditor	€
Planet IT Solutions Ltd. (Years 2020 & 2022)	2,473
Dimbros Ltd. (Year 2021)	5,917
Doric Studio (Year 2022)	43,874
	<u>52,264</u>

5.3 We understand that the council does make every effort to obtain statements from its suppliers and that sometimes it is difficult to obtain monthly statements due to suppliers’ inefficiency. However, we recommend the council keeps on chasing its suppliers for regular statements. This will ensure that the council’s creditors are properly recorded in the accounts and that any differences or disputes are highlighted promptly.

Debit Balances in creditor’s list

5.4 The council’s creditors’ list includes a debit balance amounting to €52.34 from the Donit Ltd (“Donit”). This relates to overpayment to Donit during the year.

5.5 We understood that the council will deduct the overpayment in 2024 to the succeeding payable with Donit.

5.5 We recommend that the council investigates all debit balances in the creditors’ list and writes them off if not applicable. In addition, these balances should also be disclosed separately with receivables rather than set off against trade creditors.

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 Paul Gatt and his staff for their co-operation and assistance during the course of the audit.

Yours faithfully,


Mark Bugeja
Partner