

6 MAY 2024

RECEIVED

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29 April 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 Balzan Local 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 Opening balances**

We have not noted any shortcomings in the opening balances this year.

1.2 Payroll

We are pleased to note that we did not identify any material differences between FSS tax declared and FS5 forms to that declared in the FS7 form.

1.3 Trade and other receivables.**1.3.1 Confirmation of debtors**

We did not note any material differences in the amounts per North Region Committee and WasteServ alternative procedures.

1.3 Income classification

We are pleased to note that we have not noted any shortcomings in income classifications during the year.

1.4 Fixed assets

We have again noted shortcomings in the upkeep of the fixed asset register (refer to note 2.1) and the reconciliations of financial statements and fixed asset register (refer to note 2.2).

1.5 Prepayments

We are pleased to note that we have not noted any issues on the account this year.

1.6 LES receivables

We again noted a difference between the LES receivables account and the report 622 issued from Loqus (refer to note 3).

1.7 Trade and other payables**1.7.1 Confirmation of trade creditors**

We did not note differences in the amount per alternative procedures performed for the samples selected.

1.8 Preparation of financial statements

We are pleased to note that the financial statements prepared by the Local Council this year is in conformity with International Financial Reporting Standards.

2 Fixed assets**2.1 Upkeep of fixed asset register**

When reviewing the fixed asset register, we noted that relevant details like invoice number, date of purchase, location and depreciation for the year are missing. Furthermore, the description of the assets in the FAR does not always contain the desired detail.

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 method and rate
- Location of the asset
- Grants received

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.

2.2 Reconciliation of financial statements and fixed asset register

As discussed above, since the fixed asset register does not present the grants received, we noted the following discrepancies. While the difference is immaterial, we recommend that the council present the grant amounts in the fixed asset register for monitoring.

| | Per Financial Statement | Per Fixed Asset Register | Difference |
|--------------------------------------|-------------------------|--------------------------|------------|
| Office furniture and fittings | | | |
| Cost | 32,148 | 32,148 | - |
| Grants | (737) | - | (737) |
| Accumulated depreciation | (17,053) | (17,790) | 737 |
| Net book value | 14,358 | 14,357 | - |

3 LES receivables

According to report 622 issued from Loqus, the council's tribunal payments for the pooling period up to 31 August 2011 is €43,085.66. Similar to last year, no amount is recognised as an LES receivable in the council's books of account and in the financial statements in this respect. We did not propose an audit adjustment to account for LES debtors since it has no effect on the financial statements as LES debtors are carried at nil value following a provision for doubtful debts for the same amount.

We reiterate our recommendation 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 Retention money held

The deposit of €232.94 is charged for the building permit which is refunded to customers when the permit expires. The balance accumulates since 2005 which amounts to €13,323.89 in 2023. During the year, the local council has started refunding these deposits. As at 31 December 2023, a total of €232.94 have been refunded.

We recommend that the council should revisit and assess whether the obligation to refund is discharged therefore recognizing the related liability as income.

5 Specimen chart of accounts

It was noted that the account numbers in the trial balances do not agree to the specimen chart of accounts that is standard to local councils and regional committees.

We recommend that the chart of accounts presented by the council should be in accordance with those set out in the Local Councils (Financial) Procedures section b.02 – b.04 and explanatory notes C.01 to C.07. Using the standard accounts will enhance comparability of profit and loss and balance sheet from year to year. It will also enable comparison of results between councils.



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 Ms Doriette Farrugia and her staff for their co-operation and assistance during the course of the audit.

Yours faithfully,

A handwritten signature in blue ink, appearing to be "Mark Bugeja", written in a cursive style.

Mark Bugeja
Partner