

Our Ref: NAO 107/2021/58

Your Ref:

29 May 2025

The Mayor and Executive Secretary
Santa Venera Local Council
Santa Venera

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
Santa Venera Local Council
Kumpless Umberto Calosso,
St Joseph High Street
Santa Venera SVR 1013

Our ref: PC/mf/122425

19 May 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 Santa Venera 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 Property, plant and equipment

We again noted that the allocation of net book values of certain assets in the unaudited financial statements do not agree to accounting records (refer to note 2.1).

1.2 Supplier statements

The council is still not obtaining supplier statements from all its suppliers as at year-end (refer to note 6.1).

1.3 Bank and cash

We are pleased to note that the Council has obtained all bank statements for all bank accounts and we have received confirmation regarding the cash on hand. However, we have noted the negative balances of petty cash at year-end (refer to note 4.1).

1.4 Deferred income

We again noted that included with deferred income are amounts which are not supported by documentation (refer to note 5.1).



1.5 Confirmation of trade creditors

We again identified differences between the council's books of account and creditor confirmation letters (refer to note 6.7).

1.6 Tenders

We again noted recurring expenditure for tenders which were not re-issued (refer to note 7.1).

2 Property, plant and equipment

Reconciliation of financial statements with accounting records

2.1 We identified the following discrepancies between the net book value of certain assets in the unaudited financial statements and the net book value in the accounting records:

Asset category	NBV in audited financial statements €	NBV in nominal ledger €	Difference €
Urban improvements	157,011	88,465	68,546
Construction	130,223	537,561	(407,338)
Special programmes	-	(338,791)	338,791
Office equipment	195	277	(82)
Motor vehicle	-	(83)	83
	287,429	287,429	-

The amounts above were reclassified in the books of account to agree to the audited financial statements.

2.2 We remind the Council that any variances between the assets disclosed in the financial statements and the accounting records need to be investigated and reclassified accordingly.

Reconciliation of financial statements with fixed asset register

2.3 We identified the following discrepancies between the net book value of assets in the unaudited financial statements and the net book value in the fixed asset register.

Asset category	NBV in financial statements €	NBV in fixed asset register €	Difference €
Office furniture and fittings	5,331	5,300	31
Office equipment	195	485	(290)
Computer equipment	2,450	2,412	38
Urban improvements	157,011	165,617	(8,606)
Construction	130,223	134,136	(3,913)
Trees	9,093	4,856	4,237
Plant & Machinery	706	938	(232)
	305,009	313,744	(8,735)

- 2.4 Upon enquiry to the council, we noted that these discrepancies were a result from the application of Directive 1/2017 whereby the NBV was adjusted for including deferred income and depreciation was recalculated based on the remaining useful life of the asset.
- 2.5 The council should ensure that the fixed asset register agrees with the general ledger. Any variance between the assets disclosed in the financial statements and the register needs to be investigated and addressed accordingly. We recommend that the council reviews the financial statements and compares the figures for fixed assets to the fixed asset register to ensure proper preparation of the financial statements.

3 Trade and other receivables

LES Debtors

- 3.1 When testing LES debtors account, we noted a balance of €174,925 in the council's books of account whilst report 622 shows a balance of €169,964. This results in a difference of €4,961 for which the council could not provide us with any explanation. We did not propose an audit adjustment because it has no material effect on the financial statements since LES debtors are carried at nil value following a provision for doubtful debts.
- 3.2 Whilst reviewing LES debtors, we noted that the council has an overprovision of €4,125 in its books of account for which no explanation was provided to us.
- 3.3 We would like to remind the council that it is the council's responsibility to investigate these differences and refer them to Loqus. Furthermore, we recommend that the council reconciles the provision for LES debtors and adjusts its books of account after obtaining approval during council meetings.

Long outstanding receivables

- 3.4 The books of account includes the following overdue receivables for which no provision was made in the books of account:

Debtor	€
LESA	3,590
South Region	431
South Eastern Region	95
	4,116

- 3.5 We recommend that the council follows up on these outstanding debtors for payment and ensures that all amounts are received. Otherwise, if the Local Council believes that amounts are unrecoverable, it should evaluate the possibility of writing them off in the books of account after obtaining approval during council's meeting.

Accrued income

- 3.6 We noted that the council has accrued income amounting to €22,272 with respect to the San Gorg Preca project which remained uncollected due to unresolved issues with the Planning Authority (PA). Additionally, the related invoices were capitalized in the 2023 financial statements under "Urban Improvement".

- 3.7 We recommend the council to contact and chase the Planning Authority for payment and, if any issues arise, to ask assistance from the Department for Local Government. Furthermore, should the council fail to collect the amount receivable in the coming year, the council should assess the recoverability of the balance since it is long-outstanding.
- 3.8 Whilst reviewing accrued income, we noted that an amount of €2,082.50 remained uncollected since 2023, relating to the SPI/SCI/4/2023 Financial Scheme – Safer and Organized Communities. The full grant of €8,330 was recorded in 2023. The agreement specified that the project should be completed by 15 November 2024; however, the council has not commenced the project to date and failed to obtain extension approval from the Local Government Division.
- 3.9 We recommend the council liaises with the Local Government Division and obtain approval for the extension of the project. Additionally, the Council should review its accrual and income recognition procedures to ensure that income is only recognized when it meets the relevant criteria and conditions.

4 Bank and cash

Bank and cash reconciliation

- 4.1 During our audit procedures for the cash in hand balance, we obtained the cash confirmation letter from the council and noted discrepancies between the book balances and the confirmed amounts, as outlined below:

Asset	Balances per books €	Balances per confirmation €	Difference €
Petty cash	(364)	7	(371)
Cash in hand	396	10	386
Total	32	17	15

- 4.2 We recommend the Council reconciles their petty cash balances monthly. This will ensure that the Council's cash balances are correctly recorded in the books and that any differences or disputes are highlighted promptly.

5 Deferred income

- 5.1 Deferred income includes an amount of €242,349 brought forward from previous years. We were not provided with any supporting documentation for this balance. Furthermore, we could not confirm if amounts were utilised in the prior years. To this end, our audit report is qualified.
- 5.2 We recommend that the council investigates the above amount and, if due, pays it. Decisions and discussions regarding this balance should be minuted during the council meetings. Furthermore, the Council should ensure that supporting documentation for such balances is maintained and readily available to substantiate the amounts in future audits.

6 Trade Payables

Suppliers' statements

- 6.1 During the course of our audit we noted that the council did not manage to obtain monthly suppliers' statements or year-end statements for all suppliers.
- 6.2 We recommend that the council obtains monthly statements from all suppliers 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.

Debit balance in creditors list

- 6.3 The council's creditors' list included debit balances amounting to €3,833. Details of the debit balances are presented below:

Creditor	€
Redeemer Casha	1,000
Assocjazzjoni Kunsilli Lokali	700
Owen Borg	607
Cittadella Folk Group	600
ARMS Ltd.	436
Adrian Mifsud Boom	364
Mica Med	126
	<hr/>
	3,833

- 6.4 We recommend that the council investigates all debit balances in the creditors' list and writes them off if not applicable. In addition, these balances should also be disclosed separately with receivables rather than set off against trade creditors.

Long outstanding creditors

- 6.5 The council's creditors' list includes the following balances which have been outstanding for more than one year:

Creditor	€
WM Environmental Ltd	28,761
Robert Sarsero	5,081
Arms Ltd.	3,594
Elton John Zammit Cleaning	3,270
Enemalta Corporation	790
Waste Collection Ltd – Now	743
Star Line Creations	650
Triton Carnival Company	500
Rocco Mifsud	360
Fred's Motor Repairs	350
Kumitat Festi Esterni – Santa	300
Carmel Desira	213
J Attard Jewellers Ltd	200
ESS Electrical Supplies &	165
Stephen Sultana	129
RCC - Location Rocky's	101
Melita Limited - 10609839	97
Apco Systems Ltd	84
TCTC	51
Elmar Grech Photography	50
Datatrak IT Services Ltd	45
Alberta Fire Fighting &	41
Darren Busuttil	19
Charlie Mifsud	8
	45,602

- 6.6 We recommend that the council reviews these amounts and either settles them if still due, or else, reverses them after having obtained approval from the council. Furthermore, decisions and discussions regarding these balances should be minuted during the council meetings.

Confirmation of creditor balances

6.7 As part of our audit procedures we circularised confirmation letters to selected suppliers. We noted the following:

Supplier	Amount in council's books of account €	Amount in confirmation reply €	Difference €	Note
Regjun Nofsinhar	25,110	33,173	8,063	(a)
Rocco Mifsud	12,020	359	11,661	(b)
Cleansing and Maintenance Department	4,633	-	4,633	(c)
Signal 8 Security	6,034	-	6,034	(d)

(a) The variance arose due to waste rejection invoices dated 28 June 2024 and 31 December 2024, for which the Region instructed the council to keep these invoices pending until further instructions were provided. Currently there is no agreement or Circular issued by the Department confirming that waste rejects are to be recharged to councils. Due to the above, no adjustments were made to the balance.

(b) We identified an outstanding balance of €12,020 recorded for Rocco Mifsud. Upon testing subsequent payments and reviewing the client's correspondence, we determined that the correct outstanding balance is €359. This discrepancy shows an overstatement of the recorded balance. We have proposed an audit adjustment to reverse the creditor balance and respective expense. Our proposed audit adjustment was approved by the council and reflected in the audited financial statements.

(c) The variance arose due to a credit note that was not recorded in 2024. An adjusting entry was proposed to correct the balance accordingly. The council approved our audit adjustment and reflected it in the audited financial statements.

(d) The difference was caused by a duplicate invoice entry recorded in 2023. A credit note was received, and two revised invoices were recorded; however, the original invoice was not removed. This led to an overstatement of both expenses and creditors. We have proposed an adjustment to this respect. Our audit adjustment was reflected in the audited financial statements.

6.8 We remind the council that circulars issued by the Department state that the council should reconcile creditors' balances on a regular basis, thus identifying and investigating any differences as soon as possible.

6.9 The Council has informed us that following discussions a vote by the Council Members was made that no payments will be made to WM Environmental for the outstanding balance of €28,761 due to the supplier's failure to comply with the tender document and specifications.

6.10 We recommend that the council reviews these amounts and either settles them if still due, or else, reverses them after having obtained approval from the council. Furthermore, decisions and discussions regarding these balances should be minuted during the council meetings.

7 Tenders

7.1 While performing the review of recurring tenders of the Council, we have noted active suppliers whereby tenders were not renewed.

Description of Procurement	Tender awardee	Awarded date	Commencement date	Termination date	Contract amount
Cleaning and Upkeep of Public Conveniences In The Locality Of Santa Venera, In An Environmentally Friendly Manner	Mr. Joseph Farrugia	22nd August 2020	22nd August 2020	21st August 2023	€23,500
Professional Services of A Contracts Manager – Santa Venera Local Council	Mr. Raphael Carabott	18th February 2021	18th February 2021	19th February 2024	€41,520
Provision, Maintenance and Upkeep of Traffic Signs and Markings - Santa Venera local Council	B Grima & Sons	12th April 2021	12th April 2021	11th April 2024	€50,649
Services of a Legal Consultant – Santa Venera Local Council	Dr. Natalino Caruana De Brincat	18th October 2021	18th October 2021	17th October 2024	€4,500
Cleaning and Upkeep of Parks, Gardens, and Soft Areas within the locality of Santa Venera using various environmentally friendly practices	Mr. Carmel Mifsud	12th April 2021	12th April 2021	11th April 2024	€53,400
Service Tender For The Collection Of Household Waste From The Locality Of Santa Venera, In An Environmentally Friendly Manner	Mr. Wilson Mifsud o.b.o. WM Environmental Ltd.			31st December 2022	€199,520
Lease of Premises (Day Centre)	Mr. Joseph Muscat	29th January 2021	29th January 2021	31st January 2022	€9,500 yearly
Bulky Refuse	Mr. Jimmy Muscat	3rd February 2020	3rd February 2020	2nd February 2023	€1.98 per call
Management of Contracts Services Architect	Perit Robert Sarsero o.b.o. Dplan Architects	1st March 2019	1st March 2019	27th February 2022	Various prices
Low Emission Transport for the Elderly to and from the Day Centre	Mr. Richard Attard	1st April 2019	1st April 2019	31st March 2022	€4,025 yearly

- 7.2 We recommend that the council monitors tenders regularly to ensure that the records are kept up to date. This is to avoid any breach and potential consequences against the Council. Additionally, we would like to remind the council that Procurement Guidelines 2017 state that the council shall initiate all necessary preparations at least six months before the expiry date of the existing contract.

8 Payroll

Reconciliation of wages between FS5s and FS7

- 8.1 Whilst reconciling the FSS tax declared in FS5 forms to amounts declared in the FS7, we came across the following differences:

Description	Declared in FS5s €	Declared in FS7 €	Difference €
FSS Tax Deductions			
full-time	21,145	18,829	2,316
part-time	488	1,415	(927)
Gross Emoluments			
part-time	13,626	14,150	(524)
Total	<u>35,259</u>	<u>34,394</u>	<u>865</u>

- 8.2 The council proposed an adjusting entry for the difference in FSS tax deductions amounting to €1,389. It is important that FSS forms are filled in properly to ensure that all amounts paid are correctly declared to the Commissioner for Revenue.

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. Tiffany Abela and her staff for their co-operation and assistance during the course of the audit.

Yours faithfully,

Grant Thornton