



## **FLORIANA LOCAL COUNCIL**

**Council's response to the  
Auditor's Report to Management  
For the financial period ended 31 December 2010**

KLF 144/11

2<sup>nd</sup> June 2011

Director (Local Government Department)

The Local Government Auditor

National Audit Office

Dear Messrs,

**MANAGEMENT LETTER FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2010**

In terms of section P2.06 (c) (d) of the Local Councils (Audit) Procedures 2006, I am submitting the Council's response of the management letter submitted by the appointed auditors – *3a Accountants*, Certified Public Accountants and Management Consultants. The attached response was approved by the Council during a council meeting held on 1st June 2011.

The Floriana Local Council would like to note that some points brought up by the Auditor are too generic and it made it difficult for us to identify the implied shortcomings and reply accordingly. Moreover, to our disappointment a quite number of matters brought up by the Auditor are incorrect and we were very surprised to read about certain shortcomings which in reality did not take place at all.

On the other hand, where it was possible, the Council took the corrective measures to address other matters immediately for any shortcoming reported in the management letter by the auditors.

In concluding this letter, the Council would like to thank the auditors for their assistance in submitting recommendations to help us maintaining our reputation of demonstrating high levels of accountability and transparency in administering public funds.

Regards

Nigel HOLLAND  
Mayor

Kenneth BRINCAT  
Executive Secretary

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## **PRELIMINARY NOTE**

The Floriana Local Council's coat of arms placed by the Auditor on the cover page of both the Financial Statements and the Report to Management is not correct. That coat of arms was replaced by Legal Notice 26 of 2008. The correct coat of arms is the one on the cover page of this document.

### **1. FOLLOW UP**

As regards to 1.1, the Council took up the Auditor's recommendation of the previous Management Report for the year ended 31<sup>st</sup> December 2009 but unfortunately such recommendation did not assisted the Council to address the matter in question. The Council had anticipated such issue in our reply to the previous management letter.

As regards to 1.4, 1.7, 1.11, 1.18, 1.19, 1.20 and 1.22 the Council has started processes to take the necessary actions to regularize the Council's position.

However, the Council is surprised about 1.9 because although the Auditor stated that the matter has been addressed; such report is followed with another statement about the fact that the Council has undertaken a number of activities involving catering activities amounting to €4533.32. The Council cannot understand the reason why such comment by the Auditor was placed under the heading "Christmas Staff Parties". The Council believes that such comment by the Auditor under such heading is misleading. Furthermore, the Council wants to declare that any expenditure incurred by the Council for such activities, were carried out in the best interest of the locality and in compliance with the financial regulations.

As regards to 1.16, the Council understands that the LES reconciliation still needs to be addressed properly, however the Council is doing its utmost to solve this problem which is out of its control due to the fact that there is minor cooperation from other local councils.

With satisfaction we noticed that the auditor noticed improvements since matters 1.2, 1.3, 1.5, 1.6, 1.9, 1.10, 1.17, 1.21, 1.23, 1.25, have been addressed properly by the council.

## 2. INCOME

### 2.1 Local Enforcement

The Council disagrees with the comments made on this issue. In fact, during the audit stage, we had explained to the auditors that according to the LES Reports printed from the Datatrak system, the total contraventions issued during the year under review amounted to €273,297.60.

Moreover, we had also provided with reconciliation to the auditors in order to facilitate matters regarding the contraventions. Hereunder please find the workings provided by the Council to the auditors:

Opening Balance	202919.05	
Les reports (103)	273297.6	
Debtors	11784.47	(adjustment required)
Report 622	202142.61	
	<b>284305.63</b>	

#### **As per accounts**

Sage	271200	
Debtors	11784.47	(adjustment required)
Other entries	757.26	(see note)
	<b>283741.73</b>	

Difference	563.9
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Note:

Entry

	Cash	
10/07/2010	erroneously	69.87
	Chqs	
10/07/2010	erroneously	186.32
	Chqs	
09/01/2010	erroneously	582.32
10/01/2010	Error	0.09
19/01/2010	Error	34.58
16/03/2010	Withdrawal	23.29
01/04/2010	Withdrawal	23.29
		<b>757.26</b>

This is a proof that the variance is just €563.90 and not €17,131 as indicated in the management reply provided to the Council by the Auditors.

The Council also would like to draw your attention that during the financial year 2010, the Council started to account for the contraventions on accrual basis month by month by issuing reports from the system as recommended to us by the Auditors in their management letter in the previous year.

## 2.2 Income from Bye-Laws

The Council has taken note.

In this regard, the Council has already approved a set of Bye-laws and forwarded them to the Director of Local Government for their approval and publication.

## 2.3 Income Invoicing system

The Council has taken note.

The Council will take the necessary action to meet the Auditor's suggestion.

# 3. **PERSONAL EMOLUMENTS**

## 3.1 FSS statutory documentation and reconciliation with the Nominal Ledger

The Council took action immediately with the appropriate corrective adjustments by sending adjusted FS3 and FS7 to the Inland Revenue Department accordingly.

The Council has taken note of the auditor's recommendation to make use of electronic payroll tools. In fact the Council has started using such electronic payroll tools as from 1<sup>st</sup> January 2011.

## 4. CONTRACTS, TENDERING AND PROCUREMENT PROCEDURES

### 4.1 Tendering Procedures

The Council has always adhered to Financial Regulations, especially whereby tendering procedures are concerned. The Council does not agree on the matters brought up by the Auditor and the following are the respective reasons:-

- The Council has not provided any service for the celebration of two priests as indicated by the Auditor. The Council is very surprised about this issue because such matter never materialised in reality during the financial year in scrutiny.
- The expenditure of €362.60 for material for the football pitch cannot be considered as a donation because it is in compliance with article 33 (s) of the Local Councils Act. It appears that the Auditor is not aware of such article which was introduced in the Act's amendments of 2009, whereby Local Councils shall "... co-operate closely with sports associations from the locality to provide good sports facilities ..."
- It is absolutely false that the Local Council issued a call for quotations "for the purchase of equipment for the use of the Vilhena Band Club". The council cannot understand from where the Auditor obtained such baseless information.
- The rosaries (€151.05) were provided to the elderly persons of the Government Elderly Home as a memento in the occasion of St Publius Feast. The Council does not agree that such mementos are considered as donations. If this is the case, then, Local Councils should refrain from presenting trophies, awards and other mementos to dignitaries and other persons. Such presentations are a common and acceptable practice applied by the majority of the Local Councils and other Government institutions.
- The amount of €2,752 contracted to Super One and Media Link was incurred in two payments of €1099 (Super One) and €1,652 (Media Link) respectively for two separate activities. For the latter (€1,652 - Media Link), a call for quotations (FLC/Q/09/10) was published according to the Local Councils Tendering Procedures.
- The Council is pleased to note that it has been recognized that the events organised by the Council or to which it was a party, have a social and community aspect. However, the Council totally disagrees with the scepticism expressed as to "... value being derived from such activities in relation to the amount being paid." The Council feels that one of its main functions is to promote culture in its various forms. It should be pointed out that almost a year ago, on the 6<sup>th</sup> of July 2010, during a meeting for local councils held by the Parliamentary Secretariat for Tourism, the Environment and Culture with the theme *From Policy to Strategy: A Way Forward for Culture in Malta*, the speaker took the local councils to task because he asserted that local council devote a negligible amount of their budget to cultural activities. The Floriana Council hopes that, ironically, it will not now be taken to task because it, in fact, devotes a reasonable amount of its budget towards encouraging and promoting culture of the highest level. The *Oratorio San Publu ta' Malta* was a case in point. This prestigious event was held to commemorate a unique occasion, the Quarter centenary of the proclamation of Saint Publius as one of the patron saints of Malta by

the Diocesan Synod of 1610. As to the two masses televised by Super One and Media Link, the Council feels that these are the best and most ideal occasions to promote and create awareness on a national scale, of the rich heritage Floriana enjoys in its parish church in the fields of sacred music, liturgy and works of art which were handed down to us from our forefathers and our part of our national heritage. Therefore the Council insists that it is reaping for more value and benefits from these events with respect to the expense involved.

#### 4.2 Tendering Procedures

The Council has always adhered to the Tendering Procedures and Financial Regulations, especially whereby tendering procedures are concerned. The Council does not agree on the matters brought up by the Auditor and the following are the respective reasons:-

- The Contract of acceptance was duly signed by the Contractor and the Auditor must have overlooked it (please vide Annex 1).
- Tender adverts for FLC/T/04/10 and FLC/T/05/10 were published in the Government Gazette and in the Malta Independent according the Tendering Procedures. The Auditor must have overlooked such information (please vide Annex 2).
- All awarded tenders had their Non-Collusive Certificates duly signed. The information not adequately compiled in the Tender forms refers to the Reference number of the advert and the title of the tender. Although, the Council believes that such information should be compiled adequately by all tenderers, such shortcoming does not provide legal grounds to disqualify a tender. Thus, the Council has no legal control to solve such shortcoming.

#### 4.3 Quotations Procedures

The observation made by the Auditor is too generic and unverified. Nonetheless, the Council does not agree with the interpretation of the Auditor although specific information should have been provided in order to reply more specifically and adequately to such observation. However, the shortcomings for the instances indicated by the Auditor are groundless and inaccurate. This is being said for the following reasons:-

- Handyman service – The Council did not engage any handyman service. The Council engaged different contractors for different maintenance works, which value for each job was always under €1,165. For other works exceeding the €1165 the Council had always issued a call for quotations or tenders according the Tendering and Financial Procedures.
- Self drive cars – During the financial year in scrutiny, the Council did not incur any expenditure related to self drive cars which exceeded the €1165 threshold within a consecutive four-month period from the same supplier (please vide Annex 3).
- Printing material – The Council engaged different contractors for different printing works, which value for each job was always under €1165. For other printing works exceeding the value of €1165 within a four-month period from the same supplier, the Council had always issued a call for quotations. (please vide Annex 3). The Auditor might have overlooked such instances when the council issued call for quotations.



#### 4.4 Inappropriate Expenditure Documentation

The Council has taken note.

The Council has consistently requested such fiscal documentation from its suppliers but unfortunately, not all suppliers provide us with such documents. The Council will start to issue warning letters to those suppliers not complying with this procedure and report them for such shortcomings to the VAT Department.

### **5. PROPERTY, PLANT AND EQUIPMENT**

#### 5.1 The upkeep of the Fixed Asset Register (FAR)

The Council has taken note and has already started the process to have this Fixed Asset Register constructed and updated according the Local Council Procedures requirements. In reality, the Fixed Asset Register has already been constructed and updated but as yet, this has been done on an Excel Spreadsheet.

The Council has already taken action to have the FAR available on Sage Fixed Asset Register.

#### 5.2 Capital Commitments

According to IAS 16 – Property, Plant and Equipment, capital commitments to be disclosed consist of “Capital expenditure authorized and contracted for at the end of the reporting period but not yet incurred ....”

The Council had noticed that the Auditors had listed the capital Commitments mentioned in the Annual Estimates (Budget) for year 2010. The list of projects listed in the Annual Estimates does not reflect the capital commitments authorized or contracted but not yet incurred for during the year under review but it reflects the Council’s plans for the following year. A project to be authorized or contracted must have a council’s decision to issue a call for tenders which is consequently awarded.

#### 5.3 Insurance Policy

The Council has taken note and will take action accordingly.

#### 5.4 Computer Software

The Council has taken note. However, please note that this issue is debatable because computer software can be considered as part and parcel of computer hardware and thus forming part of a fixed asset.

#### 5.5 Capitalisation of Projects

The Council has taken note.

#### 5.6 Capital Expenditure Account

The Council totally disagrees with the comments made by the Auditors. With regards to traffic signs, the Local Council will expense immediately the traffic signs that are being repaired or exchanged due to damages incurred whereas for the new traffic signs these are shown as fixed assets but then a 100% depreciation which is in accordance with the accounting policy is provided for.

With regards to the air conditioning unit mentioned for the amount of €2,036, the Local Council had at first recorded as an expense but then adjusted during the year and was reflected as a fixed asset. In fact the Auditors did not notice about this entry and when they proposed the audit adjustment the Council had informed them that the council is in a disagreement with their audit adjustment entry and in fact they confirmed that the Local Council had accounted for correctly.

### 6. **INVENTORIES**

#### 6.1 Stock of Books and DVDs

The Local Council will be effecting stock take at least on a quarterly basis since the movement of stock is limited. Moreover, we would like to draw your attention that movements of stocks are recorded in the publications account.

### 7. **RECEIVABLES**

#### 7.1 LES amounts receivable

As already mentioned in point 1 above, the Local Council is accounting for any movements in the contraventions on a monthly basis. So any receipts received relating to contraventions are being accounted for on a monthly basis.

With regards to cash in transit account, this reflects the amount already paid at other local councils but not yet deposited by the other local councils at our bank account. As you are aware, these are not debtors any more, since the third party had settled the amounts at other local councils and therefore the Local Council had to receive this amount in relation to the paid contravention. This strongly shows that not all local councils will deposit

moneys in the respective bank accounts immediately. This comment was done from our end in the previous management letter.

## **8. CASH AND CASH EQUIVALENTS**

### **8.1 Stale Cheques**

The Council has taken note accordingly

### **8.2 Bank Statements and Reconciliations**

The Council has taken note accordingly and will consider making use of the accounting software package for bank reconciliation.

### **8.3 Internet Banking Facility**

Although, Memo 19/2009 states that Internet Banking should be limited to “view only”, the Council would like to stress that the transactions carried out are fully adherent to the Local Councils Financial Regulations. The Council accepts the auditor’s recommendation and started its implementation as from 1<sup>st</sup> May 2011.

## **9. PAYABLES**

### **9.1 Accounting for Creditors**

The Local Council has adopted this policy as from financial year 2011.

### **9.2 Accrued Expenditure**

The Council has taken note accordingly

## **10. OTHER DISCLOSURES IN THE FINANCIAL STATEMENTS**

### **10.1 Disclosures required in respect of Financial Procedures**

The Council has taken note accordingly.

## Annex 1



KUNSILL I LOKALI - FLORIANA - LOCAL COUNCIL  
15 Piazza F.S. Tonna, Floriana FRN1483  
Telephone No. 21 235523, 21236051 Fax No. 21 237723

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### Contract Agreement

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A Contract Agreement made this 30<sup>th</sup> November 2010

**Between :** Nigel Holland - MAYOR

On behalf of the Floriana Local Council  
(hereinafter referred to as the 'Employer') of the part

**And:** Wilson Mifsud

(hereinafter referred to as the 'Contractor') of the other part agree and bind themselves as follows :

#### **Tender for Street Sweeping and Cleaning**

In accordance with the Local Councils Act, 1993 and Legal Notices 91 and 92 of 1993, the Contractor accepts to perform the above mentioned services.

The above-mentioned services for the Floriana Local Council should start immediately. The Contract is for one year, renewable each year to a maximum period of three (3) years.

The services should be completed in accordance with the terms and conditions in Contract Document FLC/T/11/10 attached hereto.

Employer  
Nigel Holland  
Mayor - Floriana Local Council

Contractor  
Wilson Mifsud

## Annex 2

4776

VERŻJONI ONLINE

Gazzetta tal-Gvern ta' Malta 18,601

### KUNSILL LOKALI FLORIANA

### FLORIANA LOCAL COUNCIL

Il-Kunsill Lokali Floriana jgharraf illi:-

The Floriana Local Council notifies that:-

**Sa nofsinhar ta' nhar il-Gimgha, it-2 ta' Lulju 2010, fil-kaxxa tal-offerti tal-Uffiċċju Amministrattiv tal-Kunsill jintlaqghu offerti magħluqin għal:-**

**Sealed tenders will be received in the tender box at the Council's Administrative Office up to noon of Friday, 2nd July 2010, for:-**

Avviż Nru. KLF/T/04/10. Servizz għall-organizzazzjoni ta' Ċelebrazzjonijiet ta' Lejlet l-Ewwel tas-Sena 2011.

Advt. No. FLC/T/04/10. Services for the organization of the New Year's Eve Celebrations 2011.

Għandu jithallas dritt ta' €50 għal kull kopja tad-dokument tal-offerta.

A fee of €50 is to be paid for each copy of tender document.

Avviż Nru. KLF/T/05/10. Kisi mill-gdid u traqqigh ta' toroq.

Advt. No. FLC/T/05/10. Resurfacing and patching of roads.

Għandu jithallas dritt ta' €50 għal kull kopja tad-dokument tal-offerta.

A fee of €50 is to be paid for each copy of tender document.

Avviż Nru. KLF/T/06/10 Provvista u konsenja ta' litter bins.

Advt. No. FLC/T/06/10 Provision and delivery of litter bins.

Għandu jithallas dritt ta' €50 għal kull kopja tad-dokument tal-offerta.

A fee of €50 is to be paid for each copy of tender document.

Id-dokumenti tal-offerti bi hlas kif indikat hawn fuq, jistghu jinkisbu mill-Uffiċċju tal-Kunsill, 15, Pjazza E.S Tonna, Floriana mit-8.30 a.m. sa nofsinhar u mis-1.30 p.m. sal-4.30 p.m. (mit-Tnejn sal-Gimgha) u s-Sibt bejn it-8.00 a.m. u l-11.30 a.m.

Tender documents can be collected against a payment as indicated above, from the Council's Offices, 15, Pjazza E.S Tonna, Floriana from 8.30 a.m. till noon and 1.30 p.m. till 4.30 p.m. (Monday to Friday) and from 8.00 a.m. till 11.30 a.m. on Saturdays.

Il-Kunsill iżomm id-dritt li jirrifjuta kull offerta anke l-aktar wahda vantaġġuża.

The Council reserves the right to refuse any tender, even the most advantageous one.

L-1 ta' Ġunju, 2010

1st June, 2010

### AVVIŻI TAL-QORTI - COURT NOTICES

988

B'digriet tal-15 ta' Ottubru 2009, il-Prim'Awla tal-Qorti Ċivili, ordnat il-pubblikazzjoni tal-bandu li jidher hawn taht għall-finijiet tal-Artikolu 931(3) tal-Kodiċi ta' Organizzazzjoni u Proċedura Ċivili (Kap 12).

By means of a decree of the 15th October 2009, the First Hall Civil Court, ordered the publication of the bann which appears hereunder for the purpose of Article 931(3) of the Code of Organisation and Civil Procedure (Chapter 12).

Bandu għall-Kuraturi

Bann for Curators

Repubblika ta' Malta

Republic of Malta

Lill-Marixxall tal-Qorti

To the Marshall of the Court

Billi b'digriet mogħti minn din il-Qorti, fil-15 ta' Ottubru 2009, fuq talba ta' Tower Court Limited, ġie ordnat biex jintgħazlu kuraturi deputati sabiex jirrappreżentaw lis-sidien ignoti bħala suċċessuri fit-titolu tad-directum dominium ta'

Whereas by a decree given by this Court, of the 15th October 2009, following a request of Tower Court Limited, it was ordered that Deputy Curators be chosen to represent the unknown owners as successors in title of the directum



# ADVERTS FOR TENDERS AND QUOTATIONS – DEPARTMENT FOR LOCAL GOVERNMENT



## Floriana Local Council

15, Piazza E.S. Tonna, Floriana FRN 1483 - Tel: 21235523 - Fax: 21237723 - Email: [frniana.lc@gov.mt](mailto:frniana.lc@gov.mt)

The Floriana Local Council notifies the general public that sealed tenders will be received at the Council Administrative Offices up to 12.00pm on Friday 2nd July, 2010 for:

- FLC/T/04/10 Services for the organization of the New Year's Eve Celebrations 2011

- FLC/T/05/10 Resurfacing and patching of Roads

- FLC/T/06/10 Provision and delivery of litter bins

Relevant documents may be collected against a payment of €50 each, from Council's Administrative Office during office hours.

Kenneth Brincat, Executive Secretary



## Gharb Local Council

Visitation Street, Gharb GRB1044 - Tel: 21560556 - Fax: 21562727 - Email: [gharb.lc@gov.mt](mailto:gharb.lc@gov.mt)



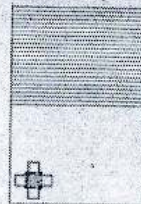
The Gharb Local Council notifies that tenders are being received till 10.00am of 11th June, 2010 as part of the project Wied il-Mielgħ – towards an ecologically and culturally sensitive sustainable tourism (ERDF 022) as follows:-

- Reconstruction and resurfacing of valley road with concrete (ERDF022-29)

- Excavation and cleaning of the valley basin (ERDF022-30)

Tender documents can be obtained from the Gharb Local Council against a payment of €100. The Council reserves the right to refuse all offers even the most advantageous.

Joanne Attard, Executive Secretary



## Kercem Local Council

Piazza Orvieto, Ta' Kercem KCM 1360 Gozo - Tel: 21563886 - Fax: 21563888 - Email: [kercem.lc@gov.mt](mailto:kercem.lc@gov.mt)

The Ta' Kercem Local Council receives sealed tenders for:-

- Tender No: 01/2010 Cleaning and maintenance of the Playing Field.

- Tender No: 02/2010 Service of Open Skips

- Tender No: 03/2010 Streets Resurfacing

- Tender No: 04/2010 Streets Resurfacing within the PPP

- Tender No: 05/2010 Garage Doors for the basement of the Civic Centre

- Tender No: 06/2010 Mechanical & Electrical system for the Civic Centre

- Tender No: 07/2010 Infrastructure Works at Ġnien il-Famija

Closing date: Friday 25th June 2010 at noon.

An administrative fee of €50 should be paid for each tender document.

For further details please contact the Ta' Kercem Local Council Office during office hours or by email. The Council reserves the right to refuse any tender even the most advantageous.



## Operational Programme I – Cohesion Policy 2007-2013

### Investing in Competitiveness for a Better Quality of Life

Tender part-financed by the European Union

European Regional Development Fund (ERDF)

Co-financing rate: 85% EU Funds; 15% National Funds

*Investing in your future*

### Annex 3

Expenditure: Hire of Self Drive Cars from same contractor during 2010

Month 2010	Amount €
January	120
February	71
March	244
April	308
May	226
June	72
July	30
August	102
September	98
October	137
November	71
December	131
Total	1,610

Printing of Material:

Date	Contractor	Details	Amount	Method
12/02/2010	Image Systems	Photocopies	9.80	Direct Order
04/03/2010	Image Systems	Photocopies	5.60	Direct Order
30/03/2010	Zaffarese	Printing of banners	495.60	Call for Quotations
26/06/2010	Big Exhibits	Printing of Posters on PVC	320.13	Direct Order
26/03/2010	Photo and Copy	Photocopies	7.22	Direct Order
23/04/2010	Photo and Copy	Photocopies	66.00	Direct Order
03/05/2010	Bonnici Press	Printing of Posters and Brochures	1040.00	Call for Quotations
03/05/2010	Bonnici Press	Printing of CD jackets	324.50	Direct Order
03/05/2010	Agius Printing Press	Posters and Brochures	666.70	Direct Order
01/06/2010	Sky Press	Printing of Letterheads and Office Stationery	849.60	Call for Quotations
08/07/2010	Bonnici Press	Flyers	110.00	Direct Order
20/08/2010	Image Systems	Posters on PVC	600.00	Direct Order
08/07/2010	Photo and Copy	Photocopies	86.25	Direct Order
03/09/2010	Photo and Copy	Photocopies	7.50	Direct Order
17/09/2010	Image Systems	Photocopies	4.90	Direct Order
20/09/2010	Bonnici Press	Printing of Stickers	50.00	Direct Order
22/09/2010	Sky Press	Printing of Heritage Trail	2,100.00	Call for quotations
22/09/2010	Bonnici Press	Printing of Books	2,200.00	Call for quotations
15/09/2010	Color Image	Booklets for Oratorio	384.68	Call for quotations
25/10/2010	Sky Press	Posters and flyers	849.60	Direct Order