KUNSILL LOKALI
BIRKIRKARA

13 June 2016

The Auditor General
National Audit Office
Notre Dame Ravelin
Floriana CMR02

Dear Sir

RE: FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

Reference is made to the auditors' letter dated 25th April 2016 but received on 30th May 2016. In terms of Section P2.05B (d.02) of the Local Councils (Audit) Procedures 2005, on behalf of Local Council Birkirkara, we are presenting herewith the following comments:

1. *Income*

Rental Income
It should be noted that we are still waiting for the agreements to be signed by the Directors of these respective Departments. They are still negotiating with the Council certain terms and conditions on which there needs to be a mutually agreeable consensus. This is the reason why it is taking that long.

2. *Expenditure*

Petty cash payments
All of the short-comings in the petty cash system of the Council were duly noted and the administration will make its utmost to adhere to the relevant procedures. Nevertheless, it should be noted that certain retail outlets are not equipped with a tax invoice system and find it very hard to provide. If the Council had to blacklist all of these suppliers, it would end up with a limited choice from where to acquire this kind of supplies.

Expired Contracts
The Council believes that in the circumstances it cannot take any action as the decision is now under appeal.

General Cleaners Company Limited
The Council sticks to its position that the contract in question is null and void, given that it was signed only by a previous Mayor. Therefore it is currently seeking the guidance of its lawyer to address the matter. It has to be noted though that the supplier in question has just sent a warning letter and did not institute any court cases against the Council.

Asset Insurance
The Council takes note of the auditors' recommendations and following a review of the fixed asset register for any obsolete equipment or furniture, it will revise its insurance cover together with the assistance of its insurers. This exercise is still in progress.

Additional skip services
As the Auditors state, this service was stopped in September 2015, so the Council is not seeing where it is in default.

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Cleaning and maintenance public convenience
Since the audit findings emerged, the matter has been addressed and sorted accordingly.

Audit fees
The Council regrets the oversight and as stated by the Auditors, the audit adjustment has been approved and taken on board.

3. Local Enforcement System

Pooling Period
The Birkirkara Local Council has repeatedly and relentlessly put pressure on the Joint Committee to present the actual reports and forward the share of financial surplus to the Council. Despite the various attempts, the Joint Committee has never produced any results and ignored the Council's calls. It was only after the conclusion of the audit that the Joint Committee has produced some financial reports.

We encourage the Department of Local Councils and the Auditor General to take action against the Authorised Officer, past and present (if any), of the Joint Committee to regularise its position accordingly.

4 Property, plant and equipment

Details of the fixed asset register / Tagging of Assets
The Council acknowledges that it still has to tag all the assets identifiable in its administrative offices and update some locations. This process has been kick-started during 2011 but could not be completed due to lack of human resources. The exercise is now nearing conclusion.

5. Inventories

Net realisable value of inventories
While we agree that the Council will assess the net realisable value of these books, these publications were not meant to experience a high stock turnover. The Council launched these publications for information purposes to its residents and the selling price attached to each publication is merely to recover part of the publication costs rather than registering a profit.

The Council had decided to keep on recognising the books which are available for sale and any donation of books which are given as commemoration or sponsorship to students or other special guests, are being approved by the Council in line with the procedures.

6. Receivables

Debtors' List
The error highlighted by the auditors was corrected through an audit adjustment which the Council accepted. The inconvenience is being regretted.

Overdue Receivables
The Council is well aware that it has some problems in recovering some of its receivables and that is the reason why a provision of €26,040 was made. Most of the other debtors mentioned by the Auditors in arriving at their assessment of €46,254, consist of Government Authorities and Departments. The Council is strong on the legitimacy of these balances and therefore it will see to it that these Government Authorities settle and pay their dues.

9. Estimates and business plan

The business plan and administrative report will be prepared and approved accordingly in line with the Auditors' recommendations.

By the time of replying to this management letter, the Budget for 2016 was template and uploaded on the web-site.

10. Council Meetings

Attendance at meetings
The Council felt that these absences by the referred Councillors were justified and that is why it felt it should not inform the Ministry. Nevertheless, should this be the case once more, the Council will inform the Department for Local Government accordingly.

11. Going Concern

Liquidity position
The Council inherited a substantial amount of debt from a previous Council. Given that the Council still needs to support its ongoing operations, talks are being held with the Department of Local Government to unblock the situation and find a solution to the matter. Nevertheless, the Council is not very optimistic about it.

It is being ensured though that while part of the old debts are being repaid and settled, any new projects are financed either from special funding or schemes launched by the Department of Local Councils from time to time.

Financial Situation Indicator
As explained in the preceding paragraph, the Executive Secretary is limited on the decision control function of the Council and action by the Department of Local Government to halt the Council's march from overspending, should be taken years ago.

In the circumstances, the Executive Secretary and the Mayor are constantly monitoring the Council's financial abilities in the day-to-day running and as the year-by-year results show, the situation is improving. Although with a slow progress, the debt problem is being addressed.

We would like to thank the Auditors for their constructive and professional advice provided during the course of their audit. Where possible, the Council commits itself to implement the suggestions accordingly.

Yours faithfully,
LOCAL COUNCIL BIRKIRKARA

Joanne Debono Grech
Mayor

Neil Spiteri
Executive Secretary