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29 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 Expenditure

We are pleased to note that council has rectified this issue during the year under review.

1.2 Payroll

Mayor's honorarium and councilor's allowances

We are pleased to note that the council has rectified this issue during the year under audit.

Personal emoluments

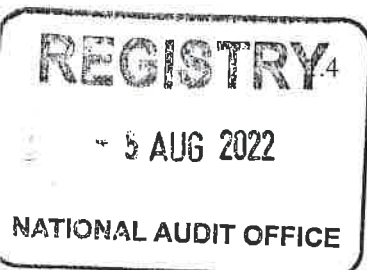
We again identified irregularities in personal emoluments (refer to notes 2.1 and 2.2).

1.3 Receivables

We again identified an instance where the receivable balance is not agreeing to the debtor confirmation (refer to note 4.1).

Trade and other payables

We again identified discrepancies between the direct confirmation from a supplier and the creditors' list (refer to note 5.1 and 5.2).





1.5 Financial statements

We are pleased to note that council has rectified this issue during the year under review.

2 Wages and salaries

2.1 We have noted that the performance pro-rata bonus relating to two (2) employees who resigned during the year 2021 was not accounted for as an accrual and therefore, we have proposed an adjustment to record the liability of €6,752.01.

2.2 We recommend that the council records expenditure when it is incurred such that expenses and liabilities are recorded in the correct financial year.

3 Fixed assets

Grants and deferred income

3.1 During the year, the council performed an exercise to account for all grants and deferred income which were not included in previous years. The workings were made available but the agreements, grant receipt payments and utilization of such grants refer to years 2017 to 2021. Having such back-dated workings and agreements limited our audit scope as these are only traceable to the previous year's documents and bank statements.

We were not provided with the supporting documentation, and consequently, we could not determine whether or not the said amounts are materially misstated. This resulted to modification of our audit opinion.

It is being recommended that grants are accounted and reported in the period these are received in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. Also, proper supporting documentation and agreements should be kept on file.

4 Trade and other receivables

Confirmation of trade receivables

4.1 We have obtained a statement from V [redacted] showing a balance of €417 due to the council. However, the council's books of account indicate a balance of €12,776. No reconciliation was provided from the council however the council provided us with the invoices making up such difference.

4.2 We recommend that, as with all debtors, regular reconciliations of amounts due are prepared to promptly highlight any differences and discussing these with the respective debtor.

Long outstanding balances

4.3 Whilst reviewing receivables we noted the following overdue balances:

| | |
|------------|------------------|
| [redacted] | € |
| | 12,775.47 |
| | <u>12,775.47</u> |



4.4 The council should regularly review overdue receivables for recoverability and, if so, chase these debtors by sending them reminders for the long overdue amounts. If recoverability of these debtors remains doubtful, the council should also consider making a provision for doubtful debts in the books of account after obtaining council approval in meeting.

5 Trade and other payables

Confirmation of trade payables

5.1 We have obtained a confirmation from statement from V [redacted] ([redacted]) showing a balance of nil due from the council. However, the council's books of account indicate a balance of €21,000.47 as indicated below for long outstanding balances. The council received a statement from [redacted] on 16 August 2021 indicating the outstanding balances referring to invoices issued in 2001 and 2002.

5.2 We have also obtained confirmation from [redacted] showing a balance of €259.35. However, the council's books of account indicate a balance of €1,392.30. Further inquiry with the council's accountants notes that the difference pertains to a cancelled supplier invoice #000488 which in fact was not an invoice for the services rendered by [redacted] but a quotation.

5.3 It is of utmost importance that council reconciles creditors' balances and resolves issues on a regular basis, thus identifying and investigating any differences as soon as possible.

Long outstanding creditors

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

| | |
|------------|------------------|
| | € |
| [redacted] | 21,000.47 |
| | <u>21,000.47</u> |

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 Stephania Grixti and his staff for their co-operation and assistance during the course of the audit.

Yours faithfully,


Mark Bugeja
Partner