

Our Ref: NAO 107/2021/17

Your Ref:

9th May 2025

The Mayor and Executive Secretary
Fgura Local Council
Fgura

Dear Sir/Madam,

**AUDIT REPORT and FINANCIAL STATEMENTS
YEAR ENDING 31 DECEMBER 2024**

In terms of Section P2.06 (c.02) of the Local Councils (Audit) Procedures 2006, I am forwarding a copy of the Audit Report and Financial Statements, together with the Management Letter for the financial year ending 31 December 2024.

After seeking the Local Council's approval, you are kindly requested to submit your response to the Director (Monitoring & Support) Local Government Division, the Local Government Auditor, and to this Office as stipulated in Section P2.06 (d) of the same Procedures, by not later than six weeks following receipt of this letter.

Yours faithfully,



T. Mercieca
Asst. Auditor General

Encls.

The Mayor
Fgura Local Council
126/128, Kunsill Lokali il-Fgura,
Triq Hompesch
Fgura

Our ref: MB/mf/114125

25 April 2025

Dear Sir,

Financial statements for the year ended 31 December 2024

During the course of our audit for the year ended 31 December 2024, we have reviewed the accounting system and procedures operated by your council. We have also reviewed the operations of the council and how they conform to the Local Councils Act, 1993, the Financial Regulations issued in terms of this Act, and the supplementary Financial Procedures. 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 again encountered instances where income was not classified correctly (refer to note 2.1).

We also noted an understatement of accrued income and income. (refer to note 2.3).

1.2 Expenditure

We again encountered instances where expenditure was not classified correctly (refer to note 3.1).

We did not note any capital expenditures which qualifies for recognition under IAS 16 which were expensed outright.





1.3 Fixed assets

We again identified discrepancies between the fixed asset register and financial statements (refer to note 4.1).

We again noted that the fixed asset register does not include all the details (refer to note 4.3).

The council once again failed to show the property which is being rented out as investment property (refer to note 4.8).

We did not note any fixed asset additions which doesn't qualify for initial recognition under IAS 16.

1.4 Trade receivables

We again identified long outstanding receivables (refer to note 5.1).

We did not note any differences between the Loqus system report and the amount per books with regards to the pre-regional LES debtors.

1.5 Cash and cash equivalents

We did not note any differences between the bank reconciliation report provided to us against the amount per books.

We identified shortcomings on delayed deposit and unrecorded cheque during the year (refer to note 6.1).

1.6 Trade payables

The Council still has not completely resolved the differences between the amount per bank account used to collect the amounts collected on behalf of other entities against the payable to other entities per books (refer to note 7.3).

We did not note any issues with regards to incurred expenses which were not accrued.

The council still did not resolve the matter of long outstanding creditor (refer to note 7.1) and with regards to obtaining monthly supplier statements (refer to note 7.5).

2 Income

Income from rental of civic centre

2.1 We again noted that the council has classified the income of € 27,300 from the Foundation for Social Welfare Services, with respect to the rental of the second floor of the civic centre, in a separate account in general income rather than with funds received from Government.

2.2 We reiterate our recommendation that the council discloses all income received from Government entities which is not part of the annual allocation as other Government income.

Income from Schemes

2.3 We noted that the council failed to properly classify and monitor the schemes' balances resulting in improper recording of the amounts. Total outstanding accrued income were directly offset



against the total of the beginning balance without considering the status of each scheme whether these were received or not. This would result to incorrect recognition of income in different reporting dates. Additionally, the differences noted during the year amounted to € 10,298.

- 2.4 We recommend that the Council prepares detailed records for monitoring each specific scheme and follow up on amounts still outstanding from the grantor. This will help avoid the erroneous recognition of the same scheme on different reporting dates.

Permits

- 2.5 We observed that the council does not reconcile permits received via cash and bank direct debits with the accounting records and the reports extracted from the permit system. The system reported different amounts on various generation dates as there can be cancellations or modifications. The system report generated on 3 March 2025, for permits paid in 2024 showed € 24,663, while the accounting records showed € 32,456 resulting to a difference of € 7,793. Additionally, a transaction amounting to € 14,657 related to outing event fees of the council was incorrectly recorded as a permit. Furthermore, there was a delay in both reporting and depositing of permits received via cash or cheque. The closing period of cash and cheque receipts took 5 to 83 days, while the deposits were delayed by 2 weeks to 3 months. These issues could result in potential misappropriation of funds and inaccuracies in permit reporting.
- 2.6 We recommend that the Council appoints a person to prepare a weekly reconciliation schedule between the reports extracted from the permits system, amount reflected in the bank statement and the amounts recorded in the books. Additionally, the Council should ensure accurate information is provided to the accountant to minimize mispostings. Furthermore, the Council should consistently follow a cut-off period and promptly deposit cash received from permits, ideally on a weekly basis, to prevent misappropriation.

**3 Expenditure****Salaries and allowances classification**

- 3.1 During the year, we noted that the unadjusted trial balance do not reflect the correct classification of the salaries and allowances according to the reported FSS filings to the Internal Revenue. Refer to the summary presented as follow:

	Per FS3 Return €	Unadjusted TB €	Difference €
Key Management Personnel			
Mayor's honoraria and allowance	18,766	16,366	2,400
Councilor's allowance	20,200	22,600	(2,400)
Executive secretary salary and allowances	45,940	42,467	3,473
	84,906	81,433	3,473
Operations Personnel			
Employees' Salaries	127,410	130,883	(3,473)
Social Security Contributions	12,882	12,882	-
	140,292	143,765	(3,473)
Total	225,198	225,198	-

- 3.2 We recommend that the Council should ensure proper classification of the items under salaries and wages to avoid incorrect disclosure in the financial statements.

4 Fixed assets**Reconciliation of unaudited financial statements to fixed asset register**

- 4.1 We noted that the fixed asset register does not agree to the unaudited financial statements. The following is a summary of the differences:

Asset category	NBV in fixed asset register €	NBV in unaudited financial statements €	Difference €
Acquisition of property	-	465,711	(465,711)
	-	465,711	(465,711)



- 4.2 We reiterate our recommendation that the council investigates the variance and updates the fixed assets register and/or accounting records accordingly.

Upkeep of fixed asset register

- 4.3 The fixed asset register does not include important information such as suppliers' details, invoice number and location of assets. Although we appreciate that the council's accounting system allows the fixed asset register to be issued in various formats, the council is still unable to furnish a single fixed asset register report showing all necessary details.

- 4.4 The fixed asset register should at least include 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

- 4.5 We reiterate our suggestion that the council updates its fixed asset register and categorises assets appropriately. This will ensure the appropriate treatment of depreciation. Hence, the Council would be able to ensure that it is presenting the correct net book value.

Recognition of grants received

- 4.6 During the year, the Council received a grant from LESA amounting to € 33,674 related to purchase of electronic vehicles. The grant was classified in Urban Improvements in Property, Plant and Equipment instead of Motor Vehicles.
- 4.7 We suggest that the Council accounts its grants appropriately. Grants relating to the purchase of property, plant and equipment are accounted for using the capital approach and are thus deducted from the carrying amount of the relative property, plant and equipment while other grants shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

Investment property

- 4.8 We again noted that the second floor of the civic centre is being rented out to the Foundation for Social Welfare Services which operates as an independent entity. Consequently, that part of the civic centre being rented out should be classified as investment property and falls under the provisions of IAS 40 'Investment Property'. No audit adjustment was proposed since we were not provided with the cost of the second floor. Our audit report has been modified to include the failure to adopt the requirements of IAS 40.
- 4.9 We reiterate our recommendation that the council confirms the cost of the floor which is being rented out with the architect. This should include any equipment and other capitalised costs in relation to this floor.



5 Trade receivables

Long outstanding receivables

5.1 Included with trade receivables are the following amounts which have been outstanding for more than one year:

Debtor	€
Foundation of Social Welfare Services	1,758
LESA	1,319
	3,077

5.2 We recommend that the council follows up on these outstanding debtors for payment and ensures that all amounts are received.

6 Cash and cash equivalents

Delayed Deposit and Unrecorded Cheque in 2024

6.1 During our review, we observed that a cheque for € 5,847 was received on 29 November 2024 but was not deposited until January 2025.

6.2 We recommend that the Council deposits all cheques in a timely manner.

7 Trade payables

Long outstanding creditors

7.1 Whilst reviewing the council's aged suppliers' list we again noted that the council has long overdue payable to Neville Montebello which amounts to € 3,692.

7.2 We advise the council to individually review these amounts, and either settle them or, if not due, reverse them after careful consideration and approval by the council. All discussions and decisions taken should be minuted accordingly.

Collections on behalf of other entities account

7.3 Whilst reviewing the council's account 4006 other payables which pertains to the collections on behalf of LESA, Lands Authority and MTA, the team has noted the corresponding bank account used to hold these collections doesn't match with the amount of this account.

Account Code	Account Description	Amount €
5001	BOV Merchant Account - 40021759044	5,504
4005	Third Party Payments - LC Other entities	-
	Difference	5,5404



7.4 We reiterate our recommendation that the Council must always use this account to deposit these collections to separate them from other funds.

Suppliers' statements

7.5 During the course of our audit, we noted that the council did not obtain statements as at or near year-end from all suppliers to confirm the year-end balances and to ensure the completeness of the books of account. Circulars issued from time to time by the Department for Local Government specifically emphasise that the council should acquire monthly statements from all its suppliers.

7.6 We recommend that the council obtains monthly statements from all suppliers in order to ensure proper recording of creditors in the council's ledgers. This will highlight any discrepancies between amounts recorded in the ledger and amounts in suppliers' statements.

Confirmation of creditor balances

7.7 We selected samples of creditors for verification of balances through external positive confirmations, subsequent settlements or vouching of other supporting documents. We noted a discrepancy between the balance recorded in the company's creditors account and the confirmation replies received from certain creditors.

Creditor	Aged Creditors Report €	Confirmation Reply €	Difference €
Rocco Mifsud	11,262	52,816	(41,554)
C.Camilieri & Sons [Catering]	5,217	3,160	2,057
	16,479	55,976	(39,497)

7.8 We confirmed with C. Camilieri & Sons that the discrepancy was due to an invoice issued based on the original purchase order instead of the revised one. The necessary adjustment has been made.

7.9 We recommend that invoices be reviewed against the most current purchase orders to ensure accuracy. Additionally, we suggest monitoring revisions of orders more closely to prevent similar issues moving forward. Additionally, we recommend that the council must at least obtain the monthly statements from the suppliers to support these balances and avoid inconsistencies between the confirmation replies from the suppliers and per books. Furthermore, the council must maintain close communication with its suppliers to ensure that confirmation replies will be obtained during the audit.



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 Gwenith Calleja and her staff for their co-operation and assistance during the course of the audit.

Yours faithfully,

A handwritten signature in blue ink that reads "Grant Thornton".