



6th June, 2017

The Auditor General  
**National Audit Office**  
Notre Dame Ravelin,  
Floriana

Dear Sir,

## ***Management Letter for the year ended 31<sup>st</sup> December 2016***

We are in receipt of the Management Letter prepared by Nexia BT as external Auditors of Hal Kirkop Local Council for the year ended 31st December 2016. We would like to show our appreciation for the work done and look forward to take recommendations and suggestions. Whilst expressing our thanks, we submit our reply to clarify some of the points mentioned.

### **1.3 Fixed Assets Register**

This issue has not been finalised as yet. However, council is doing its best to finalise this asset register during this financial year. (2.1)

### **1.4 Tagging of Fixed Assets**

Tagging of fixed assets will be part of the above exercise. (2.2)

### **1.5 Fixed Assets – AED Project**

Issue will be addressed during current financial year. (2.3)

### **1.6 Depreciation**

Further to the implimentation of the fixed asset register, depreciation will be calculated as suggested. (2.4)

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#### **1.7 Amount receivable from Green MT**

Provision adjusted as proposed. Council is still chasing Green MT for pending payment of €4,010 and therefore such balance should still be retained as a provision. (2.5)

#### **1.8 Amount receivable from Water Services Corporation**

Council is in contact with Water Services Corporation in order to check works carried out and affect payment of pending invoice accordingly. To date Water Services Corporation confirmed only part of invoice. Since invoice relates to works carried out more than 5 years ago, if invoice is not confirmed in full, the Council will accept a part payment and writes off the remaining balance. (2.6)

#### **1.13 Accrued Income - Opening Balances**

Accrued income opening balance results from audit adjustments dating back to 2010 – 2013. Council tried to get feedback from previous years auditors to sort out this balance. (2.7)

#### **1.14 Accrued Income – Tipping Fees**

Refer to reply to note 2.8.

#### **1.19 Presentation of Financial Statements**

Suggestion noted and issue will be addressed during current year. (2.21)

#### **1.20 Bank Reconciliations**

Bank reconciliations are being done monthly during current year. (2.11)

#### **1.21 Creditors - Reconciliations**

Issue will be addressed during current financial year. (2.13)

**1.23 Amounts due to Regional Committees**

Issue will be addressed during current financial year. (2.16)

**1.26 Rent Payable**

The Council is in discussion with the Lands Department regarding an updated rent agreement of the Local Council premises. (2.17)

**2.1 Fixed Assets Register**

Refer to reply to note 1.3.

**2.2 Tagging of Fixed Assets**

Refer to reply to note 1.4.

**2.3 Fixed Assets - AED Project**

Refer to reply to note 1.5.

**2.4 Depreciation**

Refer to reply to note 1.6.

**2.5 Amount receivable from Green MT**

Refer to reply to note 1.7.

**2.6 Amount receivable from Water Services Corporation**

Refer to reply to note 1.8.

## **2.7 Accrued Income - Opening Balances**

Refer to reply to note 1.13.

## **2.8 Accrued Income - Tipping Fees**

Point noted. Amount adjusted accordingly. (1.14 / 2.22)

## **2.9 Accrued Income – Special Projects**

Recommendation noted. Amount adjusted accordingly. (2.23)

## **2.10 Deferred Income - Opening Balances**

Amounts adjusted and reclassified accordingly. (2.22 / 2.23)

## **2.11 Bank Reconciliations**

Bank reconciliations are being done monthly during current year. Amount re stale cheque was adjusted accordingly and cheque re-issued as recommended.

## **2.12 Trade Payables List**

Recommendation noted.

## **2.13 Creditors - Reconciliations**

Recommendation noted. Council will start collecting creditors' statements so as to carry suppliers reconciliations every quarter.

## **2.14 Creditors - Unreconciled Differences**

Recommendation noted and amounts adjusted accordingly. (2.23 / 2.24) Issue will be addressed during current financial year.



#### **2.15 Other payables – Progett Piroteknika**

Amount was reclassified as proposed. (2.23) Moreover, after confirmation from Xaghra Local Council re unpresented cheque, amount of €4221 was inserted in Schedule of Payments for approval, so as to re issue cheque accordingly.

#### **2.16 Amounts due to Regional Committees**

Reclassification adjusted accordingly. (2.23) Balance will be investigated and issue addressed during current financial year. (1.23)

#### **2.17 Rent Payable**

Refer to reply to note 1.26.

#### **2.18 Income**

Recommendation noted and reclassifications adjusted accordingly (2.23).

#### **2.19 Expenditure**

Recommendation noted and reclassifications adjusted accordingly (2.23).

#### **2.20 Comparison of Budget and Actual Expenditure**

As from current year Budget was done according to templates issued by the Local Government Department. Budgets are being prepared in conformity to these standards, which also include depreciation.

#### **2.21 Presentation of Financial Statements**

Refer to reply to note 1.19.

#### **2.24 Unadjusted Errors**

Recommendation noted.

It is very important to note that we are doing our outmost to work on the shortcomings pointed in the Management Letter, so as to have a better situation this financial year end.

We would like to take this opportunity to thank Mr. Paul Spiteri and Mr. Ian Vella, from Nexia BT, for their guidance and co-operation.

Regards,



**Terence Agius**  
**Mayor**



**Antonia Demicoli**  
**Executive Secretary**

c.c. Local Government Department  
Nexia BT