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The President
Local Councils' Association
Local Government Building
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Our ref: PC/mf/97425

27 February 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 Local Councils' Association (the "Association"). 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 / expense – reimbursement/refundable airfares

We are pleased to note that we did not identify issues during our testing on the Association's income / expenses.

1.2 Fixed assets

We again identified an overstatement in depreciation during the course of our audit. (Refer to note 2.1)

2 Fixed assets

2.1 In our previous management letter, we noted that the Association recognised a grant received by the Local Enforcement System Agency (LESA) for various projects which were completed in 2023. Upon reviewing the fixed asset register, it was noted that items added in 2023 amounting to €8,142 were still being depreciated. The above has resulted in an over-depreciation expense of €610 in the income statement, which will continue to accumulate annually if the Fixed Asset Register is not corrected. We have proposed an audit adjustment to rectify this discrepancy and update the Fixed Asset Register to avoid the accumulation of this error. The Association has included this adjustment in the final set of financial statements.

2.2 We recommend that the Association reviews and verifies all the related cost of the grant received in the Fixed Asset Register. This will help prevent erroneous double amortisation of costs and ensure an accurate assessment.

3 Right of use assets and lease liabilities

IFRS 16 assessment schedule

3.1 We have identified a discrepancy in the estimated net book value of right-of-use assets (property) as provided in the IFRS 16 assessment schedule and the trial balance. The right-of-use assets are recorded as €0 in the schedule, whereas the trial balance indicates an amount of €6,187. Similarly, the lease liabilities are recorded as €0 in the schedule, while the trial balance reflects an amount of €7,274. Upon further investigation, it was discovered that the year end closing adjustments were omitted in the books but were already reflected in the draft financial statements. Consequently, adjustments were made in the books to align the reported amounts.

3.2 We recommend that the Association should review and ensure that the amounts reflected in the financial statements are consistent with those in the trial balance.

4 Rent expense

4.1 Whilst performing audit procedures on rental expenses, we noted that the Association has continued to pay the lessor and occupy the leased premises despite the expiration of the previous lease agreement in April 2024. The leased property was classified under IFRS 16 before the contract's expiry. Upon further inquiry, it was disclosed that the subsequent rent payments made after the contract's expiry were neither adjusted nor categorised under IFRS 16 due to an ongoing dispute regarding specific terms and conditions of the new lease agreement. Consequently, current payments made after the expiration of the previous contract in April 2024 are not covered by an enforceable contract. No adjustment was proposed for this transaction, as the amounts and terms are not yet determinable and measurable.

4.2 We recommend that the Association should actively engage in resolving the dispute related to the current lease agreement to ensure the enforceability of the contract. Additionally, the Association should implement a process to regularly review and update lease agreements to comply with IFRS 16 requirements. This will help in accurately reflecting rent expenses in the financial statements and avoiding similar discrepancies in the future.

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 Association. 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 Lianne Cassar and her staff for their co-operation and assistance during the course of the audit.

Yours faithfully,