



Ref. NAO 107/2015/17

18th May 2018

The Director,  
Department for Local Government  
26, Archbishop Street,  
Valletta

Dear Sir,

### **Management Letter – Financial Year – 2017**

Reference is made to the above-mentioned letter dated 3rd May 2018, received at the Council's Office on the 9th May 2018 concerning the systems and controls used by the Council to safeguard the Council's assets in line with prevailing legislation dealing with local councils.

The contents of the Draft Management Letter were read and discussed, and where it was deemed appropriate, to forward the following comments:

1. FOLLOW-UP: MANAGEMENT REPORT – YEAR ENDED 31 DECEMBER 2016

The Council has addressed to the best of its capabilities all matters which were mentioned in last year's management report, other than those, which are outside the control of the Council. The Council will strive to continue to improve its operations during the coming year.

2. INCOME

Income from LESA distribution

The auditor's comment about this one off, first time income noted and reclassification processed in the updated financial statements

Supplementary Government income

Auditors' comment noted and audit adjustment processed accordingly..However, as discussed during the audit such accrued income was included since this income referred to 2017. Furthermore, payment was processed by the time of finalisation of the audit and thus confirmation was forwarded to the auditor. Furthermore, all the relevant expenditure was included in the 2017 financial statements since the expense was incurred in 2017.



### 3. EXPENDITURE

#### Petty cash expenditure

Noted. The Council strives to, where possible, obtain a tax invoice or a VAT receipt appropriately addressed to the council. However, since most petty cash transactions will be purchases from across the counter, the Council can only be served with a fiscal receipt from the supplier's cash register which cash register can only issue fiscal receipts with specific customer's vat number. This is not relevant to the Council since the Council does not have a vat number and thus in our opinion, the Council cannot improve his position in this case.

A petty cash voucher is prepared for each chit with details of the expense, which payment voucher is also signed by the Executive Secretary and the Council Clerk who is responsible for the Petty Cash. The petty cash vouchers mentioned by the auditor were signed by the Executive Secretary and the Council Clerk.

#### Procurement procedures

Mentioned transaction was for the purchase of HP toners for which the Council had a number of quotations dated 2016, which showed that the price of this particular supplier was the cheaper. The purchase which was mentioned by the auditor was a refill of these toners.

#### Expired Contracts

Noted. A Council decision is in place with which the Council decided to move to the new premises as soon as possible and in the meantime continue to use the current premises as required. The current tenant accepted to extend the contract monthly until the Council needs the premises

#### Tendering procedures

Noted. The Council abided by the Directive of DLG and implement the ePPS system.

### 4. FIXED ASSETS

#### Details in the Fixed asset register

Comment noted. The Council believes that the Fixed Asset Register of the Council is reasonably detailed and that, where relevant, the details requested are included. However, a balance has to be struck between practicality and correct use of information.



#### Disposal of Obsolete assets.

Matter noted and the FAR is regularly monitored to ensure that any fixed assets which are obsolete and no longer in use by the Council. Such exercise took place in February 2017 after being approved in the Council Meeting and its effect was reflected in the financial statements of 2017. Furthermore, it is very important to note that no write off can be made if such write off is not approved in a Council Meeting.

#### Depreciation of fixed assets

Depreciation is calculated through the FAR module in Sage Line 50 software and posted directly through the software.

#### Assets under construction

Noted and audit adjustment was included in the updated financial statements.

### 5. TRADE RECEIVABLES

#### Pre-regional LES debtors

Comment noted. As am sure all persons involved will understand, the Council is not in a position to take this matter with Loqus on its own since the software managed by Loqus is used by all Local Councils of Malta and Gozo and not only by the Fgura Local Council. Furthermore, it is very important to note that any immaterial difference noted does not have any impact of the financial statements and the finances of the Local Council since balances are more than 2 years old and thus fully written off.

#### Trade debtors

Noted and Council is in discussions with Water Services Corporation to receive payment.

### 6. BANK AND CASH

#### Bank reconciliations

Noted. The Council strives to perform monthly reconciliations and to the best of our knowledge, monthly bank reconciliations were performed for all bank accounts which had transactions during that month. The mentioned cheques were cancelled because the recipient claimed that they were never received. In fact, by the time of the audit such cheques were not cashed and were reversed by an audit adjustment.



## 7. TRADE PAYABLES

### Long Outstanding creditors

Noted. These balances have been analysed prior to the audit and the Council has agreed to leave these balances as outstanding. As explained during the audit, two balances are currently pending legal litigation and the other balance is pending due to service not performed to the Council's satisfaction.

### Trade creditors

The Council regularly asks for creditors' statement. However, it is to be noted that the Council does not have any undisputed long term creditors and thus the creditors as at year end were practically less than 30 days old. The Council cannot be held liable if the creditors does not send statements to the Council.

### PPP creditor

Noted and the Council will discount this liability to present value as from next year.

## 8. WAGES AND SALARIES

### Mayor's honorarium

Noted. Reclassification processed

## 9. MEETINGS

### Approval of schedules of payments

Noted and the Council will be changing its internal procedures to be in line with this procedure.

## 10. FINANCIAL STATEMENTS

### Presentation of financial statements

The disclosures which were mentioned in the comments to the financial statements/draft management letter were updated in the revised financial statements.

*[Handwritten signature]*



#### 11. ELECTRONIC SITE

Noted and the quarterly financial reports for 2017 were uploaded in the new DLG website as instructed by DLG.

#### 12. CAPITAL COMMITMENTS

The Council strives to record all capital commitments on the applicable various reports as required within the respective timeframes. The capital commitments in the budget were calculated in October 2017 while the financial statements are prepared in February 2018. The difference between the amount as disclosed in the financial statements and the budget represents the costs incurred on the Civic Centre between the two dates. The sum of Eur930,000 as mentioned by the auditors under the capital commitments in the budget is the amount which is forecasted to be paid since that amount is included under the Cash Forecast of the budget and thus the difference between Eur930,000 and 985,000 is the amount on the Civic Centre which is budgeted to be still pending as at 31st December 2018.

Pierre Dalli  
Mayor

Beverly Saliba  
Executive Secretary