



KUNSILL LOKALI KALKARA
KALKARA LOCAL COUNCIL

14 June 2016

The Auditor General
National Audit Office
Notre Dame Ravelin,
Floriana

Dear Sir,

Please refer to your letter dated 5th May, 2016 with reference to the Management Letter raised by the auditors following their audit of financial year ending 31st December, 2015. Allow us to put forward our comments in relation to the issues raised by the Auditors, on a point by point basis, hereunder:

Previous management letter – Points 1.1 to 1.61 – the various issues are being delved into on a point by point basis in the comments to the respective management letter point hereunder:
Income from Central Government - Point 2.1 & 2.2– We take note of the relative adjustments. It is acknowledged that these relate to classification issues involving immaterial amounts. We would endeavour to account for these amounts as indicated;

Other supplementary Government Income - Point 2.3 – This item is being considered in conjunction with our reply to note 7. The accounting shortcomings will be rectified once the new accounting contract is awarded;

LES administration fees – Point 2.4 and 2.5 – We take note of the shortcoming noted and undertake to check where the differences are;

General income and Custodial Receipts – Point 2.6, 2.7 and 2.8 – We note shortcomings listed under this items – all proceeds will be deposited intact thereby mitigating against short deposits/cash mishandling;

Income from Grants – Points 2.9 and 2.10 – We take note of IAS 20 – New accounting officer will be instructed to account for Grants as proposed;

Income Account Classification – Point 2.11 and 2.12 – We would endeavour to account for these amounts as indicated;

Wages reconciliation – Point 3.1 and 3.2 - We take note of the issue noted. We undertake that before any subsequent audit starts, auditors will be presented a fully reconciled wages document for perusal;

Statutory liabilities – Point 3.3 and 3.4 – Refer to our reply to point 3.1 and 3.2 – New accounting officer will be requested to report FSS dues separately as recommended;

Declaration of Councillors' allowances – Point 3.5 and 3.6 – We concur with your recommendation and we will ensure that full tax rate be deducted during the year on Gross Emoluments taken by councillors unless otherwise indicated by them on FS4 forms;

Performance Bonuses – Point 3.7 and 3.8 – We take note of this observation;

Fixed Asset Register – Point 4.1 to 4.6 – We take note of this observation – given that this issue has been persistently mentioned in various management letters, it was made a requisite that the incoming accounting officer shall draft an updated fixed asset register in terms of Local Council Regulations. The Terms of Reference of the Accounting Services tender included the preparation of FAR for eventual perusal.



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Assets Under Construction – Point 4.7 and 4.8 – This issue is being looked into and will be addressed during the course of the year;

Depreciation of Fixed Assets – Point 4.9, 4.10 to 4.11 – This shortcoming is noted and rectification procedures will start in conjunction with the FAR compilation;

Petty Cash Expenditure – Points 5.1 to Point 5.7 – An imprest system will be adopted immediately and payments/receipts of petty cash will be segregated to avoid mishandling. Also a respective schedule to enable ease of posting will be adopted;

Green Public Procurement - Point 5.8 to 5.10 – It is to be pointed out that the relative clearances from GPP were always sought and likewise GPP criteria have been followed. Allow us to point out that the tender to which reference is made falls within non-Mandatory criteria.

Contract Agreements – Points 5.11 to 5.14 Allow us to point out that all Contracts are duly signed following resolution by the Council Members. Nonetheless, all contracts would be duly endorsed as recommended. As to ongoing contracts which have expired, the current Council is doing its utmost to issue fresh tenders for the services currently being procured through the expired contracts – during the course of 2015 and 2016 a number of tenders have been issued addressing this management letter point.

Legal Services – Point 5.15 and 5.16 – Matter has been referred to DLG since an aggrieved bidder submitted an objection. The latter did not have the requisites to render the services required however, the appeals process has to prevail.

Asset Insurance - Point 5.17 – This matter is not mutually exclusive of the FAR requirements mentioned above. Corrective measures will be taken immediately and the necessary corrections to the policy will be further carried out once the FAR is complete.

Use of Mobile Phone – Point 5.19 and 5.20 – Cognisance is taken of this point;

Reimbursement – Points 5.21 to 5.23 – We take note of the issue pertinent to the taxi expense. Allow us to point out that the suggested procedure in relation to fuel is an option more expensive for the council.

Procurement – Section 5.24 to 5.25 – We endeavour to follow the procedure mentioned where possible;

Expired Contracts – Section 5.26 to 5.27 – Refer to reply provided above in relation to Contract Agreements;

Expenditure for Locality day – Section 5.28 and 5.29 – We take note of the observation;

Legal Services – Section 5.30 and 5.31 - Allow us to point out immateriality of the amounts involved.

Cleaning Services – Section 5.32 and 5.33 - We take note of the observation;

LES Receivables – Point 6.1 and 6.2 – The observation has been noted and the necessary reconciliations will be carried out;

Overdue receivables - Point 6.3 and 6.4 – Should these amounts will not be forthcoming, the relative amounts will be brought forward to the attention of the Council members for write off;

Trade receivables – Point 6.5 to 6.7 - We take note of the observation;

Accrued Income and Grants – Point 6.8, 6.9 and 6.10 – We will endeavour to investigate the balances and effect the necessary adjustments in relation thereto on the basis of such findings;

Bank and cash - Points 7.1 to 7.8 – the council would like to point out that reconciliations have always been carried out on sage, save when the accounting systems got corrupted. We take note of the issue noted. We undertake that before any subsequent audit starts, auditors will be presented a fully completed reconciliation document for perusal;

Payables – Points 8.1 to 8.3 – the Council take cognisance of the fact that the accounting function vis Bank, Receivables and Payables Control Accounts was not operating as appropriate. Whilst this is partly attributable to the sage corruption the engagement of the



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services of a new accountant should contribute to better governance in bookkeeping. As to payments on accounts, the Council will refrain from effecting such payments;

Debit balances in creditors' list and Long-outstanding creditor – Point 8.8, 8.9, 8.10 and 8.11

– These issues will be dealt with during the verification process by the incoming accountant.

Deferred income brought Forward – Point 9.1 to 9.3 – Please refer to reply provided vis a vis

- Income from Grants – Points 2.9 and 2.10.

Administration – Uploading of meeting minutes and schedule of payments on website – Point 10.1 to 10.6 – We take note of the observation and that in respect of Quarterly financial report;

Accounting Function – Point 11.1 and 11.4 – The Council and the Executive Secretary through the contents of the management letter take cognisance of the shortcomings noted in this area – to this effect mitigating action has been taken through the award of a fresh call for accounting services;

Liquidity Position - Point 12 – Unfortunately the liquidity position prevails - Government grants have not been augmented with an aim to reduce the liability strain brought forward from previous years. The council is undertaking EU initiatives with an aim to finance as much as possible infrastructure from alternative sources;

Financial Statements – Point 13.1 to 13.7 – The Local Council takes note of the points raised re Financial Statements;

Commitments – Point 14.1 and 14.2 - The Local Council takes note of the points raised in respect of Commitments;

Prior year adjustments – Point 15.1 and 15.3 - The Local Council takes note of the points raised in respect of PYA.

Kindly allow the aforementioned replies as our formal response in terms of Section P2.06 (d) of the Local Councils (Audit) Procedures 2006. In anticipation, please do not hesitate to contact the undersigned should you require additional information.

Yours faithfully,



Kunsill Lokali Kalkara

Elaine Caruana

Executive Secretary

Kalkara Local Council