

The Mayor

Isla Local Council
2, St Joseph Street,
Isla

Our ref MB/bb/95324

29 February 2024

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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 Isla 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 Other government income

Other government income is properly disclosed in the financial statements.

1.2 Rent agreement

The council failed to provide the rental agreement for Misraħ 4 ta' Settembru (refer to note 3.1).

1.3 Overdue receivables

The council approved the proposed write-off adjustment, and it was already reflected in the audited financial statements for the year ended 31 December 2022.

1.4 Confirmation of debtors

We did not encounter differences between debtors confirmation letters and the councils books of account.

1.5 Pre-regional LES debtors

We again identified a difference in the amount between 622 Loqus report and unaudited council's book (refer to note 4.1)

1.6 Prepayments

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

1.7 Deferred income

The council approved the proposed reclassification adjustment, and it was already reflected in the audited financial statements for the year ending 31 December 2022. No issues were noted in deferred income during the current year.

1.8 **Other creditors**

We again noted that the council did not commence the project and failed to obtain an extension approval from Department for Local Government.

1.9 **Confirmation of creditors**

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

2 Income

General income

2.1 During our testing of general income we noted that a donation of €500 was recorded twice in the council's books of account. The amount received pertained to a donation received from DO Productions for filming in the locality of Isla. We have proposed an audit adjustment to this respect. The council has amended the financial statements to include our proposed audit adjustment.

2.2 We remind the council that the books of account should reflect the actual amounts received or still to be received.

3 Expenditure

Rent agreement

3.1 The council did not present the contract for the rental of Misraħ 4 ta' Settembru amounting to €535.

3.2 We reiterate our recommendation from previous management letters stating that the council should obtain a contract for all properties being rented for the council's purposes. This will ensure that the rights and obligations of each party are clear.

4 Trade and other receivables

Pre-regional LES debtors

4.1 When testing the pre-regional receivables, we noted a balance of €111,875.53 in the unaudited council's books whilst the 622 Loqus report shows a balance of €106,620.85. We did not propose an audit adjustment 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 would like to remind the council that it is the council's responsibility to investigate these differences and refer them to Loqus.

5 Bank and cash

Bank accounts

5.1 Upon reviewing bank accounts included in the books of account we noted that account 5001 had a balance of €1,226. The bank confirmation letter had a nil balance for the same account number. Upon further enquiry to the council, we were informed that the amount should be reclassified to cash in hand. We have

proposed an audit adjustment to this respect. Our audit adjustment was approved by the council and recorded in the audited financial statements.

- 5.2 May we remind the council that bank reconciliations should be prepared on a regular basis thus identifying and investigating differences promptly.

Cash in hand

- 5.3 Whilst reviewing cash in hand we noted that the amount was overstated by €836. Upon further enquiry to the council, we were informed that an amount of €301 was recorded erroneously against expense accounts and thus reversed and an amount of €535 pertained to the electronic point of sale transactions which were not reclassified to the proper accounts. We have proposed audit adjustments to properly account for the above. The council has reflected the adjustments in the audited financial statements.
- 5.4 We recommend the council to allocate income received to the appropriate accounts so that the income and other creditors are properly recorded.

6 Trade and other payables

Other creditors

- 6.1 In 2021 the council received an amount of €36,540.21 in relation to SPCI/SCI/3/2020. In 2022, additional funds were received in relation to SPCI/SCI/8/2021 and MDIA Project amounting to €17,904.71 and €43,329.60, respectively. The letters of approval of the three (3) projects state that the projects should have been completed in 2023. To date the council did not commence the project and failed to obtain an extension approval from the Department for Local Government.
- 6.2 We recommend the council to liaise with the Department and obtain approval for the extension of the project.

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. Graziella Gellel and her staff for their co-operation and assistance during the course of the audit.

Yours faithfully,

