



KUNSILL LOKALI KALKARA
KALKARA LOCAL COUNCIL

30 January 2018

National Audit Office
Notre Dame Ravelin
Floriana FRN 1600
Malta

Dear

To whom it may concern,

Re Financial Statements – 31/12/2016

Please refer to your request for feedback dated 15th December, 2017 in relation to the above captioned subject.

In this respect, allow us to point at the outset, that we take cognisance of the disclaimer of opinion made by the auditors in relation to the financial statements and in particular we note the following:-

- a) During the course of the year we have tried to carry out a number of adjustments to the financial statements which would have improved the, “true and fair” outcome of the financial statements. Admittedly, these adjustments were carried out late in the day, with the accounts being approved in 2 stages. In view of a number of difficulties beyond our control, we had resolved to have the original financial statements be treated as those subject to audit. The respective differences are to be reflected in 2017’s financial statements;
- b) As to the fixed asset register, we are doing our utmost to bring the register up to date. We have to note that missing information pertaining to opening balances brought forward are being sought from every possible avenue. Should this be unsuccessful, we will have no option but to write off the relative construction assets over a period of time, since we would have been unable to verify the completeness and existence of such assets;
- c) As to adjustments pertinent to accrued income and deferred income these will be addressed in the adjustments mentioned in (a);

On a general note, allow us to point out that current funding from Government is not sufficient to finance yearly expenditure, let alone working capital balances inherited from previous legislations. Unless supplementary estimates are provided, at least on a one time basis, the negative financial situation will persist in the future. The current council has endeavoured to keep recurrent expenditure to the levels incurred in previous years. Personal emoluments, operations and maintenance expenses, etc, compare favourably with comparatives.



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As to the management letter, please find hereunder replies in the order of the comment raised in the letter:-

Comment 1.1 – Nothing to comment;

Comment 1.2 – Refer to reply to point 4.3;

Comment 1.3 – Refer to reply to point 4.4;

Comment 1.4 – Refer to reply to point 4.8;

Comment 1.5 – Refer to reply to point 4.10;

Comment 1.6 – Refer to reply to point 4.1;

Comment 1.7 – Refer to reply to point 4.1;

Comment 1.8 – Refer to reply to point 5.1;

Comment 1.9 – Nothing to comment;

Comment 1.10 – Refer to reply to point 5.4;

Comment 1.11 – Refer to reply to point 5.4;

Comment 1.12 – Refer to reply to point 6.1;

Comment 1.13 – Refer to reply to point 6.4;

Comment 1.14 – Refer to reply to point 6.6;

Comment 1.15 – Nothing to comment;

Comment 1.16 – The council undertakes to start using Imprest System as recommended;

Comment 1.17 – In our opinion the submission of a Letter of Acceptance in terms of the tender equals the submission of a contract. However, for the purpose of completion we undertake to start preparing contract documents;

Comment 1.18 – Nothing to comment;

Comment 1.19 – Refer to reply to point 7.16;

Comment 1.20 – Refer to reply to point 7.18;

Comment 1.21 – Refer to reply to point 7.20;

Comment 1.22 – Refer to reply to point 7.24;



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Comment 1.23 – Refer to reply to point 7.14;

Comment 1.24 – Refer to reply to point 7.26;

Comment 1.25 – Refer to reply to point 7.28;

Comment 1.26 – Refer to reply to point 8.1;

Comment 1.27 – Refer to reply to point 8.3;

Comment 1.28 – Refer to reply to point 8.5;

Comment 1.29 – Refer to reply to point 8.10;

Comment 1.30 – Nothing to comment;

Comment 1.31 – Nothing to comment;

Comment 1.32 – Refer to reply to point 10.1;

Comment 1.33 – Refer to reply to point 10.1;

Comment 1.34 – Refer to reply to point 10.10;

Comment 1.35 – Refer to reply to point 10.12;

Comment 1.36 – Refer to reply to point 11.1;

Comment 1.37 – Refer to reply to point 12.1;

Comment 1.38 – Refer to reply to point 12.3;

Comment 1.39 – Refer to reply to point 3.1;

Comment 1.40 – Refer to reply to point 14.1;

Comment 1.41 – Refer to reply to point 14.2;

Comment 1.42 – Refer to reply to point 17.1;

Comment 1.43 – Refer to reply to point 17.1;

Comment 1.44 – Refer to reply to point 16.1;

Comment 2 – Refer to aforementioned reply;

Comment 3.1 – Refer to aforementioned reply;

Comment 3.2 – Nothing to add – adjustments will be reflected in 2017 accounts;

Comment 4.1 – Nothing to add;

Comment 4.2 - Nothing to add;

Comment 4.3 – Nothing to add;

Comment 4.4 – Nothing to add since amount is immaterial;

Comment 4.5 – Nothing to add;

Comment 4.6 and 4.7 – Comments noted and cognisance of memo 11/2011 taken;

Comment 4.8 and 4.9 – Nothing to comment;

Comment 4.10 and 4.11– Comments noted and cognisance of Financial Regulations and LN 28/2000 taken;

Comment 5.1 to 5.4 – Accounts Service Provider will be notified of shortcomings noted and mitigating measures to this effect will be taken;

Comment 5.5 to 5.9 – Agreed and Accounts Service Provider will be notified accordingly;

Comment 6.1 to 6.5 – Accounts Service Provider will be notified and asked to expedite the preparation of the FAR;

Comment 6.6 to 6.7 – We reiterate observations noted above regarding verifications of the respective assets. Unfortunately, none of the current council official/councillors are aware of such assets and in the circumstance we will be proposing the acceleration of the write off of these assets;

Agreed and Accounts Service Provider will be notified accordingly;

Comment 6.8 to 6.10 – We take cognisance of the comment and we commit to take the relative expense to the council's attention for endorsement – cost €1,360;

Comment 7.1 – We note comment and undertake to start employing the Imprest System;

Comment 7.2 – Comment accepted;

Comment 7.3 to 7.6 – We take cognisance of the comment – at the same time, whilst undertaking to respect as much the relative regulation, we reiterate that the said regulation cannot be always adhered to given the amounts involved;

Comment 7.7 to 7.13 – Comment noted and mitigating action will be taken;

Comment 7.14 – Comment noted and we undertake to issue new tender – however, we have to emphasise the probability that respective rates for a new tender will supersede existing rates by far;



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Comment 7.15 – Comment noted and cognicance taken of memo 10/13;

Comment 7.16 and 7.17 – A review of the insurance policy will be made once FAR is complete – In this respect, it is being noted that insurances insure the replacement value which is not reflective of the NBV. Also, for the record, the cumulative cover of the office equipment and computers equals approximately the cumulative cost as per records;

Comment 7.18 and 7.19 – We note relative comments – The Executive Secretary undertakes to obtain a new contract for the mobile in the name of the Council;

Comment 7.20 – We note relative comments – We undertake to start using a mileage schedule for reimbursement of fuel;

Comment 7.1 to 7.23 - Nothing to comment;

Comment 7.24 to 7.25 – We take note of the comment raised under items 7.24 and 7.25;

Comment 7.26 to 7.27 – We take note of points raised in relation to “Expenditure for locality day”;

Comment 7.28 to 7.29 – The matter will be brought again to the Council’s attention for endorsement and proposed mitigating action;

Comment 7.30 to 7.32 – We note comment noted;

Comment 8.1 to 8.4 – Accounts Service Provider will be tasked to investigate the matter and to effect adjustments as deemed fit;

Comment 8.5 to 8.9 – Accounts Service Provider will be tasked to heed recommendations made under respective points;

Comment 8.10 to 8.13 – Accounts Service Provider will be tasked to investigate the matter and to effect adjustments as deemed fit;

Comment 9.1 and 9.2 – We take cognisance of observation;

Comment 10.1 to 10.13 – Accounts Service Provider will be tasked to investigate the matter and to effect adjustments as deemed fit;

Comment 11.1 to 11.4 – Accounts Service Provider will be tasked to investigate the matter and to effect adjustments as deemed fit;

Comment 12.1 to 12.2 – We note comment and contents of memo 02/2014;

Comment 12.3 to 12.4 – We note contents of the respective comments;

Comment 13.1 to 13.2 – We note comments and undertake to take mitigating action;



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Comment 14.1 to 14.3 – Please note our comments re financial position at the outset of the letter;


Comment 15.1 to 15.3 – We note comment;

Comment 16.1 to 16.5 – We note comment in relation to Prior year Adjustment; and

Comment 17.1 to 17.3 – Accounts Service provider will be informed and asked to take mitigating action.

Please do not hesitate to contact the undersigned should you require additional information.

Yours faithfully,



Kunsill Lokali Kalkara
Elaine Caruana
Executive Secretary