



8th June, 2016

The Auditor General
National Audit Office
Notre Dame Ravelin,
Floriana

Dear Sir,

Management Letter for the year ended 31st December 2015

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 2015. 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.

1.2 Duration of Committee Meetings

During year 2015, two meetings were longer than stipulated time, that is more than 3 hours. In both cases, consensus was given to continue meeting, by motions no. 8/15/8 and 9/15/8 respectively, which were agreed to by all Councillors present. (2.1)

1.3 Attendance of Committee Meetings

Minister was notified re absenteeism after Ms. Antoinette Cefai did not provide the Council with a justifiable cause for four consecutive meetings. This is also minuted in Meeting 10, minute 4.11, held on Monday, 9th November, 2015. (2.2)

1.6 Fixed Assets Register

This issue has not been finished as yet, due to lack of human resources. However, council is doing its best to work on this asset register. (2.3)

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1.7 Tagging of Fixed Assets

Tagging of fixed assets will be part of the above exercise. (2.4)

1.8 Depreciation

Further to the implementation of the fixed asset register, depreciation will be calculated as suggested. (2.6)

1.10 Amount receivable from Green MT

Council is still chasing Green MT for payment and therefore such balance should still be retained as a provision. (2.7)

1.11 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 year ago, if invoice is not confirmed in full, the Council will accept a part payment and writes off the remaining balance. (2.8)

1.12 LES Debtors

Adjusted as proposed. (2.9)

1.15 Accrued Income - AED Project

Adjusted as proposed and recommendation noted. (2.5)

1.16 Accrued Income - Opening Balances

Accrued income opening balance results from audit adjustments dating back to 2010 – 2013. Previous auditors were contacted to provide workings and to date we are still awaiting reply from their end. Without previous auditors feedback, Council is at a standstill. (2.13)

1.18 Deferred Income

Deferred income amounting to €1,080,316 results from audit adjustments dating back to 2009 – 2013. Previous auditors were contacted to provide workings and to date we are still awaiting reply from their end. Without previous auditors feedback Council is at a standstill. If no feedback is received from previous auditors, Council will ask for a meeting with NAO so as to find a way forward. (2.15)

1.19 Presentation of Financial Statements

Council is in the process to issue a call for quotes for a new accountant and therefore this issue will be discussed with accountant when quote is awarded. This will ensure that Financial Statements will be IFRS compliant as from current year. (2.17)

1.20 Bank Reconciliations

Recommendation noted. As per note 1.19 regular reconciliations are being included in the specifications of the new call for Council accountant. (2.18)

1.22 Petty Cash Expenditure

Since petty cash is used mainly for day to day items, it is not always possible to obtain tax invoices. The Council will try to obtain invoices and receipts whenever possible. (2.19)

1.24 ARMS Ltd.

Adjusted as proposed. (2.22)

1.25 Amounts due to Regional Committees

This amount will be investigated and action will be taken accordingly. (2.23)

1.28 Thee Year Plan

Recommendation noted and three year budget plan being discussed. (2.25)

1.31 Rent Payable

The Council is in discussion with the Lands Department regarding an updated rent agreement of the Local Council premises. (2.26)

1.34 Unadjusted Errors

Recommendation noted. (2.33)

2.1 Duration of Committee Meetings

Refer to reply to note 1.2.

2.2 Attendance of Committee Meetings

Refer to reply to note 1.3.

2.3 Fixed Assets Register

Refer to reply to note 1.6.

2.4 Tagging of Fixed Assets

Refer to reply to note 1.7.

2.5 Fixed Assets - AED Project

Refer to reply to note 1.15.

2.6 Depreciation

Refer to reply to note 1.8.

2.7 Amount receivable from Green MT

Refer to reply to note 1.10.

2.8 Amount receivable from Water Services Corporation

Refer to reply to note 1.11.

2.9 LES Debtors

Refer to reply to note 1.12.

2.11 Accrued Income - Eco Wardens

Point noted. Amount adjusted accordingly. (2.32)

2.12 Accrued Income - CCTV Cameras

Recommendation noted. Amount adjusted accordingly. (2.32)

2.13 Accrued Income - Opening Balances

Refer to reply to note 1.16.

2.14 Accrued Income - Tipping Fees

Point noted. Amount adjusted accordingly. (2.32)

2.15 Deferred Income - Opening Balances

Refer to reply to note 1.18.

2.16 Deferred Income - Measure 313 and Measure 323

Recommendation noted. Amount adjusted accordingly. (2.34)

2.17 Presentation of Financial Statements

Refer to reply to note 1.19.

2.18 Bank Reconciliations

Refer to reply to note 1.20.

2.19 Petty Cash Expenditure

Refer to reply to note 1.22.

2.20 Creditors - Unauthorized Suppliers

Council is checking issue with departments concerned and will start process for the issuing of quotes if statement is confirmed.

2.21 Creditors - Reconciliations

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

2.22 Creditors - Unreconciled Differences

Refer to reply to note 1.24.

2.23 Amounts due to Regional Committees

Refer to reply to note 1.25.

2.25 Thee Year Plan

Refer to reply to note 1.28.

2.26 Rent Payable

Refer to reply to note 1.31.

2.27 Income

The Council is doing its utmost to keep recurring expenditure to a bare minimum so that current financial situation is improved and obtain a positive result. Government allocation covers the day to day expenditure and administration costs and therefore the Council finds it very difficult to implement other projects for the benefit of the community at large.

Points re 'Supplementary Government Income' were noted and reclassifications adjusted. The Council will make sure that income is classified accordingly as from current year.

2.28 Expenditure

Reclassifications adjusted. The Council will be liaising with the council's bookkeeper regarding incorrect postings.

2.29 Health Insurance

The Council deffers to agree with this recommendation since employees health is one of the main priorities of Hal Kirkop Local Council. Moreover health insurance is part of the employees Collective Agreement and expense regarding this insurance is of a non-material nature.

2.30 Wages and Salaries

Reclassification re Executive Secretary's salary was adjusted accordingly and point re approval of employees vacation leave noted.

2.31 Employment Contracts

Point noted and current year increment was approved during Council meeting as recommended.

2.32 Accounting Function

The Council is in the process of issuing a call for quotes for the services of a qualified accountant in order to have the accounting function in place so as to ensure that the annual financial statements give a true and fair view of the Council's results.

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