



# Grant Thornton

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25 April 2017

**REGISTRY**

**27 APR 2017**

**NATIONAL AUDIT OFFICE**

Dear Sir,

## **Financial statements for the year ended 31 December 2016**

During the course of our audit for the year ended 31 December 2016 we have reviewed the accounting system and procedures operated by your council. We have also reviewed the operations of the council and how they conform to the Local Councils Act, 1993, the Financial Regulations issued in terms of this Act, and the supplementary Financial Procedures. We set out in this report the more important points that arose as a result of our review.

### **1 Previous management letter**

#### **1.1 Audit opinion**

The audit opinion is once again qualified for the year ended 31 December 2016 (refer to note 2).

#### **1.2 Books of account**

The council has made an effort to improve the accounting system. The irregularities noted concerning the trial balance and the nominal ledgers have been highlighted in note 11.

#### **1.3 Reconciliation of books of accounts to financial statements**

The unaudited financial statements for the year ended 31 December 2016 are correctly reconciled to the council's accounting records and trial balance.

#### **1.4 Income**

We did not encounter instances where the council has written off liabilities as income during the year.

No irregularities were noted with respect to supplementary Government income.



We noted differences between the Government allocation and the income recorded in the books of account (refer to note 3.1).

The council failed to classify income properly in the books of accounts (refer to note 3.3).

The council is still not depositing general and custodial receipts twice weekly (refer to notes 3.8 and 3.10).

We again identified a difference when reconciling LES administration fees to report 483 of the Loqus system (refer to note 3.17).

The council commenced issuing invoices to the regional committees and LESA in the first week of the following month.

The council still did not enter into a contract agreement for income generated from leasing a garage (refer to note 3.15).

We again noted various irregularities relating to the grant income (refer to note 3.5).

#### 1.5 Payroll

The council correctly reconciled payroll expenditure to FS5s.

We did not encounter any double payments made to the Commissioner of Inland Revenue.

We again identified a discrepancy between the FS5s and FS7 as reported to the Commissioner of Inland Revenue (refer to note 4.1).

The council has properly classified mayor's allowance, mayor's honorarium and the councillors' allowances in the books of accounts.

We again noted that some councillors are being paid the full year's allowance even though they failed to attend some of the meetings (refer to note 4.5).

Some of the councillors are still being taxed under the part-time rules at the rate of 15% (refer to note 4.7).

Throughout the year, the council has been paying FSS and NI in a timely manner. However refer to note 4.3.

The council is still paying overtime without obtaining approval in council meetings (refer to note 4.9).

The performance bonuses were accrued appropriately as at year end.

#### 1.6 Expenditure

It was once again noted that various petty cash purchases were not supported by appropriate documentation (refer to note 5.1).

The council is still not including all necessary details in the petty cash summaries (refer to note 5.5).



The council still did not implement the Imprest system to account for petty cash movements (refer to note 7.14).

We again identified various purchases for which the necessary quotations and purchase orders were not obtained (refer to note 5.8).

During the year under review, we again noted that large cheque payments were not backed up by a call for tenders, as recommended in our prior year's management letter (refer to note 5.13).

We still encountered instances where the council did not provide us with performance bonds for tenders, such as for the tender of lighting during Birgufest with Nexos Lighting (refer to note 5.11).

We did not encounter instances where schedules of payments were not signed by the executive secretary.

Certain details in the schedule of payments, such as the purchase order and account number were still missing for various items (refer to note 5.17).

Moreover, various cancelled cheques during the year were not included in the schedule of payments (refer to note 13.7).

Once again, we noted that cheque payments are being approved in council meetings after the cheques have already been issued (refer to note 5.19).

When testing rental expenses, we noted that all rent was accounted for in the current year.

In our testing of asset insurance, we noted once again a number of discrepancies between the books of accounts and the asset insurance policy (refer to note 5.21).

Similar to prior years, the council opted for a policy which was covering council members on a worldwide basis (refer to note 5.23).

We again noted that the council had various travelling expenses during the year. These expenses were once again not backed up by a report which needs to be submitted in accordance with MF5/2012 (refer to note 5.25).

No overstatement of expenses were noted during the current year.

No irregularities were noted regarding the locality day.

We did not encounter instances where the council netted off income against expenses.

## 1.7 Capital assets

The accounting records are again not reconciled to the figures in the unaudited financial statements (refer to note 6.1).

The fixed asset register has not yet been compiled (refer to note 6.3).

No material differences were noted when re-calculating depreciation charge for the year.





During the year under review, we were still not provided with information regarding the assets under construction (refer to note 6.6).

Various irregularities were noted when testing fixed asset additions (refer to note 6.9).

The council's assets are still not tagged (refer to note 6.13).

We did not encounter instances where capital expenditure was treated as revenue expenditure.

#### **1.8 Cash and cash equivalents**

The council once again did not provide us with a bank reconciliation and statement as at year end of the APS savings account (refer to note 7.1).

Mr Emmanuel Farrugia is still listed as one of the representatives for a BOV account (refer to note 7.4).

The council successfully instructed the banks to stop withholding tax.

Various irregularities were noted when testing unpresented cheques (refer to note 7.6).

No differences were noted in the petty cash balance. However other issues were noted (refer to note 7.14).

#### **1.9 Trade and other receivables**

The council did not investigate the long outstanding trade debtors (refer to note 8.3).

The council is still accounting for the five regional committees in one debtor account (refer to note 8.6).

The council did not rectify the issue of the other receivables (refer to note 8.14).

No supporting documentation was provided in relation to accrued income amounting to €36,803 (refer to note 8.18).

We again noted instances where the council did not account for any prepayments (refer to note 8.23).

The movement in the 622 Loqus report is still not reconciling to pre-regional 483 Loqus report (refer to 8.16).

#### **1.10 Trade and other payables**

No differences were noted between the creditors' list and the trade payables disclosed in the financial statements.

The council once again failed to obtain suppliers' statements from suppliers as at year end (refer to note 9.1).

Exceptions between the council's books and the creditors' statements were once again observed (refer to note 9.4).



During our testing of unrecorded liabilities, issues were once again noted (refer to note 9.6).

We again identified irregularities when testing accrued expenditure (refer to note 9.9).

The council once again failed to rectify the issue of long-outstanding creditors (refer to note 9.11).

The creditors' list did not include any material debit balances.

**1.11 Grant accounting**

The council once again failed to provide a grants schedule. Furthermore, the council was not in a position to provide any supporting documentation for deferred grants (refer to note 10.2).

Due to the lack of information, during the audit we were again unable to verify whether the current and non-current portions of the deferred income are fairly shown in the financial statements (refer to note 10.7).

**1.12 Opening balances**

The council has incorrectly changed the opening balances in the accounting system (refer to note 11).

**1.13 Financial statements**

The unaudited financial statements presented to us had a number of shortcomings (refer to note 12).

**1.14 Meetings**

We did not identify instances where meeting minutes were not signed. However other irregularities were noted (refer to note 13).

**1.15 General**

It came to our attention that the council did not prepare the financial budget for 2016 (refer to note 14.1).

The council once again did not upload all required reports on their website (refer to note 15.1).

**1.16 Financial position**

The council is still facing liquidity problems and its Financial Situation Indicator is negative (refer to note 17.1).

**1.17 Change in executive secretary**

During the year under review the council had a change in executive secretary. The council did not carry out a mid-term audit in compliance with the Local Council (Procedures) Regulations (refer to note 16.1).



## 2 Audit opinion

Similarly to the prior year, we had to issue a qualified audit report stating that we are unable to form an audit opinion because of significant matters encountered during our audit fieldwork. Further explanations are given in this management letter to enable the council to better understand the reason for the disclaimer of opinion.

## 3 Income

### Government allocation

- 3.1 The council's income from Central Government, as disclosed in the financial statements, did not agree to the stipulated annual allocation. We noted that an additional allocation of €709 was recognised in the "other Government income".
- 3.2 We recommend that the Government allocation is agreed to correspondence received from the DLG explaining that the amount is additional Government allocation.

### Cultural activities income

- 3.3 During our audit we noted that cultural activities' income included a receipt of €2,000 generated from the "car free day" event organised in 2015. The council did not provide for this income in 2015.
- 3.4 We remind the council that income should always be recorded in the period to which it relates based on the accruals concept. If the income is not received at the end of the reporting period, then the council must record accrued income.

### Grants from European Union

- 3.5 During the year, the council received several funds in its bank account relating to the grants approved in the prior years. The cases in point are the following:

Grant description	Date of contract	Deposit date	€
LADDER project	01.01.2015	08.06.2016	25,147.07
DECIDE project	01.06.2013	23.06.2016	2,000.00
WE-NET project	10.10.2015	08.02.2016	1,000.00
LUNF project	06.11.2015	07.12.2016	2,302.00
<b>Total</b>			<b>30,449.07</b>

- 3.6 The above grants received were recognised in income statement during the year. We were unable to determine whether these amounts were recorded by the council in prior years as receivable grants since the council does not keep schedules of the grants approved and received to date.
- 3.7 We recommend the council compiles a schedule of grants receivables, showing grants approved, received and foregone from prior years and maintain the schedule in future years in order to keep proper track of what grants the council is due to receive at year end.

**General income**

- 3.8 During our audit, we came across instances where the council did not deposit its general income on a regular basis. Examples are:

Receipt number	Details	Receipt date	Deposit date	€
007194	Permits	30.11.2015	11.01.2016	10.00
011663	Permits	06.05.2016	18.05.2016	10.00
010605	Permits	28.06.2016	17.08.2016	297.95
011758	Permits	03.08.2016	17.08.2016	139.20
009438	Permits	30.11.2016	05.01.2017	15.00
010408	Donation	15.01.2016	04.02.2016	2,500.00
011606	Donation	04.04.2016	17.08.2016	2,000.00
010546	Donation	11.10.2016	24.10.2016	2,500.00
009441	Donation	30.11.2016	04.01.2017	2,000.00
009423	Donation	22.11.2016	05.01.2017	300.00

- 3.9 Apart from the security implications of leaving cash and cheques on the premises unnecessarily, this contravenes the relevant regulations. We again recommend that the council implements procedures so that all receipts are deposited at least twice weekly.

**Custodial receipts**

- 3.10 The council also failed to deposit cash on a timely basis for LES contraventions, Licences and Lands receipts. Examples include:

Details	Receipt no.	Receipt date	Deposit date	€
LES receipt	3261890	21.03.2016	04.04.2016	23.29
LES receipt	3467335	01.11.2016	23.11.2016	34.94
Lands receipt	669708	09.03.2016	04.04.2016	234.10
Lands receipt	681308	11.06.2016	22.06.2016	210.00
Lands receipt	708124	03.09.2016	11.10.2016	436.92
Licence receipt	1991613123	24.09.2016	23.11.2016	70.00

- 3.11 We strongly recommend that the council adheres to the Procedures and deposits cash collected from custodial receipts at least twice weekly.

- 3.12 Furthermore, during our testing, we were unable to trace LES reports and bank deposit slips for the following receipts:

Details	Receipt number	Receipt date	€
LES receipt	3404387	31.08.2016	69.65
LES receipt	3435732	03.10.2016	23.29

- 3.13 The above note also highlights the issue that the council is not reconciling cash collected on behalf of the Lands Department and LES to deposits made.

- 3.14 This is a serious control weakness and the council is bound to exercise adequate control over cash and bank procedures of receipts to ensure that all monies received are deposited. We therefore recommend that the council prepares detailed daily reports of all cash received during the day, including a reconciliation between deposits and the relevant receipts as required by the Financial Procedures.





**Rent receivable**

- 3.15 The council is still generating income from the leasing of a garage without a signed agreement being in place. Total rental income generated for the year under review amounts to €538.71.
- 3.16 We strongly recommend that the council and the lessee enter into a rental contract that lays down the rights and obligations of each party. The contract should be signed by both parties to be valid and should include the price, the rental period, responsibilities and duties of each party.

**Income from LES administration fees**

- 3.17 When reconciling the income from LES administration fees as shown in the accounts with the amount shown in report 483 of the Loqus system, we noted that the accounts are overstated by €136.68. We were not provided with an explanation for this difference.
- 3.18 We once again recommend that the council investigates why such differences are arising and identifies whether this is due to a mistake in the invoices issued to the regional committees and LESA or a misposting in the accounts.

**4 Payroll**

**Reconciliation between FS7 and FS5s**

- 4.1 We noted a difference of €159.21 between the FS5s and FS7 submitted to the Commissioner of Inland Revenue. No reconciliation was provided to us during the audit (see appendix 1).
- 4.2 We recommend that all wages paid by the council are correctly reported to the Commissioner of Inland Revenue.

**Receipts from Inland Revenue Department**

- 4.3 During our testing of payroll we noted that the Inland Revenue Department's receipts for April and May 2016 were not available even though the FSS and NI were paid. The expenditure amounted to €1,590.23 and €1,764.80 paid by cheque numbers 2955 and 2980 respectively.
- 4.4 We recommend that the council makes sure that a copy of each receipt is obtained and kept when the amount is paid. This provides evidence that the amount was actually paid.

**Councillors' allowance**

- 4.5 We noted that some councillors were paid a full year's allowance even though they failed to attend some of the meetings. We did not trace a letter of excuse attached to the council's minutes to justify the absences, neither could we trace a note in the minutes that these were considered and excused.
- 4.6 We refer to circular 17/2016 which state that the councillors' allowance is to be paid in proportion to the number of meetings attended in a calendar year. The circular further explains that no deductions should be made only where valid reasons in writing are put forward for the absence from meetings. These should be considered for acceptance by the council and a copy of the letter kept with the minutes.

#### **Taxation of councillors' allowances**

- 4.7 During the financial year under review one of the councillors' allowances was taxed under the part-time rules at the rate of 15%.
- 4.8 This is against the instructions given in memo 26/2010 stating that councillors' remuneration must be taxed at the personal progressive tax rates. The council should rectify this shortcoming.

#### **Payment of overtime**

- 4.9 The council is still paying overtime without obtaining an approval in council meetings. Total overtime hours paid during the year amounted to €2,994.99.
- 4.10 We recommend that the council monitors the working of overtime and ensures that overtime is duly justified, approved and documented before issuing payment.

### **5 Expenditure**

#### **Petty cash expenditure**

- 5.1 The council once again continued to accept cash register chits not addressed to the council for most of the petty cash payments. Below are instances which were encountered during the audit:

Date	Details	Supplier	€
22.03.2016	Stamps	Step In	19.76
19.04.2016	Screws	Mifsud garage	9.50
25.04.2016	Glue	Franka Lira	8.95
12.08.2016	Stamps	Maltapost	19.76
03.10.2016	Punctures	Leli doublet	8.00

- 5.2 It is understandable that in certain instances it is more practical to obtain a cash register chit. However, this contravenes the Local Councils (Financial) Procedures 1996 which specifies that supplies are only made on the provision of a valid tax invoice or a VAT receipt addressed to the council. In this regard, we recommend that the council obtains a valid tax invoice or a VAT receipt which is addressed to the council.
- 5.3 We also encountered instances where the council obtained two separate bills for the same items on the same day which together exceeded the threshold of €23.29 imposed by the Local Councils (Financial) Procedures, 1996. Below are the instances identified:

Date	Supplier	Details	€
01.08.2016	Hanut tal-Laham	Coffee, milk, sugar	19.76
01.08.2016	Hanut tal-Laham	Coffee, milk, sugar	13.52
12.08.2016	Maltapost	Stamps	15.61
12.08.2016	Maltapost	Stamps	9.12

- 5.4 We remind the council that the purpose of the threshold is to limit petty cash payments to small amounts. Thus, the council cannot by-pass this rule and exceed the €23.29 limit.

**Petty cash summary**

- 5.5 The petty cash summaries do not include all necessary details, such as account numbers and petty cash voucher reference numbers. This lack of information makes it difficult to identify which petty cash expenditure was included in the summaries. In fact, we identified expenditure which was posted in two petty cash summaries as follows:

Petty cash summary	Payment date	Details	€
From week 1 to week 7	04.02.2016	Milk, sugar, tea, coffee,	15.80
From week 7 to 14	04.02.2016	Milk, sugar, tea, coffee,	15.80

- 5.6 We were not provided with an explanation as to why this expenditure was recorded twice, when only one supporting receipt was available.
- 5.7 We recommend the council includes all necessary information in the petty cash summaries to ensure no payments are omitted or double posted in the summaries and the council has a clear view of its petty cash expenditure.

**Procurement**

- 5.8 Our testing on cheque payments revealed instances where the council did not obtain quotations and, in most cases, observed that a purchase order was not raised. Examples include:

Supplier	Details	€
Koperattiva Tabelli u Sinjali	Road markings and signs	605.74
Mifsud Garage Ltd	Ironmongery goods	380.40
Rapid Exchange	T-shirts for ETC workers	410.99
Farrugia Woodworks	Wood work	1,930.48
The Sign Shop	Perspex signs	59.00

- 5.9 As required by the Local Councils (Financial) Procedures, 1996 the council should raise purchase orders for all purchases of more than €23.29. Furthermore, the council should obtain at least one signed quotation for purchases not exceeding €1,165 and at least three quotations for all purchases exceeding €4,658. In addition, as stated in memo 1/2010, all calls for quotations must be published on the Government Gazette and any other local newspaper.
- 5.10 Our audit also revealed that a purchase order log is not kept by the council and hence no record of such purchase orders is in place. In this regard, we suggest that a sequential list of all purchase orders is kept so as to ensure that a purchase order is raised for all purchases.

**Performance bonds**

- 5.11 The council did not provide us with the performance bond documents with respect to the provision of lighting services by Nexos Lighting during Birgufest 2016.
- 5.12 According to the Local Councils (Tendering) Procedures, 1996 such performance bonds are important as this protects the council in the event that the contractor fails to honour his obligations laid down in the contract. The performance bond remains valid for the duration of the contractual period and shall only expire one month after the completion project as agreed upon by the council and the contractor.



**Expired contracts**

- 5.13 The following payments were not supported by active contract agreements and/or call for tenders:

Supplier	Date	Cheque no.	€
Nexia BT	26.05.2016	9560	5,864.61
Saviour Mifsud	23.01.2016	2806	6,300.08
Saviour Mifsud	09.02.2016	2845	12,600.16
Saviour Mifsud	06.05.2016	2956	12,647.36

- 5.14 We were not provided with an active contract agreement between the council and Saviour Mifsud. The executive secretary informed us that the supplier renewed the performance bond up to June 2016; however no agreement was signed.
- 5.15 The contract signed between the council and Nexia BT expired on 17 November 2014. The council continued using the expired contract during the year even though on 10 November 2015, the council entered into a new agreement with Parker Randall Turner as the council's new accountants. We were further informed that Parker Randall Turner did not commence providing accounting services until mid-2016.
- 5.16 The above instances contravene the Local Councils (Tendering) Procedures which specify that the contract agreement should be signed by the contractor, executive secretary and the mayor before commencement of work. In addition, the contract must be dated and include the commencement and expiration date.

**Schedules of payments**

- 5.17 During our review of the schedules of payments, we noted various deficiencies relating to the amount of detail shown in the schedules. Some instances include:
- Account numbers are not included in the schedules of payments.
  - Purchase orders are not listed in the schedules of payments.
  - Invoice number details are not listed in all the schedules.

This is not in accordance with the template schedule of payment issued by the Department of Local Government.

- 5.18 The council should fill in all details in the schedule of payments as required by memo 37/2011. The required details allow easy cross-referencing between the schedule of payments and the expenses included in Sage.

**Expenses' approval**

- 5.19 When testing for procurement procedures, it was noted that the council was approving payment schedules after the cheques were already issued. Examples include:

Cheque number	Details	€	Approval date	Payment date
BOV3187	Road markings and signs	605.74	18.11.2016	21.10.2016
BOV3200	Ironmongery goods	380.40	18.11.2016	21.10.2016
BOV3169	Catering for Jum il-Birgu	933.38	18.10.2016	05.10.2016
BANIF18	Supply of hardstone steps	2,650.00	18.10.2016	05.10.2016
BOV3088	T-shirts for ETC workers	410.99	02.09.2016	31.08.2016
BANIF02	Woodwork	1,930.48	28.08.2015	04.08.2015

- 5.20 This is in contravention of the Local Councils (Financial) Procedures, 1996 which state that payments in excess of €23.29 must be approved by the council in meetings. The existing procedure of issuing payments prior to their approval could present the council with a risk of making payments for unapproved purchases or uncertified work. To this end we reiterate our recommendation to the council to approve payments prior to payment.

#### Asset insurance policy

- 5.21 A review of the council's asset insurance policy was performed to determine whether assets are insured adequately. The following discrepancies were noted:

Asset	NBV in financial statements €	Sum insured €	Under (over) insured €
Office and computer equipment	12,611	466	12,145
Office furniture and fittings	71,763	43,500	28,263
Construction	38,901	11,500	27,401
Assets under construction	87,097	-	87,097
Buildings	-	95,000	(95,000)
<b>Total</b>	<b>210,372</b>	<b>150,466</b>	<b>59,906</b>

- 5.22 The above shows that some the council's assets are not adequately insured. The council must comply with section LCP 1.15b.04 of the Local Councils (Financial) Procedures, 1996 and carry out a periodic review to assess the adequacy of the council's insurance coverage and ensure that the council's assets are not under/over insured.

#### Group personal accident insurance

- 5.23 It was also noted that the group's personal accident insurance is on a worldwide basis, which would have attached a higher premium per annum. In addition, we also noted that the council is also paying for travel insurance each time councillors or employees go abroad on work duties. As well as covering items specific to travel it also covers personal accidents.
- 5.24 Considering this fact, it is recommended that the coverage for personal accident insurance is limited to cover Malta only. In cases where the council is travelling abroad, the members going abroad should take overseas coverage for the period they will be abroad.

**Travelling expenses**

- 5.25 The council travelled to France, Serbia, Italy, Slovakia, Spain, Lithuania, Germany and Hungary during the year, relating to various projects and events. During the year, the council spent €10,149 on travel expenses which include subsistence allowances, flights, accommodation and travel insurance. No reports for submission to the Department of Local Government were prepared.
- 5.26 Moreover, no supporting documentation was provided for the reimbursement of the subsistence for any travelling made during the year. The allowance provided during the year was the following:

Description	€
Subsistence allowance relating to L.U.N.F. Lithuania	116
Subsistence allowance relating to WE-NET project in Brussels	290
Subsistence allowance relating to AVEC meeting in Hungary	444
Subsistence allowance relating to WELCOME project in Hungary	1,066
Subsistence allowance relating to the most beautiful villages in the Mediterranean in Italy	828
<b>Total</b>	<b>2,744</b>

- 5.27 The council is required to prepare travel reports for each project or event which the council or delegates attend and send the report to the Director for Corporate Services as required by MF/5/2012. Such report should be submitted to the Department of Local Government by not later than one month after the trip. Such report needs to include the purpose of the visit and any remarks such as benefits achieved from such trips.
- 5.28 Given that no reports were prepared, we could not get reasonable assurance that amounts shown as travelling expenses are complete and in line with guidelines issued by the Government.

**6 Fixed assets****Reconciliation of financial statements to accounting records**

- 6.1 We identified a number of differences between the net book value of assets in the unaudited financial statements and the net book value in the nominal ledger. These are summarised below:

Asset category	NBV in financial statements €	NBV in nominal ledger €	Difference €
Construction	39,527	34,626	4,901
Office, furniture and fittings	67,140	71,763	(4,623)
Urban improvements	112,158	109,500	2,658
Plant and machinery	-	2,934	(2,934)
	<b>218,825</b>	<b>218,823</b>	<b>2</b>

- 6.2 The council should investigate and reclassify accordingly the variances identified between asset categories in the financial statements and the nominal ledger.



**Fixed asset register**

- 6.3 To date, the council has not yet compiled a fixed asset register. This contravenes the Local Councils (Financial) Procedures, 1996 which states that every council is to create, maintain and control an accurate and up-to-date fixed asset register. Furthermore, memo 1/2014 specifically requires the executive secretary to furnish the auditor with a fixed asset register that agrees to the nominal ledger.
- 6.4 We recommend that the council prepares a fixed asset register and includes at least the following details:
- Description of asset
  - Date of purchase
  - Supplier details
  - Invoice number
  - Asset tag code (where applicable)
  - Cost
  - Depreciation method and rate
  - Location of the asset
- 6.5 A fixed asset register is essential to maintain proper control over the assets in the council's custody. It provides a checklist to enable periodic physical inspection of assets to verify existence and condition. Furthermore, the information contained above allows any disposals to be correctly accounted for.

**Assets under construction**

- 6.6 Whilst reviewing the fixed asset schedule we noted that this includes a balance of €87,097 for assets under construction. The executive secretary informed us that there are no assets which are not completed. This figure was present during the previous audit. The council did not present a list of assets included in this account together with any other supporting documentation. Audit procedures could not be carried out due to the lack of information.
- 6.7 In view of this limitation, we necessarily had to modify our audit opinion.
- 6.8 We reiterate our recommendation from the last year's management letter that the council should investigate the balance for assets under construction and transfer the assets to the respective asset account if completed.

**Fixed asset additions**

- 6.9 The council obtained an invoice which was not addressed to the council for the following fixed assets additions:

Class	Suppliers	Date	€
Construction	Chris Reed	12.01.2016	840
Construction	Chris Reed	09.02.2016	920
Construction	Chris Reed	06.04.2016	820
Construction	Chris Reed	15.06.2016	1,060
Construction	Sandro Fava	02.03.2016	1,298
Construction	Sandro Fava	28.03.2016	1,062
Construction	Sandro Fava	22.02.2016	649



- 6.10 We also noted an addition amounting to €3,200 relating to the acquisition of fitness equipment for Berga for which the invoice is dated 29.12.2015. We are unable to trace whether this addition was also capitalised in 2015 as the council does not keep a fixed asset register.
- 6.11 Furthermore, we identified additions which were not supported by a purchase order and quotation/s in accordance with the Procedures. We were not provided with any evidence of the relevant purchase orders/quotations during our fieldwork. Examples include:

Details	Supplier	€
4 director leather chairs	Index Furniture	740.00
Shelving for archives	Debono Storage Systems	635.00
Router- WIFI	DSI	1,165.84
Lights for Auberge d'Angleterre	Lights & Shade	1,100.00
Laminated glass	Aluminium Systems Ltd	2,371.80
Kitchen for Berga	Fava Woodworks	2,891.00

- 6.12 In accordance with the Local Councils (Financial) Procedures, 1996 the council should raise purchase orders for all purchases of more than €23.29. Furthermore the council should obtain at least one signed quotation for purchases not exceeding €1,165 and at least three quotations for all purchases in excess of this amount up to €4,658.

#### Tagging of fixed assets

- 6.13 The council's assets are still not tagged (where applicable). This is in breach of the Local Councils (Financial) Procedures, 1996.
- 6.14 Assets should be tagged and referenced to a fixed asset register in accordance with the Local Councils (Financial) Procedures, 1996. This would enable the council to identify assets and verify their physical existence and condition.

## 7 Cash and cash equivalents

### Bank reconciliation

- 7.1 The council did not provide the bank reconciliation and a bank statement as at 31 December 2016 for the APS savings account.
- 7.2 Furthermore, the APS bank letter reply revealed that the bank account had a balance of €30.26 when it was closed on 10.06.2016. This was not reflected in the books of account which show a balance of €70 as at 31 December 2016.
- 7.3 The council should ensure that it obtains bank statements on a regular basis. Furthermore, any movements in the bank account should be recorded accordingly in Sage.

### Bank account representative

- 7.4 Whilst reviewing the BOV bank letter we noted that one of the representatives for BOV account 16505406041 is Emmanuel Farrugia.
- 7.5 We recommend that the council instructs the bank to update the account representative.

**List of unrepresented cheques**

7.6 During our testing of unrepresented cheques as at year end, we noted various irregularities:

- i. The list of unrepresented cheques includes cheques which were cancelled. However the payments were not reversed in the books of accounts. Examples are as follows:

<b>Cheque number</b>	<b>Date</b>	<b>€</b>
HSBC 9574	07.07.2016	40.00
BOV 3286	07.12.2016	1,004.64
BOV 3305	27.12.2016	600.00
BOV 3306	27.12.2016	600.00

- ii. The list also included cheques which were dated 16 January 2017, and approved in January 2017, but were recorded in Sage in 2016. Examples are as follows:

<b>Cheque number</b>	<b>Date in Sage</b>	<b>€</b>
HSBC 9601	05.12.2016	1,592.99
HSBC 9602	05.12.2016	1,629.71
HSBC 9603	05.12.2016	350.00
HSBC 9604	05.12.2016	590.00
HSBC 9605	05.12.2016	885.00
BOV 3284	07.12.2016	849.60
BOV 3312	27.12.2016	500.00
BOV 3313	27.12.2016	472.00
BOV 3314	27.12.2016	278.20
BOV 3316	27.12.2016	6,300.08
BOV 3320	27.12.2016	1,323.02

- iii. Also included is a stale cheque, BOV 2911 issued on 11.04.2016, amounting to €39.41.

7.7 Based on the above findings it shows that the reconciliations are incorrect as at 31 December 2016 and do not represent the correct bank balances in the financial statements.

7.8 The council should ensure the correctness of bank reconciliations and that the book balances reconcile to bank statements at the reporting date. Discrepancies should be flagged immediately for investigation.

**Outstanding deposits**

7.9 During our testing of outstanding deposits in the bank reconciliations, we noted that the council received the following receipts in November and December 2016. However this cash was deposited to bank in January 2017:

<b>Receipt date</b>	<b>Deposit date</b>	<b>€</b>
30.11.2016	05.01.2017	2,800.00
09.12.2016	05.01.2017	890.00





7.10 These receipts were recorded in bank in the nominal ledger, even though the cash was not deposited to bank until January 2017.

7.11 It is evident that the council did not make a deposit on a timely basis. We reiterate our recommendations from points 3.9 and 3.11 that the council should not leave cash and cheques on the premises unnecessarily.

#### Cheque books

7.12 We noted that in both BOV and HSBC cheque books, empty cheques are pre-signed, in some instances with one signature and in some instances with two signatures.

7.13 This is a serious control deficiency, where an unauthorised payment can be issued by any employee who has access to the cheque books.

#### Petty cash

7.14 We noted that the council uses two nominal accounts to account for petty cash transactions:

Account number	Description	€
5015	Cash held at BLC office	73.00
5010	Petty cash account	(18.96)
<b>Total</b>		<b>54.04</b>

7.15 Although the total cash balance was reconciled to the cash count performed during the audit, the council is not using the Imprest system to account for petty cash movements.

7.16 We recommend that the council implements the Imprest system.

## 8 Trade and other receivables

#### Trade receivables

8.1 During our audit fieldwork we identified a difference between the confirmation obtained from LESA and the debtors' list provided by the council. The council's books are overstated by €36.08.

8.2 In order to solve the above problem, the council should match any pending invoices with the receipts from debtors and establish and reconcile discrepancies.

#### Overdue trade receivables

8.3 The council's receivables include the following amounts which have been long overdue:

Debtor	€
LES Regions- administration fees	1,098.93
Medea	966.50
Mira Motors Ltd	1,000.00
Heritage Malta	500.00
Malta Council for Culture & Arts	100.00
South eastern region	744.29
<b>Total</b>	<b>4,409.72</b>



- 8.4 The council did not make a provision for the above overdue balances. Furthermore, we were informed that the council is not sending statements to the above debtors to claim the balances.
- 8.5 We recommend that the council regularly reviews overdue receivables for recoverability. If their recoverability is doubtful, the council should consider making a provision for these amounts after obtaining the approval of the council in meetings. Furthermore, the council should send continuous reminders/statements to its debtors to ensure that the council still has the right to collect the amounts due.

#### **Regional committees**

- 8.6 The council did not investigate and separate the brought forward receivable balance of €1,098.93 which includes transactions with various regional committees.
- 8.7 The above situation makes it difficult for the council to keep an audit trail for each region, to identify mistakes, allocate receipts, reconcile differences and determine the balance due by each committee. In light of all this, we strongly recommend that over the coming year the council investigates this balance, and transfers the receivable balances to the respective accounts.

#### **Credit balance in debtors' list**

- 8.8 During our testing of debtors, we noted that the aged debtors' list includes a credit balance amounting to €1,439.51 due to Green MT Ltd.
- 8.9 Upon enquiry, we were informed that, in 2016, the council received an amount of €2,500 relating to "final payment of sponsorship". However the balance receivable, recognised in the council's accounts amounted only to €1,060.49; thus after the payment was recorded, the balance resulted as a credit of €1,439.51.
- 8.10 The council did not recognise any income amounting to €1,439.51 in 2015 nor in 2016. No audit adjustment was proposed with respect to this issue since no further explanation was provided.
- 8.11 We recommend the council investigates why the above mentioned amount was received and, if applicable, accounts for this income appropriately.

#### **Provision for bad debts**

- 8.12 The council is recognising a provision for bad debts amounting to €1,060.49 in its books of accounts. This balance was brought forward from the prior year and relates to a balance receivable from Green MT. In 2016, the receivable balance was settled (refer to notes 8.8 - 8.11) but the provision was not reversed in the books of accounts.
- 8.13 We recommend that the council investigates the issue highlighted in point 8.11, and reverses the provision for bad debts, if the balance has been settled.

#### **Other receivables**

- 8.14 The council's other receivables include two debtors which were brought forward from prior years. The council could not provide any information on these accounts. Thus we could not verify the existence and whether the amounts are recoverable. Details of the accounts are as follows:



Nominal code	Account name	€
0209	Line50 Other debtors	3,188
0272	Recoverable Exp- Other EU projects	14,994
<b>Total</b>		<b>18,182</b>

- 8.15 We reiterate our recommendation to the council to determine how these amounts originated and if they are not valid or no longer recoverable, the council should obtain approval in meeting to make a provision or write them off.

#### Pre-regional LES debtors

- 8.16 According to report 622 generated from the Loqus system, tribunal pending payments as at 31 December 2016 were €97,577.17. The council has not reflected this movement in its books of account, which are showing €107,142, and we have not proposed an audit adjustment.
- 8.17 We would like to remind you that it is the council's responsibility to investigate such movements with Loqus.

#### Accrued income

- 8.18 The council did not provide us with a list of accrued income. Furthermore, accrued income of €37,792, brought forward from 2014, decreased to €36,803. No explanations were forthcoming for the movement and no list of accrued income was provided for the balance. We could not perform any audit tests due to the lack of information. In view of the limitations encountered, we necessarily had to modify our audit report.
- 8.19 We reiterate our recommendation to the council to investigate this balance and determine whether income was received or whether it is no longer receivable. It is also imperative that in, future, the council always keeps a detailed listing of accrued income that agrees to the financial statements.

#### Omitted accrued income

- 8.20 Whilst reviewing the council meeting minute no. 14, held on 18 March 2016, the council discussed income to be received from the Health Secretariat. Upon enquiry, we were informed that in 2016 the council entered into an agreement with the Primary Health Centre, whereby the Primary Health Centre will reimburse the council for part of the maintenance costs incurred on Auberge d'Angleterre. We were not provided with this agreement during our audit.
- 8.21 On 18 November 2016, the council requested a reimbursement for expenditure on the Auberge incurred during the year, amounting to €10,123.87. This money was received in the bank on 14 February 2017. The council did not accrue for this income during the year under review.
- 8.22 We remind the council that income should always be recorded in the period to which it relates based on the accruals concept.

#### Prepayments

- 8.23 During the year under review, the council did not account for any prepayments. Whilst reviewing the expense accounts we noted that the council should have accounted for rental and insurance prepayments amounting to €1,110.60 and €163.88 respectively.



- 8.24 We recommend that the council accounts for expenses based on the accrual basis and ensures that all expenses are being reported in the correct period.

## **9 Trade and other payables**

### **Trade creditors**

- 9.1 During our testing of trade creditors, it was noted that the council is not obtaining at or near year-end statements from suppliers to confirm the balance as at year end. Thus the council is not ensuring completeness of creditors in the books of accounts.
- 9.2 The council is not adhering to the relevant Procedures, which require that monthly statements are obtained from all suppliers. The DLG specifically states in memos that the council should reconcile the books of account to supplier statements on a monthly basis.
- 9.3 It was noted that the balance in the creditors' list for Melita plc was in credit for an amount of €1,663.16. Upon enquiry with the executive secretary, we were informed that a payment of €1,648.92 to MEPA was erroneously recorded against Melita plc.

### **Suppliers' confirmations**

- 9.4 From the creditors' confirmation letters received, various discrepancies were noted between the amounts as per creditors' list and the confirmation letters as shown below:

<b>Supplier</b>	<b>Council's books of accounts €</b>	<b>Creditors' confirmations €</b>	<b>Difference €</b>
Koperative Tabelli	2,946.15	2,908.51	37.64
Lornit Ltd	2,330.00	-	2,330.00

- 9.5 In view of the discrepancies noted during the course of our audit, the council should start ensuring that creditors' statements are obtained on a monthly basis and reconciled to the statements.

### **Unrecorded liabilities**

- 9.6 During our testing of payments after year end, invoices dated August and October 2016 relating to Parker Randall Turner for services offered in 2016 amounting to €944 were not included in creditors. Another invoice dated 14 January 2017 relating to the installation of Christmas lights from Clinton Debono amounting to €1,500 was not included in accruals.
- 9.7 When testing invoices which were still pending after year end, it was noted that an invoice dated 10.11.2016 from Chris Reed for installation of electricity amounting to €520 was not included in creditors as at year end.
- 9.8 We recommend that the council ensures that expenditure is accounted for when it is incurred so that expenses and liabilities are shown in the proper financial year.

### **Accrued expenditure**

- 9.9 Our testing on accruals revealed that the council's provision for street cleaning is overstated by €6,245. On the other hand, it was noted that no accrual was made for FSS and NI for December 2016, amounting to €1,947.64, which was eventually paid

in 2017. This accrual was not included in the wages reconciliation and we were unable to determine whether this was accrued for since the wages accounts include various journal entries.

- 9.10 The council should ensure that suitable provisions for accruals are accounted for and supporting documentation is kept so that expenditure is recorded in the proper period.

#### **Long-outstanding creditors**

- 9.11 When analysing the aged creditors' list provided by the council, it was noted that €140,311 creditor balances were older than 120 days.
- 9.12 It is evident that the council is not settling the overdue balances due to the liquidity issues. The council had a net current liability position as at year end (refer to note 17.1).

#### **Commissioner of Inland Revenue**

- 9.13 When reviewing the agreements the council has with the Commissioner of Inland Revenue, it was noted that the council is not abiding by the repayment terms set out in the agreement. From both agreements, we noted that a payment of €7,005 should have been made during the year. In the accounts however, a movement of €4,076 was observed resulting in an amount of €2,929 which should have been paid but was not.
- 9.14 We recommend that the council starts abiding by the repayment schedules as the agreement specifically states that if the agreement is not honoured, additional taxes and contributions will be due in full.

### **10 Grant accounting**

#### **Deferred income brought forward**

- 10.1 It is obligatory for the council to prepare a list of deferred income and grants with all the supporting workings which are to be provided to the auditors as required by circular 4/2017.
- 10.2 When conducting our audit, no list of the deferred income was available and no supporting documentation could be provided for deferred income amounting to €175,963. We were therefore unable to carry out the necessary audit procedures.
- 10.3 Given that the council has no list of grants, the released deferred income for the year is in line with the release made in prior years and not based on depreciation. In view of the limitations encountered, we necessarily had to modify our audit report.
- 10.4 We once again urge the council to go through all past agreements relating to grants and ensure that these are treated under the income approach as required by IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*. Grants under this approach are recognised as income based on the useful lives of assets, that is, in accordance with the annual depreciation charge. The council is encouraged to compile a schedule of deferred grants that appropriately recognises the income from grants over the useful lives of assets in accordance with the depreciation rate.

**Grant on Auberge d'Angleterre**

- 10.5 During the prior year the council received approval for a grant of €65,000 for the restoration of the Auberge d'Angleterre project. This grant was accounted for under the capital approach. When enquiring about grants, we were notified that no changes in grants were made during the year and hence this is still being accounted for under the capital approach.
- 10.6 This goes against the requirements set out by and circular 4/2017. This states that grants received should be recognised as income to match the costs which they are intended to compensate. Grants which are obtained in relation to revenue expenditure should be released to income when the expenses have been incurred. On the other hand, grants to acquire property, plant and equipment should be treated as deferred income and income should be recognised on a systematic and rational basis in accordance with the depreciation charge.

**Reclassification of current and non-current portion of deferred income**

- 10.7 Due to the fact that no information was provided in relation to grants, we were not able to verify whether the split of current and non-current portions of deferred income are fairly presented in the financial statements.
- 10.8 Once again, we would like to point out to the council that the apportionment should be calculated on the period within which income from the grant is expected to be released to the income statement.

**11 Opening balances**

- 11.1 In our prior year's management letter, we pointed out differences between the trial balance as at 31.12.2015 provided by the council during audit and the financial statements presented as at 31.12.2015. We were not provided with any explanations and hence we had to disclaim opinion in our audit report.
- 11.2 In view of this, no audit adjustments were proposed for the year ended 31 December 2015.
- 11.3 However we still noted differences between the council's trial balance as at 31.12.2015 and the council's opening balances as at 01.01.2016. Upon enquiry, we were informed that the opening balances as at 01.01.2016 were adjusted to agree to the financial statements 2015. However this is not the case.

The following are examples of differences noted:

Details	Trial balance as at 31.12.2015 provided during audit 2015 €	Trial balance as at 01.01.2016 provided during audit 2016 €	Amounts disclosed in signed financial statements 2015 €
Retained earnings	65,076	83,510	83,510
Property, plant and equipment	292,477	340,832	293,757
Bank and cash	138,282	10,700	138,287
Trade and other payables	427,082	468,171	414,159





- 11.4 Therefore the council is presenting opening balances which could not be audited due to the differences stated above.

## **12 Financial statements**

### **Presentation of financial statements**

- 12.1 We have identified the following exceptions in the audited set of financial statements:
- i. Note 1 “General information” states that the local council is located in Iklin, rather than in Birgu.
  - ii. The council did not disclose the LES receivables and the provision of the balance amounting to €107,142.
- 12.2 The council correctly reflected the above in the audited financial statements.

## **13 Meetings**

### **Meeting regulations**

- 13.1 We have observed that the date of the next meeting is not being set at the end of every meeting.
- 13.2 According to the Local Councils (Meeting) Procedures, 1996 at the end of every meeting the council must set the next council meeting which shall be fixed. If no unanimous agreement is reached, the councillors are to vote and decide according to the majority. This shall not be changed for any reason. Therefore we recommend that these requirements are followed.
- 13.3 In addition to the above, meeting 13 lasted more than three hours.
- 13.4 We would like to remind you that memo 68/2009 states that the duration of council meetings shall not exceed three hours, unless the consensus of all those present to extend the meeting is obtained.

### **Binding of minutes**

- 13.5 We observed that the minutes of the council are not bound at the end of each financial period.
- 13.6 We recommend that, at the end of each council’s financial year, the executive secretary arranges for the previous year’s minutes to be bound as further reference will be required from time to time in accordance with the Local Councils (Office) Procedures, 1996. This bound copy should be given due importance since it serves as the only permanent, unchangeable record of all council meetings and decisions taken.

### **Approval of schedules of payments**

- 13.7 We identified multiple instances where cheque numbers are not listed in sequential order and some cheque numbers have been omitted from the schedules of payments. During our testing we confirmed that the omitted cheques were cancelled before the approval of schedule of payments. Examples include:

Cheque number	€
2854	511.37
2859	959.80
2860	1,895.64
3078	220.10
3079	220.10
<b>Total</b>	<b><u>3,807.01</u></b>

- 13.8 In accordance with P1.11 of the Local Councils (Financial) Procedures, 1996 the executive secretary must prepare complete and accurate schedules of payments containing information in sequential order and present them for council's approval. We recommend that the schedules of payments are reviewed for accuracy and jointly signed by the mayor and the executive secretary to serve as evidence that these have been duly approved by the council. We recommend that all cancelled cheques are retained in the cheque book to provide evidence of their cancellation.

#### **Reviewing of minutes**

- 13.9 Whilst reviewing the meeting minutes 12, we noted that the council discussed filing an appeal regarding a court case ruled against the council and in favour of an insurance company. The court case relates to a tree falling onto, and damaging, a car. The executive secretary did not provide us with an explanation of the outcome or the status of the appeal. Furthermore, no supporting documents were provided.
- 13.10 We recommend the council assesses the outcome of the appeal and discloses a contingent liability note in the financial statements in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.
- 13.11 Meeting number 13 revealed that the Government Property Department is requesting the council to pay the water and electricity bill for Auberge de France, amounting to €11,967. In the subsequent meeting, number 14, the mayor informed the council that the water and electricity charge was decreased to €9,000. The executive secretary informed us that the council did not receive the water and electricity bill. In addition, the council did not provide for an accrual.
- 13.12 We recommend the council follows up with the Government Property Department and/or ARMS and obtain the bills. Furthermore, the council should ensure that suitable provision for accruals are accounted for.
- 13.13 During meeting number 13, the council approved a payment of €1,200 to Mr Gaetan Gatt for doing 8 months of community work at the council. We were not provided with an explanation and neither were we provided with any supporting documents relating to this payment.

## **14 Financial budget**

### **Preparation of budget**

- 14.1 The executive secretary did not prepare a financial budget for 2016. However the financial budget for 2017 was prepared and approved in a timely manner.
- 14.2 According to article 56 of the Local Councils Act, the executive secretary must prepare a budget for approval by the council not later than 15 February of each

year. It is important that the council approves the budget early at the start of the year for proper financial planning and to prioritise expenditures.

#### **Capital commitments**

- 14.3 When reviewing the budget for 2017 we noted that there are no capital commitments disclosed. On the contrary, the financial statements disclose capital commitments amounting to €40,000. Furthermore, according to the budget, the council is anticipating grant income amounting to €72,228. The council did not provide any explanation regarding what this pertains to.
- 14.4 We recommend that the council discloses all capital commitment so that the financial statements and the annual budget accurately reflect the council's future capital commitments. Thus, the council provides a more complete and consistent disclosure of its future expenditure plans in accordance with the Procedures and IFRSs, as well as informing users of the financial statements of the council's intentions.

### **15 Electronic site**

- 15.1 We noted that the council did not upload the annual budget 2017, quarterly financial reports for the year 2016 and audited financial statements 2015, with the audit report. Furthermore, the council did not upload the business plan 2015-2017 and the annual administration report 2016 within the required time frame.
- 15.2 We recommend that the council abides by the directive given in memo 02/2014 which states that all approved minutes and schedules of payments must be uploaded on the council's site within two days of approval.

### **16 Change in executive secretary**

- 16.1 In June 2016, Ms Lara Mascena was appointed deputy executive secretary of the council replacing Ms Antonia Belfiore. The incoming executive secretary did not request a mid-term audit to be carried out, which is contrary to the Local Councils (Procedures) Regulations.
- 16.2 We draw attention to section P2.02 of the Local Councils (Procedures) Regulations under which a mid-term audit has to be carried out whenever there is a change in the executive secretary of the council. Procedures further states that the mid-term audit must be conducted from the beginning of the financial year to the last day of employment of the outgoing executive secretary. This will serve as an independent administrative handover from one executive secretary to another.
- 16.3 Based on the foregoing, the council should adhere to these regulations for similar situations arising in the future, subject to the exemption in memo 14/2014, which relieves the council from the requirement of a mid-term audit whenever the change occurs not more than two months before or after the close of the financial year.

### **17 Liquidity position**

#### **Net current liabilities**

- 17.1 It was noted that the council has closed off 2016 with a negative cash liquidity position. Current liabilities were €70,868 more than the current assets as at year end. This reveals that the council may encounter difficulties in meeting its current obligations as they fall due in the coming year.





- 17.2 When compared to the prior year's figures the council's liquidity position did not improve. In view of the negative liquidity situation we have qualified our audit report.

**Financial Situations Indicator**

- 17.3 At the end of the financial year under review the council's Financial Situation Indicator (FSI) was negative. This is taken based on the minimum positive balance of ten per cent of the annual Government allocation.
- 17.4 The Local Council (Financial) Regulations, 1993, binds the council to maintain a positive balance of ten per cent from the annual Government allocation. In such a situation the executive secretary must explain the actions to be taken to remedy the situation.

**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 the executive secretary Ms. Lara Mascena and her staff for their co-operation and assistance during the course of the audit.

Yours faithfully,

*Grant Thornton*

## **APENDIX 1**

### **Wages Reconciliation- Birgu Local Council**

#### **As per FS5's**

<b>Month</b>	<b>Gross (€)</b>	<b>SSC (€)</b>
January	6,076.70	958.24
February	7,055.74	1,377.48
March	11,200.00	1,144.32
April	6,555.98	1,008.44
May	5,826.02	1,165.80
June	8,113.25	677.22
July	5,691.67	856.12
August	6,097.88	1,290.90
September	6,654.92	1,051.52
October	6,531.68	1,290.90
November	6,904.37	1,032.72
December	9,236.51	898.32
	<u>85,944.72</u>	<u>12,751.98</u>
add 1/2 of total NI	<u>6,375.99</u>	
<b>Total</b>	<u><u>92,320.71</u></u>	

#### **As per FS7**

Gross Salary	85,786.00
add 1/2 of total NI	<u>6,375.50</u>
<b>Total</b>	<u>92,161.50</u>

Difference 159.21

#### **As per Accounts**

<b>Account No. &amp; Name</b>		
1100/000	(Mayor's allowance)	7,224.44
1200/000	(Employees'	43,654.44
1300/000	(Exec. Secretary's Salary)	24,077.58
1400/000	(Councillors' Allowance)	8,526.33
1500/000	(FSS Tax/NIC)	6,375.99
1700/000	(Overtime)	2,994.99
Less: Workes Scheme- invoice		(557.20)
		<u>92,296.57</u>
Add opening accruals		<u>3,050.16</u>
Less closing accruals		<u>(3,183.72)</u>
		<u><u>92,163.01</u></u>
Difference		1.51