



KUNSILL LOKALI

LOCAL COUNCIL

BORMLA
Citta' Cospicua

Our Ref: 05/2024/11610

9th June, 2016

**The Auditor General
National Audit Office
Notre Dame Ravelin
Floriana**

Dear Sir,

**Reply to Auditor's Report to Management
For the period ended 31-12-2015**

Reference is made to the Auditor's letter dated 19th April, 2016, which the Council received on the 6th May, 2016, from your office. In terms of Section P2.05B (d.02) of the Local Councils (Audit) Procedures 2005, on behalf of the Bormla Local Council, we are presenting herewith the following comments:

1. PREVIOUS MANAGEMENT LETTER

The points that the Auditor reported under this heading will be replied to in each of the respective sections below.

2. INCOME

2.1 / 2.2

LES administration fees

This was investigated and we noticed a difference of Euro 65 between the commission receivable according to report 483 and the invoices generated through the same software as explained hereunder (column A and column B). We will stick to the invoices generated by the LES system rather than the report.

Furthermore, there was a mistake in one of the invoices issued in December 2015. The Council issued an invoice with the value of the fines paid (Euro 58.30) instead of the 10% commission (Euro 5.83). This mistake was corrected during 2016.

<u>Month</u>	<u>Commission receivable as per report 483</u> <u>(A)</u>			<u>Invoices issued from</u> <u>LES system</u> <u>(B)</u>	<u>Diff</u> <u>(A-B)</u>	<u>Invoices issued by</u> <u>Council</u> <u>(C)</u>	<u>Diff</u> <u>(A-C)</u>
Jan-15	4718.97	10%	471.90	427.71	44.19	427.71	44.19
Feb-15	4479.38	10%	447.94	563.19	-115.25	563.19	-115.25
Mar-15	4737.79	10%	473.78	462.17	11.61	462.17	11.61
Apr-15	6210.23	10%	621.02	653.61	-32.59	653.61	-32.59
May-15	3888.48	10%	388.85	372.55	16.30	372.55	16.30
Jun-15	6305.79	10%	630.58	645.72	-15.14	645.72	-15.14
Jul-15	7274.91	10%	727.49	727.48	0.01	727.48	0.01
Aug-15	3573.84	10%	357.38	328.28	29.10	328.28	29.10
Sep-15	4830.54	10%	483.05	455.12	27.93	455.12	27.93
Oct-15	6612.18	10%	661.22	619.32	41.90	644.94	16.28
Nov-15	4745.41	10%	474.54	547.87	-73.33	547.87	-73.33
Dec-15	3526.57	10%	352.66	352.67	-0.01	405.14	-0.01
	60904.09		6090.41	6,155.69	-65.28	6233.78	-143.37

2.3 / 2.4

Income from grants

As stated by the auditor, the proposed audit adjustment was approved by the Council and the audited financial statements were amended to reflect the auditor's adjustment.

2.5 / 2.6 / 2.7

Deferred income from capital grants

We fail to understand the auditor's comment regarding this grant. The Council did not accrue for this grant but made a full disclosure of these grants by means of a note in the financial statements. It seems that the auditor agrees with the Council's judgement.

2.8 / 2.9

Income from joint committee

Auditor's comment noted and the proposed audit reclassification was approved by the Council.

3. EXPENDITURE

3.1 / 3.2

Petty Cash Expenditure

Over the counter purchases are made against an official fiscal receipt issued from the cash register. Where and when possible, we will request a manual VAT receipt addressed to the Council.

- 3.3 **Petty Cash Sheet Prepared by the Council**
As from March 2015, petty cash schedules included details about the allocation in nominal accounts as was suggested by the Auditor in the Management Letter for the year 2014. Only the petty cash schedules of January and February 2015 did not include this information, but it is pertinent to note that these were prepared prior to the 2014 audit.
- 3.4 / 3.5 / 3.6 **Procurement Procedures**
The Council will do an extra effort to comply however it should be noted that not all suppliers are equipped with a proper invoicing system.
- 3.6 / 3.7 **Expired Contracts**
The Council continued to make use of an expired contract with V & A Services for the collection of mixed household waste. It would have been more fair if the auditor included a note stating that the Council had no other alternative due to the fact that the case was being decided by the Court of Appeals in accordance with LN 296/2010. This matter was resolved by the Appeals Court on the 29th January, 2016 and a new contract with a new supplier has been signed on 1 March 2016.

4. FIXED ASSETS

- 4.1 / 4.2 **Fixed asset register**
We cannot understand how this difference in the net book value arose, considering that the depreciation charge is worked automatically with the software used to update the FAR. This will be investigated during the current year.
- 4.3 / 4.4 / 4.5 Fixed Asset Register might be missing some of the supplier details (occured when data was transferred from Sage Line 50 to Pastel Evolution Software). However, all the details mentioned by the auditor are available in the FAR including:
 - Description of Asset
 - Date of Purchase
 - Cost
 - Depreciation method and rate
 - Location of the asset
- 4.6 / 4.7 **Classification of assets in the fixed asset register**
Auditor's recommendation will be implemented during 2016 and CCTV camers will be categorised under Office Equipment.

- 4.8 / 4.9 / 4.10 **Disposal of obsolete assets**
Updating of the Fixed Assets Register is an ongoing process. During the current year, this process will be continued to ensure that the FAR is updated and that broken items which are no longer in use will be written off.
- 4.11 / 4.12 **Additions to fixed assets**
In this case, it seems that there was an error in the Financial Statements as actual additions amounted to Euro 2,349. The accountants were duly informed about this matter.
- 4.13 / 4.14 The coffee machine bought from JS Households is supported by the following documentation:
 - Purchase Request
 - Purchase Order
 - Invoice addressed to Bormla Local Council
 - Payment Voucher with cheque image
 - Fiscal Receipt
 - WarrantyWe fail to understand what was missing in this particular case.
- 4.15 / 4.16 **Disposal of fixed assets**
The list of fixed assets to be disposed was prepared during 2015 and as at 31-12-2014, these assets had a NBV of Euro 1203.66. The list, signed by the Mayor & Executive Secretary clearly states that NBV of these fixed assets as at 31-12-2014 was of Euro 1,203.66. The amount of Euro 1,355.81 declared in the minutes is a mistake as it includes the NBV of Computer Equipment amounting to Euro 152.15 twice.

NBV of these assets as at 31-12-2015 when they were actually written off amounted to Euro 1,193.89 (Asset Disposal Account attached herewith and marked as ANNEX 1) which is Euro 472 more than the amount declared in the Financial Statements. From what we can understand, this variance relates to the variance identified by the auditor in 4.11. This difference will be verified and rectified during 2016.
- 4.17 / 4.18 Auditor's comment noted. The accountants were also informed about this shortcoming.

5.0 GRANTS

- 5.1 / 5.2 **Grant Schedule**
Point taken and we will do our best to ensure that during 2015, the grants schedule is updated in line with Memo 3/2016.

5.3 / 5.4 **Income from grants on capital projects**
Auditor's comment noted and the financial statements were amended accordingly.

5.5 **Current and non-current portion of deferred income**
Auditor's comment noted and the financial statements were amended accordingly.

6.0 **PAYROLL**

Wages' reconciliation

6.1/6.2 Auditor's comment noted. Wages' reconciliation will be updated accordingly.

FS5's and FS7 reconciliation

6.3 / 6.4 Auditor's comment noted and recommendation will be implemented accordingly.

7.0 **TRADE AND OTHER PAYABLES**

7.1 / 7.3 **Trade Payables**
As already stated in our reply to 3.4 / 3.5 / 3.6, most of the suppliers do not have a proper invoicing system let alone the appropriate system in place to send monthly statements. However, a number of regular suppliers to the Council submits monthly statements which the accounting officers reconcile regularly. Apart from the monthly statements, the Council has an invoice registry system which is regularly reconciled to the suppliers accounts.

7.4/7.6 **Long outstanding trade creditor**
These long outstanding creditors will be paid or written off during 2016.

8.0 **TRADE AND OTHER RECEIVABLES**

Trade receivables

8.1 / 8.2 Provision for doubtful debts will be monitored.

8.3 / 8.4 The amount claimed by the Council from the WSC amounts to Euro 6,800 and not Euro 8,956.86. We cannot understand how the auditor stated that the WSC is claiming that it

owes nothing to the Council when the WSC has infact settled this amount on the 3rd May, 2016 (Copy of Receipt No. 6084 attached herewith and marked ANNEX 2)

9.0 FINANCIAL STATEMENTS

Presentation of financial statements

9.1/9.2/9.3 The Council emphasized with it's accountants about the presentation of the financial statements. As things stand, it is very likely that the financial statements for the year ending 31-12-2016 will be prepared by another accountancy firm and we sincerely hope that this matter will be resolved with the appointment of the new accountancy firm.

10.0 MEETINGS

Attendance at meetings

10.1/10.2 The Councillors who failed to submit the letters of excuse during 2015 will have their next allowance to be paid by end of June 2016 deducted accordingly.

10.3 This will be implemented rightaway.

11.0 GROUPINGS

11.1/11.2 Auditor's comments noted.

12.0 ACCOUNTING SOFTWARE

12.1/12.2 The accounting software packages used by the Council (Pastel Partner & Pastel Evolution) were recommended to all Local Councils by the Department for Local Government. Therefore, while we concur with the auditor's recommendation, we suggest that the National Audit Office push this matter with the Department for Local Government.

13.0 ELECTRONIC SITE

13.1 / 13.2 All the financial reports mentioned by the auditor are uploaded on the electronic site, however we do not hold information of the date when these were uploaded.

14.0 ADMINISTRATION

14.1 This was obviously a typing mistake.

14.2 / 14.3 The schedule of payments presented during Council meetings is intended for the Council to approve the invoices and authorise payments. A couple of years ago, the administration used to present two different schedules; (a) schedule of payments made and (b) schedule of outstanding invoices for payment. This method had to be abolished when the Department for Local Government introduced a new template for all Local Councils to be used for the Schedule of Payments. If we comply with the auditor's recommendation, this would lead to a situation where the Mayor and Executive Secretary alone will authorize the payments without prior approval from the Council.

15.0 INVESTMENT IN JOINT VENTURE

15.1 Audited financial statements for the year ended 2015 finalised.

15.2 / 15.3 Although these were never requested, Financial statements for the period 2006 – 2011 will be prepared during the current year.

Regards



Alison Zerafa Civelli
Mayor



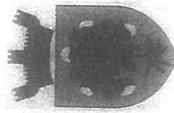
Joseph Caruana
Executive Secretary

Prepared by: Bormla Local Council

GL Detailed Ledger 01/01/2015 to 31/12/2015

Date	Entry Type	Reference	Contra Acc. (If Avail)	Description	Debit	Credit	Cumulative
3500/000 : Asset Disposal Account							
Opening Balance as at 01/12/2015					€0.00		
31/12/2015	General Journal	KLB00525	0000/00	HP 845C Printer	€3.57		€3.57
31/12/2015	General Journal	KLB00541	0000/00	Intel Celeron P4	€27.51		€31.08
31/12/2015	General Journal	KLB00561	0000/00	2CD Writers + 2 UPS	€11.43		€42.51
31/12/2015	General Journal	KLB00562	0000/00	1 UPS - ES Office	€3.16		€45.67
31/12/2015	General Journal	KLB00602	0000/00	Intel Cel 2.7 PC	€35.78		€81.45
31/12/2015	General Journal	KLB00640	0000/00	HP 5740 Printer	€7.50		€88.95
31/12/2015	General Journal	KLB00653	0000/00	HP5740 Inkjet Printer	€9.56		€98.51
31/12/2015	General Journal	KLB00666	0000/00	1 USB Dongle	€2.77		€101.28
31/12/2015	General Journal	KLB00668	0000/00	1 MP3 Player	€6.57		€107.85
31/12/2015	General Journal	KLB00685	0000/00	1 External Hard Disk	€13.08		€120.93
31/12/2015	General Journal	KLB00729	0000/00	Canon Printer 3 in 1	€16.55		€137.48
31/12/2015	General Journal	KLB00732	0000/00	Printer - Canon MP 250	€14.67		€152.15
31/12/2015	General Journal	KLB00065	0000/00	PA System	€7.04		€159.19
31/12/2015	General Journal	KLB00078	0000/00	Myers Precision Guillotine	€3.07		€162.26
31/12/2015	General Journal	KLB00367	0000/00	1 Quark Telephone Set	€11.15		€173.41
31/12/2015	General Journal	KLB00472	0000/00	2 Stand Fans	€1.84		€175.25
31/12/2015	General Journal	KLB00505		1 Binding Machine	€4.99		€180.24
31/12/2015	General Journal	KLB00551	0000/00	1 Telephone Set - Telstra	€19.97		€200.21
31/12/2015	General Journal	KLB00777	0000/00	Coffee Machine	€42.16		€242.37
31/12/2015	General Journal	KLB00049	0000/00	Aerial Set	€9.69		€252.06
31/12/2015	General Journal	KLB00343	0000/00	18000btus Air Condition	€299.24		€551.30
31/12/2015	General Journal	KLB00348	0000/00	3 large maltese flags	€180.71		€732.01
31/12/2015	General Journal	KLB00232	0000/00	2 Bormla Flags	€181.16		€913.17
31/12/2015	General Journal	KLB00312	0000/00	10ft Wooden Ladder	€14.87		€928.04
31/12/2015	General Journal	KLB00167	0000/00	Staff Desk	€19.88		€947.92
31/12/2015	General Journal	KLB00096	0000/00	Television Shelf in Oak	€14.07		€961.99
31/12/2015	General Journal	KLB00392	0000/00	1 Maltese Flag 4ft x 6ft	€11.53		€973.52
31/12/2015	General Journal	KLB00393	0000/00	1 TV & Video Bracket	€21.33		€994.85
31/12/2015	General Journal	KLB00674	0000/00	Wall Panelling Front Office	€187.10		€1,181.95
31/12/2015	General Journal	KLB00676	0000/00	Edging and wall panelling	€11.94		€1,193.89
Closing Balance as at 31/12/2015					€1,193.89		

----- End of Report -----



KUNSILL LOKALI BORMLA

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 Email: bormla.lc@gov.mt

Date: _____

N^o 6084

Received from _____

the sum of _____

€

in respect of _____

Executive Secretary

REMITTANCE ADVICE

KUNSILL LOKALI BORMLA

2a, The Rest, Pjazza Santa Margerit
BORMLA BML 1202

Date

20-Apr-2016

Cheque Number

070730

DATE	REFERENCE	INVOICE No.	REMARKS	AMOUNT
22-Mar-2013	1913002493	191	Bormla LC works Ja	6,800.00
30-Apr-2013	2013000372		SET-OFF WSC 41/01	-2,105.05

23 APR 2016

Total Amount Paid

4,694.95

all
accounts