



KUNSILL LOKALI KALKARA

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Director of Audit
Audit Office: Notre Dame Revelin
Floriana

13th November 2014

Ref KKR/ JAN – DEC 2013/ 14

Dear Sir,

REPLY TO MANAGEMENT LETTER DATED 2ND SEPTEMBER 2014 FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2013

Kalkara Local Council

2.2 – Local Enforcement System

The council has taken note of this and accepts the auditor's recommendations.

2.3 – Government Allocation

The said observation has been noted and the council had adjusted its financial statement accordingly.

2.4 – Income received from Kalkara Boat Yards

These observations have been noted and have been adjusted accordingly.

2.5 – Other Government Supplementary Income

The council has taken note of this and accepts the auditor's recommendations.

4.2 – Inappropriate Expenditure Documentation

The council is very aware that a VAT fiscal receipt or a proper tax invoice should always be obtained and is surprised that the items mentioned in the report had no proper receipts. The council however notes that such fiscal receipts would have been placed / kept in different files but was not given the time to look for these receipts during the audit.

4.6 – Allocations of expenditure in the nominal ledger

The said observations have been noted. However, the council would like to point out that the auditors have only identified two shortcomings of this sort considering the loads of

transactions the council have each month. The council has already adjusted this accordingly.

5.1- The upkeep of the Fixed Asset Register

The council fully agrees with the auditor's recommendations and will be updating the FAR. Unfortunately the council has only recently fixed its computer and also reinstalled its Sage system as the council had difficulties with this computer and software.

5.2 – Reconciliations of the Fixed Asset Register and Nominal Ledger

The council has taken note of this and as stated in 5.1 above only now will it be in a position to do these reconciliations.

5.3 – Depreciation

The council has taken note of this and accepts the auditor's recommendations.

5.5 – Capital Commitments

The said observations have been noted.

5.6 – Capital Expenditure accounted for as Revenue Expenditure

While the council takes note of this, it believes that the amount of Eur257 is quite immaterial and also subject to interpretation. According to the council these were repairs and that is why it had been decided to expense them and not capitalise them.

5.7 – Capitalisation of projects and assets not yet capitalised

These said observations have been noted and already adjusted.

6.1 – Long Overdue Receivables

The council has taken note to this.

6.2 – LES Debtors

The council will be looking into this matter.

6.3 – Prepayments

The said observations have already been adjusted.

6.4 – Accrued Income

The said observations have already been adjusted.

6.6 – Debtor Control Account

The said variance is quite immaterial yet this had been adjusted accordingly.

7.3 – Bank Reconciliations

As far as the council is concerned these were done properly and the auditors never had any issues during their audit. The reconciliations have always been carried out using the Sage accounting software.

7.4 – Unpresented cheques not accounted for

Whilst there was a valid explanation for this cheque, however the amount of Eur90 is immaterial.

7.5 – Stale Cheques

These recommendations were noted and adjusted immediately.

8.1 – Accounting for creditors

These observations were noted and had been adjusted.

8.2 – Accrued Expenditure

Even though the council does not fully agree with the auditor's comments, yet the council adjusted the financial statements accordingly.

8.4 - Deferred Income and Accounting for Grants

These observations have been noted.

9 – Other Disclosures in the Financial Statements

All these observations have been noted. However, the council would like to point out that during the audit it was never informed of certain weaknesses and shortcomings. The council feels that the auditors are all out to find any kind of shortcomings and to report as much as possible.

The council states that whilst they know that the auditors have to carry out their assignments in accordance to their terms of reference, however the number of tests and observations raised by them are in majority procedural and regularity but do not reflect in marked material weaknesses.

This year the council received a fully blown out 41 page Management Report with mainly references to regulatory and procedural matters. It is unfortunate to note that the auditors decided to qualify their audit report due to certain lack of disclosures. In our opinion this could have been easily avoided had the auditors been more practical in their approach.

Thank you and best regards,



Elaine Caruana

Executive Secretary

Kalkara Local Council