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Zurrieq Local Council  
Triq Pietru Pawl Saydon  
Zurrieq, Malta

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11 May 2022

Dear Madam,

## **Financial statements for the year ended 31 December 2021**

During the course of our financial statements audit for the year ended 31 December 2021, we have reviewed the accounting system and procedures operated by the Local 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**

We did not encounter any significant issues with respect to general income, income LES administration fees, income from LESA and regional committees and accrued income during the year.

We are pleased to note that the issue in relation to the signed agreement with the LC Care Project Committee on behalf of the Ministry for Agriculture, Fisheries and Animal Rights (deferred income) was resolved during the year.

#### **1.2 Expenditure**

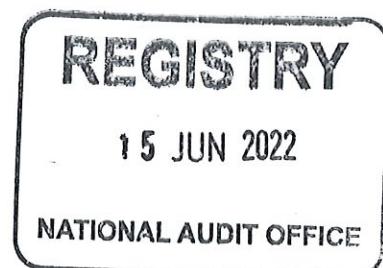
We identified a recurring issue in relation to rent expense (refer to note 2).

#### **1.3 Payroll**

We are pleased to note that we did not identify any issues in relation to wages reconciliation and Councillors' allowances.

#### **1.4 Fixed assets**

We did not encounter any significant issues with respect to reconciliation between fixed asset register, financial statements and books of accounts.



**1.5 Cash at bank**

We identified a recurring issue in relation to bank account representatives (refer to note 3).

**1.6 Trade and other payables**

We did not encounter any significant issues with respect to trade and other payables.

**1.7 Trade and other receivables**

We are pleased to note that the issue in relation to long outstanding balances were resolved during the year.

**1.8 Presentation of financial statements**

We still identified shortcomings in the presentation of the unaudited financial statements (refer to note 4).

**2 Expenditure****Rent expense**

2.1 It was noted that the Local Council has a rental expense of € 3,965 in its books of account. The Local Council did not account for rental agreements in line with IFRS 16 'Leases'. The Local Council also failed to provide us with an assessment of leases in line with the standard. However, given that the effect on the financial statements was not deemed to be material, no adjustments were proposed from our end.

2.2 We recommend that the Local Council reviews all lease contracts in place and considers the impact of IFRS 16 'Leases', if any, on the Local Council's financial statements and adjust if the need arises.

**3 Cash at bank****Bank account representatives**

3.1 Based on the bank reply received directly from BOV, it was noted that the vice mayor, Mr Ignatius Farrugia is still listed as an account representative for all BOV bank accounts. Furthermore, it was noted that for one of the bank accounts, the Mayor, Ms Rita Grima is not listed as an account representative.

These bank accounts are active and used by the Local Council for its day-to-day operations.

3.2 May we remind the Local Council that subsidiary legislation 363.01 states that the bank representatives of the Local Council should only be the current Mayor and Executive Secretary.

We recommend that the Local Council instructs the bank to update the account representatives for security reasons.

#### 4 Financial statements

- 4.1 The Local Council is required to prepare financial statements in conformity with International Financial Reporting Standards (IFRS). During our audit, we identified that the Local Council's unaudited financial statements needed updates and further corrections in accordance with IFRS.
- 4.2 We recommend that the Local Council gives more attention to the preparation of the financial statements. The required updates and corrections have been amended in the audited 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 Ms Josianne Cilia Mumford and her staff for their co-operation and assistance during the course of the audit.

Yours faithfully,

