

FLORIANA
Borġo Vilhena

FLORIANA LOCAL COUNCIL

ABC/mf/49618
KLF 23/2018

16 May 2018

Director (Local Government Department)

National Audit Office

Grant Thornton

MANAGEMENT LETTER FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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 16th May 2018.

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' 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 not be accurate. 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.

It is to be noted that the Council was informed that the books mentioned had been lost in the beginning of the following year.

Invoicing of LES administration fees

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

Interest Income

The Council had taken note of the Auditors recommendations reported in the previous management letter whereby it had instructed HSBC Bank not to withhold tax on interest. However the Council noted that tax on interest was again charged at end of year 2017. It reported this issue again to HSBC which then refunded the tax on interest charged by 25 January 2018. (Doc A refers).

Contributions

The Council took note of the Auditor's recommendations.

Accrued Income

The Council took note of the Auditor's recommendations and is doing its utmost, administratively and legally, to settle this matter as soon as possible.

Income from LESA distribution

The Council took note of the Auditor's recommendations and has in the meantime adjusted its Financial Statements and correctly presented the LESA distribution.

3. EXPENDITURE

Petty Cash Expenditure

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 already adopts this system and abides by the Directive and Legal Notice mentioned.

Procurement Procedures

The Council took note of the Auditor's recommendations.

It must be noted though, in respect to the Maintenance fo the Council vehicle, immediate repairs were necessary, and it does not make senseto request quotes but to go to a reliable mechanic for instant repairs since the car is of essential necessity to the Council.

Tendering Procedures

The Council abided by the relative Government Directive issued in 2016 to all Government entities.

4. FIXED ASSETS

Reconciliation of fixed asset register

During the current year Floriana Local Council will be doing its utmost to investigate the variances arising between Fixed Asset Register (FAR) and the nominal ledger.

Reconciliation of financial statements to accounting records

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

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.

5. INTANGIBLE ASSETS

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

6. DEBTORS

Trade receivables reconcillation

The Council has taken note of the Auditors' recommendations.

Long Outstanding receivables

The Council is doing its outmost to retrieve the amounts due as mentioned in the Auditors' recommendations.

Collection of overdue receivables

The Council will go through the debtors and will make its utmost to collect these dues. If it won't be possible the necessary provision for bad debts will be provided for.

7. INVENTORY

Net realisable value of inventory

The Council took note of the Auditor's recommendations and so these will be written off as expenses.

8. TRADE AND OTHER PAYABLES

Trade Creditors

The Council took note of the Auditors recommendations. It is to be noted that the Council consistently requests suppliers statements but ultimately it is up to the the supplier to comply.

Accrued Expenditure

The Council has provided for this mentioned accrual in the meantime.

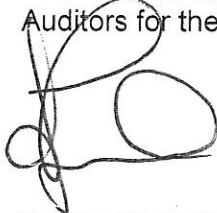
9. ELECTRONIC SITE

Considering that the Department has been in the process of migrating to an new website, the Council had been sending its documents to DLG for uploading within the first two days after their approval, however the actual uploading was beyond the Council. (Doc A)

Conclusion

The Council appreciates the works of the Auditors, and has done its best to facilitate the Auditing Process, in line with 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 diligence and efforts.



DAVINA SAMMUT HILI
Mayor



M' LOURDES LAUTIER
Executive Secretary

16 May 2018

