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Our ref MB/mf/99822

7 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

1.1 Opening balances

We again noted differences between the amount disclosed in signed financial statements for the year ended 2020 and trial balance as at 1 January 2021 (refer to note 2.1).

1.2 Upkeep of fixed asset register

We again noted that the fixed asset register does not include all necessary information (refer to note 3.1).

1.3 Reconciliation of financial statements to excel fixed asset register

There are still instances where fixed asset register does not reconcile with financial statements (refer to note 3.4).

1.4 Addition to fixed assets

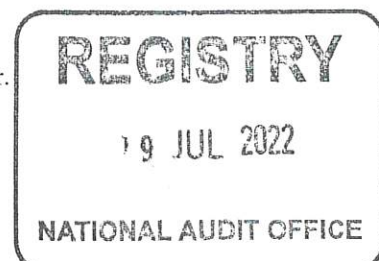
We did not encounter improper capitalisation of fixed assets during the year.

1.5 Pre-regional LES debtors

We again noted that debtors in the Loqus report 622 are not recorded in the books (refer to note 4.1).

1.6 Overdue receivables

We did not encounter long overdue receivables during the year.



1.7 **Accrued income**

We again noted that the council's accrued income includes amounts which are brought forward from prior years with no supporting documentation (refer to note 4.3).

1.8 **Bank reconciliation**

We have noted that there was a discrepancy between the balances noted in the books of account and amounts included in bank statements (refer to note 5.1).

1.9 **Football ground project grant**

The council is carrying forward deferred income for the football ground which was received over ten years ago (refer to note 6.1).

2 **Opening balances**

2.1 Whilst testing opening balances we noted differences between amounts disclosed in the signed audited financial statements and the trial balance.

	Disclosed in the signed financial statements	Trial Balance as at 01.01.2021	Difference
Accrued Income	22,434	64,434	- 42,000
Profit & Loss Account	- 446,794	- 488,794	42,000

2.2 The council informed us that this is because there was an adjusting journal entry for 2020 which was incorrectly dated and recorded in 2021.

2.3 The council should ensure that the books of accounts are properly updated, particularly ensuring that adjustments proposed and accepted by the council are included in the books of accounts.

3 **Fixed assets**

Upkeep of fixed asset register

3.1 We have noted that the fixed asset register does not contain complete details such as reference numbers, suppliers' details or location of all assets thus posing difficulty in the identification of specific assets.

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

- Description of asset
- Date of purchase
- Supplier details
- Invoice number
- Asset tag code (where applicable)
- Cost
- Depreciation rate
- Location of the asset
- Grants received

3.3 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 updated.

Reconciliation of financial statements to excel fixed asset register

- 3.4 During our fieldwork, we noted that the fixed asset register provided in excel does not agree to the financial statements. The following is a summary of the differences:

	NBV in fixed asset register	NBV in the financial statements		Difference
Construction	25,391	45,952	-	20,561
Office Furniture and Fittings	2,993	3,327	-	334
Urban improvements	82,415	52,833		29,582
Office equipment	7,943	11,238	-	3,295
Special Programmes	31,716	60,879	-	29,163
Motor Vehicles	-	729	-	729
Project under construction	-	6,487	-	6,487
	150,458	181,445	-	30,987

- 3.5 We recommend to the council to investigate and reclassify the variances identified between asset categories in the financial statements and the fixed asset register.

4 Receivables

Pre-regional LES debtors

- 4.1 According to report 622 generated from the Loqus system, the tribunal payments as at 31 December 2021 were €52,222, which amount was not identified in the financial statements. We did not propose an audit adjustment to account for these 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.
- 4.2 We recommend that the council should obtain plausible explanation and evidence from Loqus supporting the tribunal pending payments.

Accrued income

- 4.3 Included with accrued income is an amount of €5,604 brought forward from previous years for which no supporting documentation was available. The council informed us that that these were old balances which were previously accounted for and not received.
- 4.4 We advise the council to establish if the amounts are still to be received and if not consider writing them off in the books of account after obtaining council approval.

5 Bank and cash

Bank reconciliation

- 5.1 While reviewing bank reconciliations, we noted discrepancies between the balances noted in the books of account and amounts included in bank statements. A difference of €2,677 arose in the BOV reconciliation of account 40023509166. As explained by the council, they failed to record LES income of €2,758. An adjustment was passed to reconcile this difference.
- 5.2 We recommend the council to ensure that all transactions are recorded prior to closing of its books of accounts and that bank balances are reconciled at the end of every month.

6 Deferred income

Football ground project grant

- 6.1 We again noted that the books of account include €6,870 as deferred income in relation to the football ground project. The previous auditors pointed out that this grant was received over ten years ago.
- 6.2 We recommend the council to seek clarification to see if the funds should be given back or whether it can be used for another project.

7 Payables

Trade payables' reconciliation

- 7.1 As part of our audit procedures we circularised confirmation letters to selected suppliers. We noted the following:

Supplier	Amount in council's books of account €	Amount in confirmation reply €	Difference €
Med Developer Designers	606.94	-	606.94
Spinning Photos	530.00	-	530.00

- 7.2 The council has amended the financial statements to include an adjustment to reconcile these differences.
- 7.3 We remind the council that circular 1/2021 states that the council should reconcile creditors' balances on a regular basis, thus identifying and investigating any differences as soon as possible.

8 Income

Accounting for grants

- 8.1 Upon examination of other government income, we noted that there were grants which were improperly recognised as income. The first grant is for the defibrillator amounting to €2,331 in which the purchased asset was capitalised while the related grant was recognised as other government income. The second grant was for the upgrade of playground amounting to €13,635 which was immediately recognised as income even though there were no works done yet in relation to this project. Furthermore, we noted that the grant received for the studies in which the local council has already incurred expenses was not recognised as income amounting to €7,000.
- 8.2 Since the council has adopted the capital approach in line with Directive 1/2017 in 2018, we recommend that grants related to fixed assets should be deducted from the carrying amount of the relative non-current asset. Furthermore, we recommend that the council should properly monitor the expenses related to grants so that any income will be recognised and properly matched against the related expenses in the correct period.

9 Expenditure

Proper classification and presentation of expenses

- 9.1 Upon examination of expenses, we noted the following issues related to classification and presentation:
- Payment of damages arising from court cases and corresponding legal fees were presented as part of Operations and Maintenance
 - The council has recorded as rent expense the annual amortisation of right-of-use assets
 - The council has recorded accounting fees as part of IT Development services
- 9.2 We recommend that the council give more attention in determining the proper classifications & presentation of expenses to ensure accurate disclosures 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 Mr Etienne Montfort and his staff for their co-operation and assistance during the course of the audit.

Yours faithfully,

