



**KUNSILL LOKALI L-IKLIN**  
L-IKLIN LOCAL COUNCIL

6/95.  
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Our Ref. ILC 6/95

The Director  
Auditor General, National Audit Office  
Floriana

15<sup>th</sup> of May 2016

**Re: Management letter for audit for the period ended 31<sup>st</sup> December 2015**

Dear Sir,

We are in receipt of the management letter dated 10<sup>th</sup> of May 2016 and received on the 10<sup>th</sup> of June 2016 in relation with the annual audit of the Council's financial statements for the year ended 31<sup>st</sup> of December 2015.

The Local Council would like to voice his concern over the fact that as per normal practice, the auditor had in the past years forwarded a draft of the management letter to the Local Council for review prior the official management letter is sent to the National Audit Office and to the Department of Local Government. Contrary to what had happened in previous years, the Local Council, this time round, had missed this opportunity. The Mayor had expressed his concern verbally with the auditor and learnt that this was a mishap. A meeting was also held with the Director for Local Government on the 21<sup>st</sup> of July in this regard.

Despite the above, we would like to take this opportunity to thank your firm for the services and co-operation provided to the Local Council during their fieldwork, we would also like to comment as follows:

**1. Previous management letter**

We have noted the comments therein. The estimates are estimates and various to the actual property plant and equipment purchased are expected to occur.

**1.2 Grants**

1.2 Regarding the grant and the corresponding assets under construction, the Local Council is still waiting for the Land Department outcome.

**1.3 Income**

1.3 The Local Council had no say on the accounts prepared by the Birkirkara Joint Committee and its' auditor report.

**1.4 Expenditure**

The Local Council is trying to get invoices, however in these situations where the amount is of few Euros it's not practical to chase for invoices. The administration would do its utmost to be in line with procedures. Note of LGA recommendation was taken.

Contract and Discrepancies in assets dealt under 5.2 and 5.5 respectively.

**1.5 Cash and cash equivalent**

1.5 Dealt under 6.1

**1.6 Trade and other payables**

1.6 Dealt under 7.2 and 7.3.

**1.7 Accrued Income**

1.7 Dealt under 8.1

**1.8 Receivables**

1.8 The Local Council will still chase the remaining balance to be recovered.

**1.9 Payroll**

1.9 Point cleared.

**1.10 Financial Statements**

1.10 Dealt under point 10

**1.11 Meetings**

1.11 The LGA had all the time to rummage through the physical local council minute book during the audit and learn of (2) Local Council meetings held on the 7th of April and the 24th instant. The Local Council has all the minute books well kept and updated. The Local Council minute books are available at all times.

**Current year issues**

**2 Non-current assets**

**Budgeted capital expenditure**



2.1 Differences are expected to occur. Furthermore, included in current year additions there are accrued expenses that have not yet been paid.

2.2 The Local Council has always approved any capital expenditure incurred.

### **Capital expenditure**

2.3 Matter addressed. The Local Council will ensure that such instances will be reflected in the accounting system prior to finalise the accounts.

## **3 Grants**

### **Football ground project Grant**

3.1 The expenses in relation to the grant are the assets under construction. The Local Council will seek guidance from DLG on the accounting treatment of both asset and grant.

3.2 The Local Council will follow the auditors' recommendation and will seek guidance from DLG.

### **Central Region Surplus**

3.3 Matter tackled.

3.4 Matter tackled.

3.5 The Local Council will utilise the remaining funds in the best interests' of the locality after seeking approval by the Local Council.

## **4 Income**

### **Income from pre-regional committees**

4.1 & 4.2 The Local Council has no say on the activity of The Birkirkara Joint Venture. In this respect, the Local Council is accounting for a full provision on the amounts receivable.

The auditor of the Joint Committee stated that from explanations provided by the software-house during a meeting, it transpired that the discrepancies encountered may be of a temporary basis and cut-off procedures may not have been applied appropriately. The auditor had suggested that the software-house should embark on another exercise wherein the transactions forming part of the old operating software system should be duly revisited and any timing differences noted and appropriately flagged. It is also the opinion of the auditor that the new operating software should be fully integrated to the financial package so that transactions are automatically updated and any potential discrepancies are abolished.



## **Government subvention**

4.3 Matter has been tackled during the audit.

## **5 Expenditure**

5.1 The Local Council is trying to get invoices for fiscal receipt chits, however in these situations where the amount is of few Euros it is not practical to chase for invoices.

5.2 As per article 17 (i) (l) of the Regulations related to the Public Contracts, please note that the said regulations do not apply when procurement of services are made between public entities that are financed by the Central Government.

5.3 As per article 17 (i) (f) of same Regulations, the renting out of premises are excluded from the existing regulations.

5.4 & 5.5 The matter was addressed and tackled during the audit. For next year, the Local Council will make sure that the allocation between expenses is properly recorded.

5.6 The Local Council is insuring property that is being rented out. This property is not included as assets of the Local Council since the Council has no legal right on it. However, the Local Council is insuring the property as per rental contracts.

5.7 The Local Council is not insuring urban assets such as road construction and street signs and urban improvements. These have never been insured by the Local Council. The L-Iklin Local Council will discuss this issue with the DLG and enquire if these assets can be insured with insurance companies.

## **6 Cash and cash equivalents**

### **Bank Reconciliation**

6.1 The Local Council will perform reconciliations on a regular basis. The reconciliation as at 31 December 2015 was performed but in error the reconciliation statement was not printed.

6.2 The Local Council will analyse the stale cheques and reverse them accordingly.

6.3 Note of Local Government Auditors recommendation was taken.

### **Bank Reconciliation**

6.4 The Local Council will follow the recommendation by the auditor on petty cash reconciliations.

## **7 Trade and other payables**

7.1 The Local Council is chasing material suppliers to forward statements, but these are not always forthcoming.

7.2 Note of Local Government Auditors recommendation was taken.



## **WasteServ Malta Limited**

- 7.3 The Local Council agrees with the recommendation by the auditor. The Local Council will also ensure that a monthly statement is obtained from Waste Serv Malta. This is important since Waste Serv is also being paid by the Government on behalf of the Local Council.

### **8 Accrued Income**

- 8.1 The Local Council agrees with the recommendation made by the auditor. This highlight the importance of obtaining and reconciling Waste Serv statements.

### **9 Payroll**

- 9.1 Matter tackled during the audit.
- 9.2 The Local Council in the next year will ensure that the allocation between different components of Wages and Salaries is correctly accounted.
- 9.3 The Local Council agrees to auditors' recommendation and will follow next year.

### **10 Financial Statements**

#### **Presentation of Financial statements**

- 10.1 The Local Council will try to comply with IFRS as required by law. The disclosure requirements of IFRS are vast and a cost benefit approach need to be considered. However, since this is a requirement by the Local Councils Act, the Local Council will do its utmost to prepare the financial statements in accordance to IFRS.
- 10.2 Note of Local Government Auditors recommendation was taken.

#### **Contingent Liabilities**

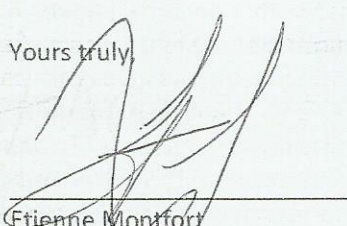
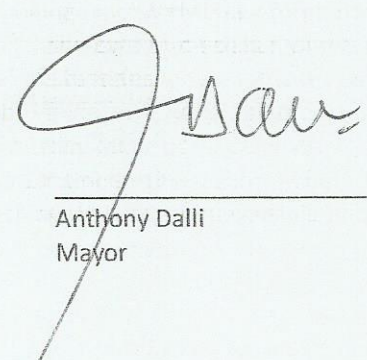
- 10.3 The Local Council, next year will include contingent liabilities in the financial statements. These were not included in the financial statements as the amounts were immaterial.

#### **Capital Commitments**

- 10.4 The difference between the amounts is that the unaudited accounts were prepared before the approval of the budget. Once the budget was approved, the amounts were reflected in the audited financial statements. The audited financial statements better reflect the nature of the proposed expenditure since in the budget they are aggregated under fewer headings.

We would like to take this opportunity once again to thank your firm for the services offered and co-operation shown and also for the comments raised in order for the Council to operate in a smooth and more efficient manner.

Yours truly,

  
\_\_\_\_\_  
Etienne Montfort  
Executive Secretary  
\_\_\_\_\_  
Anthony Dalli  
Mayor

Copy to:        *Director, Mazars Malta*  
                    *Director, Department for Local Government*

Sindku (Mayor): Anthony Dalli, Vici Sindku (Deputy Mayor): Dr. Dorian Sciberras LL.D,  
Kunsilliera (Councillors): Wilfrid Buttigieg, Maris Azzopardi, Yvonne Bartolo

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