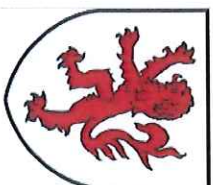




FLORIANA LOCAL COUNCIL

Council's response to the Auditor's Report to Management for the financial period January 2016 - 31 December 2016



FLORIANA LOCAL COUNCIL

ABC/mf/4117
KLF 31/2017

30 May 2017

Director (Local Government Department)
The Local Government Auditor
National Audit Office

Grant Thornton

MANAGEMENT LETTER – FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2016

In terms of section P2.06 (c) (d) of the Local Councils (Audit) Procedures 2006, hereunder please find the Council's response of the Management Letter submitted by the appointed auditors Grant Thornton.

The attached response was approved by the Council during a council meeting held on the 29th May 2017.

The Council would like to thank the auditors for their assistance in submitting recommendations to help the Council maintain its reputation of demonstrating high levels of accountability and transparency in administering public funds.

Regards

Davina Sammut Hili
Mayor

M. Lautier
M' Lourdes Lautier
Executive Secretary

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1. FOLLOW UP ON PREVIOUS MANAGEMENT LETTER

The Council has noted that a number of recommendations done in the previous year have been acknowledged and thus is pleased to note that improvements in these areas were made.

On other instances, the Council does not fully agree with the Auditors, as some statements may be misleading. Details on such instances are being presented further on in this document.

On the other hand, the Council has taken note of the recommendations of the Auditors, and will strive to implement them.

2. INCOME

Accounting for Income

The Council noted that the auditors were correct in their recommendations and will do its utmost to classify income and expenditure correctly.

Invoicing of LES administration fees

The Council took note of the Auditors recommendations and will issue invoices as mentioned.

In respect of LES administration fees, this issue was similarly raised last year, and the Council had investigated. *Logus* formally confirmed then that the "*Financial Report is based on the Date Paid, whereas the Invoicing is based on the Date Transferred, hence the discrepancy.*"

Interest Income

The Council took note of the Auditors recommendations. At year end, all bank statements were reconciled, the variance mentioned related to previous years.

Council had already instructed the mentioned bank not to withhold tax on interest.

3. PAYROLL

Reconciliation of wages between FS5s and FS7

The Council will make it utmost so that there will be no variances. It is to be noted that the Council is using Payroll software.

Payment of Overtime

The Council took note of the Auditors recommendations.

Councillors' Allowance

The Council took note of the Auditors comment and will seek to retrieve the concerned sum.

4. EXPENDITURE

Petty Cash Payments

Although the Auditors are correct when stating that some petty cash transactions were supported by the cash register chits, it is to be noted that these are official Vat receipts regulated by the VAT Department. A number of petty cash transactions are done with small corner shops, which do not offer a different type of receipting, except for that issued by the official cash register approved by the VAT department. If one had to eliminate these shops from the list of suppliers of the council, due to this petty matter, this will create unfair competition. So here the council raises the question whether the Local Council Financial Procedures of the year 1996 are to be updated so as to be in line with modern technology.

We also agree with the auditors recommendation to obtain a valid tax invoice or a VAT receipts (where possible), addressed to the Council, a system which the Council already adopts.

As to Petty Cash Summaries, the Council took note of the Auditors recommendations.

Procurement Procedures

The Auditors are incorrect in interpreting the law, as the Council is infact in line with the Financial procedures, that state that public quotations are to be obtained for items between €1 165 and €3658. It is worth noting that the Council seeks for various quotations accordingly.

Expenses' approval

The Council took note of the Auditors recommendations although it is to be noted that in respect of street lighting, opening and closing of gardens and CCTV camera and installations, are covered by a tender / quotation.

With regards to the purchase of the van, it is to be noted that a public call for quotations for a second hand van (FLC/Q/03/15) was issued was back in 2015 where only one bid was received, that for €11,300 which was way beyond budget. Some time later an opportunity arose to buy the present vehicle at a good price from a car dealer.

Cancelled cheques

The Council took note of the Auditors recommendations. The payments mentioned in the schedules of payments could not be cancelled since they were cancelled after their approval and subsequently approved during the following Council meeting. Cancelled cheques are always retained in the cheque book as evidence of cancellation, unless these cheques were reported lost by the payee.

5. FIXED ASSETS

Reconciliation of fixed asset register

The Floriana Local Council will try its best to go through the Fixed Asset Register (FAR) in order to verify and reconcile the differences in the FAR with the nominal ledger.

Reconciliation of financial statements to accounting records

The variances will be analysed and the necessary adjustments will be carried out.

Fixed assets additions

Auditors are incorrect on this point since the mentioned additions are supported by a purchase order.

The Auditors are incorrect in interpreting the law, as the Council is infact in line with the Financial procedures, that state that public quotations are to be obtained for items between €1165 and €3658, as long as it is possible to obtain more than one quotation for the required item.

Details of fixed assets register

The Council took note of the Auditors recommendations however it is to be noted that the missing information relates to the period 2000 – 2012, however the Council will still make its utmost to try and find the information and include it accordingly.

6. INTANGIBLE ASSET

The variances will be analysed and the necessary adjustments will be carried out.

7. DEBTORS

Long Outstanding receivables

With regards to the issue of DJS Trading Ltd the Council had recently informally discussed this issue and will be discussing this with the legal representative of the Council.

In respect of the payments due by WSC, the Council has already received a partial payment, and is already doing its best to recover the remaining balance.

Collection of overdue receivables

The Council will go through the debtors and will provide the necesary provision for bad debts.

8. INVENTORY

Net realisable value of inventory

The Council took note of the Auditors Recommendations although it must be stated that publications are not held for free distribution but for resale purposes. However, the Council appreciates that these are slow moving but disagrees that these have no realisable value.

9. TRADE AND OTHER PAYABLES

Trade Creditors

The Council took note of the Auditors recommendations and is already requesting more suppliers statements.

10. ELECTRONIC SITE

The Council took note of the Auditors recommendations.

11. CHANGE IN EXECUTIVE SECRETARY

The Council took into account that the new Executive Secretary actually took up her appointment on the 27th October 2016. During the 22nd Council meeting held on 23 October 2016, members present agreed that since the new Executive Secretary took up her appointment just three days short of last 2 months of the year, a mid-term audit would not be held since this would set back the Council funds by €3,500 which sum could be utilised for a more prioritised requisite for the benefit of the locality.

Conclusion

The Council appreciates the works of the Auditors, and has done its best to facilitate the Auditing Process, in recognition of the Good Governance Principles which has led to having a reasonable commentary.

The Council and the Executive Secretary would like to take this opportunity to thank the Auditors for their efforts.

Davina Sammut Hili
Mayor


M' Lourdes Lautier
Executive Secretary

29 May 2017