



K.L.B. 03/110/17

The Director
Department for Local Government
Archbishop Street
Valletta VLT 1443

29th May 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 year ending 31st December 2016.

It is to be noted that the previous Management Letter for the mid-term period January – September 2016 was dated 9th March 2017, that is, after the reporting of the financial year ending 31st December 2016.

2. Income

Accrued Income

- 2.2** The observation has been noted and the Council will do its best to monitor accrued income regularly.
- 2.5** Noted. The Council will be clearing this with the Department for Local Government.

3. Payroll

FS5 and FS7 Reconciliation

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

Performance bonuses and overtime accruals

- 3.5** Although the invoice was dated 5th January, the invoice was received subsequent to the preparation of the accounts and hence its omission.



3.6 The observation has been noted.

CIR liability

3.8 The recommendation has been noted.

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.

Depreciation for the period

4.3 The Council notes that the depreciation amount was not calculated manually but actually calculated by the fixed asset system itself. However, the journal had to be posted manually since the link between the Fixed Asset register system and the Accounting system has somehow been severed and the automatic posting was not working at the time.

4.4 The Council notes that the reducing balance system is being used and calculations are carried out by the Fixed Asset system.

4.6 This observation has been noted.

4.8 Noted. Will comply with the auditors' recommendation.

Doggie Bins

4.10 Noted. The Council will comply with the rates and methods of depreciation as prescribed by the Local Council (Financial) Procedures.

Insurance Cover

4.12 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.

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

- 5.4 The recommendation has been taken into consideration and is already being implemented during the current financial year.

6. Creditors

Suppliers' statements

- 6.2 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

- 6.3 The Council notes that the actual invoices were received subsequent to the preparation of the accounts and, therefore, required adjustments.
- 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 for.

Long outstanding trade payables

- 6.8 The recommendation has been noted.

Debit balances

- 6.9 The Council notes that the balances are recoverable against future expenditure.

7. Purchases

- 7.2 This observation has been noted.

8. Grants and deferred income

Government Grants



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

9. Income

- 9.2** The auditors' recommendation has been noted.

10. Trade and other Receivables

Receivables

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

Prepayments

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

11. Expenses and procurement

Rent

- 11.1** It is to be noted that after the call for expression of interest the Council asked the Department for Local Government for permission to make contact with property agents to help finding an alternative office. The former Director, Mr Carmel Abela, informed the Council that no such approval is needed. He also informed the Council that the approval of the Minister is needed after the Council has identified an alternative office.

With regards to the rental invoices, it is to be noted that the lessor is not a registered company. The lessor, being an individual according to VAT purposes does not need to register for VAT.

- 11.2** This observation is being noted and the Council will make sure that a formal agreement will be made when it enters into a new lease.

- 11.3** We find no objection. If in the future the need arises to rent out any premises, we will ask for the approval of the Department of Local Government as was done with the premises mentioned in 11.1.

Accountancy services



11.5 This observation has been noted. Will comply when the need arises to re-negotiate the terms.

Budgeted expenditure

11.7 Noted. Variations may arise, however, the Council will do its utmost to be more in line with the budget.

12. Budget and business plan

12.2 This observation has been noted and will be implemented.

13. Local Enforcement System

Pooling Period

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

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 Monday 29th May 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