

Audit -



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10 June 2016

Mr. Manuel Castagna
The Penthouse Suite 2,
Capital Business Centre, Entrance C,
Triq taz-Zwejt,
San Gwann,
SGN 3000.

Dear Sir,

Underneath is the reply to the management letter covering the audit for the year 2015. Some items have already been tackled, while others are in the process of being sorted out. In our reply we have grouped together certain issues and given a collective reply since they belong to the same category or the solution is linked in a way or another.

Items 2.1 – 2.5 Fixed Assets Issues

During 2016 the Luqa Local Council, together with the Council's accountant, will be doing a revision exercise of the Fixed Assets Register which shall involve the cleaning up of the Register of items that are obsolete or have been put aside for some reason or other. After this exercise is completed these items will be discussed in the Local Council meeting and written and disposed off. We will also update this register with the assets that presently are not included.

We are also aware that the present fixed asset register contains items that do not classify by definition as fixed assets and therefore these also have to be eliminated from the register.

We will ensure that the fixed assets register will tally to the nominal ledger and also to the fixed assets schedule. At the same time when this exercise is being done we shall be labelling the respective fixed assets and taking note on their present location. These items are being mentioned in this section since all of them relate to each other.

This exercise will also serve the Local Council to calculate the depreciation on fixed assets and provide a clearer picture to our insurance providers for a quote.

Item 2.6 - Pre Regional Receivables

Although the difference is relatively minimal the Council will investigate the difference by doing a reconciliation with the IFS debtors.

Item 2.7 - Petty Cash Expenditure

Most of the expenditure related to this area entails small amounts and unfortunately most suppliers issue cash register chits. The process of verifying the expenditure from my behalf is done chit by chit and expenditure is mostly authorised by myself. Still the cash register chit is an official VAT receipt.

The discrepancy mentioned in the letter has resulted from entries that have not been inputted by the previous accountant. These were found and inputted and reduced the amount in the discrepancy. The Local Council will look further in implementing the imprest system.

Item 2.8 - Bank Reconciliations

The Council confirms that all bank reconciliations as end of 2015 were done. We will ensure that action is taken on unreconciled items to check why they remained so.

Item 2.9 - Trade Payables

Due to the fact that the Council was not preparing quarterly financial statements, we were not in position to do creditors reconciliations, except for the major ones such as Al Hag, the contractor that was responsible for the construction of the Hal Farrug park.

As instructed, during 2016 we will ensure that we will do creditors' reconciliations regularly.

Item 2.10 - Overdue Balances

In the case of Asfaltar, there was a pending issue about a road which was resurfaced unsuccessfully and uncertified from the Architect. Communication was made with the contractor to resolve this issue but up to now it was only partially resolved.

With regards to the other supplier, the Council will investigate why these amounts were not paid.

Items 2.11 & 2.16 & 2.17 – Accrued Income

The calculation of accrued income is directly related to the depreciation workings. Thus, once we will adjust the assets' balances, the calculation of accrued income will be more comprehensible.

Item 2.12 – Debit Balances in Creditors' Ltd

With regards to Polidano Brothers Ltd the Council was paying on account and the supplier was not providing an invoice. During 2016 we will ensure that the situation is regularized.

With regards to GO plc and Mr Jeffrey Mifsud, the Council will investigate how this debit balances resulted.

Item 2.18 Income from Central Government

The income from Central Government did not agree with that stated to that actually passed on to the Local Council because of an amount that had to be paid for the Office's connection from MITA. This amount was then actually deducted from the Allocation before it was actually passed on to the Local Council.

Instructions were given to our accountant to reconcile the amount in the financial statements with the actual Government allocation.

Item 2.19 - Wages Reconciliation

During 2015 two new accounts were created, namely FSS Due and NIC Due. The aim of these two accounts is to reconcile each employee's FSS and NIC dues to the monthly FSS payments. During 2016 we will ensure that a detailed wages reconciliation is prepared and presented to our auditors.

Item 2.20 - Insurance on Employees Liability

The employees of the Local Council are covered by an Insurance Policy that is provided from the Local Council's Association.

Item 2.21 - Frequency of Council Meetings

Our Local Council tries to hold meetings where all the Councillors are present. In the case mentioned in this letter there were a large number of councillors unavailable and also not possible to have a quorum during the meeting.

Item 2.22 - Final Withholding Tax

A letter giving instructions to the Bank is being prepared in this respect.

Item 2.23 - Budget Figures

The amounts provided for budget purpose are based on previous years amounts and projections. During the preparation of the 2015 financial statements, our accountant came across various cases where the wrong nominal account were used in previous years. This resulted in an expense being budgeted for in a particular nominal account and the actual amounts registered in another one.

Best Regards



John Schembri
Mayor



Michael Portelli
Executive Secretary