



K.L.B. 02/110/17

The Director
Department for Local Government
Archbishop Street
Valletta VLT 1443

4th April 2017

Dear Mr Mifsud,

Re: Reply to Management Letter

Please find hereunder the Hal Balzan Local Council's response to the Management Letter for the period ended on the 30th September 2016.

2. Income

Accrued Income

- 2.4 The observation has been noted and the Council will do its best to monitor accrued income regularly.

3. Payroll

Payroll Reconciliations

- 3.2 Noted. The Council will comply with the auditors' recommendation.

Councillor Allowances

- 3.4 Noted. This was only due to the transitional period.

4. Fixed Assets

Fixed Assets Register

- 4.2 As has already been noted in previous years, this exercise is impossible unless the Council can get access to the data in the previous system. When the old



accounting system was upgraded, this information was left out when the data transfer was affected by the supplier and since then no longer accessible.

Additions for the period

- 4.5** Noted. Will comply.

Depreciation for the period

- 4.7** The observation has been noted and the Council will comply with this observation.

Doggie Bins

- 4.8** The depreciation on the doggie bins was calculated by the system prior to the adjustment in the fixed assets system for the 2015 audit adjustments. This has been subsequently adjusted for.
- 4.9** Noted. The Council will comply with the rates and methods of depreciation as prescribed by the Local Council (Financial) Procedures.

Insurance Cover

- 4.11** The necessary action to update the insurance policy is being taken. However, it is to be noted that there will always be some time lag between the acquisition of an asset and subsequent update to the insurance policy to reflect this new acquisition.

Capital Expenditure

- 4.13** The observation has been noted and the Council will do its best to budget in advance for capital expenditure and follow the programme. It must also be noted that circumstances change over time and, hence, the Council will need to adapt to such circumstances and revise its budgets accordingly. One must appreciate that the budgets would have been prepared before the commencement of the financial year and until implementation circumstances might change.

Reconciliation of fixed assets register to financial statements

- 4.16** The Council wishes to point out that this is done every year. The figures in the nominal ledger are the right figures and adjustments need to be carried out in the fixed asset register. Unfortunately, the fixed asset register software does not allow these adjustments.

5. Bank and cash



Bank Reconciliations

- 5.3** The recommendation has been taken into consideration and will be implemented during the current financial year.

6. Creditors

Suppliers' statements

- 6.1** Noted. The Council is doing its utmost to collect statements from suppliers on a monthly basis. However, kindly note that creditors are minimum as all invoices are paid within 30 days due to our healthy financial position.

Accruals

- 6.5** Noted. It must be appreciated that there is a period between the preparation of the accounts and they being audited within which new information will be received which would have an impact on the figures. Hence there would always be certain discrepancies which would need to be adjusted fore.

Long outstanding trade payables

- 6.8** The recommendation has been noted.

Debit balances

- 6.9** The Council notes that the Enemalta balances are recoverable as subsequent bills reveal.

7. Grants and deferred income

Government Grants

- 7.3** Noted. The Council will do its best to maintain more accurate procedures in accounting for grants.

8. Trade and other Receivables

Debtors

- 8.2** The Council notes that most of these balances have been settled subsequent to the period in review.



Prepayments

- 8.4** This observation has been noted and the Council will do its utmost to make appropriate provisions for prepaid expenditure.

9. Local Enforcement System

Pooling Period

- 9.2** Noted. The Hal Balzan Local Council has no authority or control over the Joint Committee.

11. Other accounting matters

- 11.6** The Council notes these. This was only due to the transitional period.

12. Minutes and meetings

- 12.2** The Council has done the necessary upload as recommended by the Auditors. The Executive Secretary in office will ensure that the minutes and schedule of payments are uploaded within two (2) working days from date of approval.

The Hal Balzan Local Council would like to thank the auditors for their constructive and professional advice provided during the course of their audit.

During the Council meeting held on Tuesday 4th April 2017, the Hal Balzan Local Council has discussed and clearly understood the contents of the Management Letter sent by the Auditors and will be making the necessary amendments as outlined in this reply.

SIGNED

Not. Ian Spiteri
Mayor

SIGNED

Doriette Farrugia
Executive Secretary

Cc Auditor General, National Audit Office
Mazars Malta