

Brincat Anna at Parlament-MT

From: Peplow William at NAO
Sent: Monday, 24 March 2025 11:17
To: Brincat Anna at Parlament-MT
Cc: Deguara Charles at NAO
Subject: Clarification Note requested by the PAC re deferred income in the MFC's audited accounts for 2022
Attachments: 20250312 Clarification Note.docx

Dear Ms Brincat

Please find a clarification note regarding the issue raised at Meetings 66 and 68 of the Public Accounts Committee on the deferred income relating to capital grants noted in the Malta Film Commission's audited accounts for 2022.

Best regards

William

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Clarification Note regarding the issue raised at Meetings 66 and 68 of the Public Accounts Committee on the deferred income on capital grants noted in the Malta Film Commission's audited accounts for 2022.

The National Audit Office (NAO) affirms that, at no point during its reporting or presentation relating to the Report titled Evaluating the role of the Malta Film Commission in promoting the Maltese film industry, has it suggested or implied that the apparent €4 million variance between the Deferred Income on Capital Grants, as presented in the Financial Statements of the Malta Film Commission (MFC) for year ending 2022, and the reported cash balances in within the same set of accounts is attributable to funds that are unaccounted for.

Moreover, in both its Audit Report and its formal presentation before the Public Accounts Committee (PAC), the NAO explicitly stated that while all cash inflows, irrespective of their budgetary classification, are duly accounted for, the financial statements, as structured and presented, suggest a resulting balance of funds which were not availed solely towards capital expenditure.

Nonetheless, engagements with the MFC's statutory auditors elucidated that the balance shown as "Deferred capital grant" in MFC's audited financial statements represents capital grants received and used which, in accordance with International Financial Reporting Standards, are written back to the income statement over the useful lives of the assets acquired from those funds. The auditors further explained that certain capital allocations may have been directly disbursed by the Ministry for Tourism and Public Cleanliness (MTP) without being channeled through the MFC's bank accounts. Of note is that the NAO did not have visibility of these transactions as the scope of this audit did not include financial information pertaining to the Ministry for Tourism and Public Cleansing.