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

Dear Auditor General

Reply to Management Letter for the Financial Year ending 31st December 2015

- 2.1 We will make our utmost to abide with the auditors' recommendations.
- 2.2
- 2.3
- 2.4 Kindly note that with immediate effect the Council has started to keep the bank security bags deposit slips. As from February 2016 these bank security slips have been retained.
- 2.5 Point has been taken and the council will adhere to instructions given especially in view of the fact that bank deposit slip are no longer sent to the council.
- 2.6 The council will take note of this recommendation and will start implementing it as from February 2016.
- 3.1 As already explained in the previous management letter the council purchases from various retail outlets that only have cash register and therefore can't issue either a valid invoice or a vat receipt addressed to the council. To ensure that such transactions are in the normal course of the council business, it is common practice with the council that the Executive Secretary will sign the back part of each receipt.
- 3.3
- 3.2 The council only found that the tax invoice submitted by Mr. Ronald Briffa did not have an invoice number and telephone number
- 3.4 It is not a common practice for Marsaskala Local Council to obtain a quotation prior to the purchase of items under €1165 especially when such items are purchased on a frequent bases.
- 3.5
- 3.6 During 2015, Marsaskala Local Council implemented the M413 A5 project in Triq il-Bidni which involved the embellishment of an area next to a chapel and the resurfacing of a non urban road. The council issued a call for tenders based on a specified amount of quantities to all contractors to ensure that the cheapest offer was selected (which was also technically and administratively compliant with the Tender requisites) The tender was issued and a contractor selected. Once the selection process was accomplished, the contractor had to apply for a TMalta permit and the final permit issued by TMalta also included that the council had to engage the services of an archeologist.
- 3.7

During their execution of works, during the scarifying process the council damaged a third part underground pipe which had to be fixed which costed the council €1134.17.

Mayor

Mario Calleja

Deputy Mayor

Desiree Attard

Councillors

John B. Camilleri

Elisabeth Cassar

Lawrence Ciantar

Charlot Mifsud

Sandro Gatt

Charlot Cassar

Daniel Spiteri

Executive Secretary

Josef Grech

Moreover it transpired that more concrete was required to fill in the gap between the tarmac and the rubble walls otherwise referred to as the construction of insitu concrete gutter adjacent to rubble walls. This was already explained to the GAL Xlokk Manager, the Paying Agency and the auditors of the paying agency being an EU fund project.

Moreover the council had a clear deadline and in order to finish such a project had to request an extension of 15 days to complete the project.

Auditors have to take into consideration that this EU project took a long time to be awarded to the Council and the Council met with a lot of obstacles. Moreover the council could not for see that the issuing of the permit by Transport Malta was going to take so long and that they were going to request the presence of an archeologist.

- 3.8 It has now been proved by the council that no additional premium is being paid by the council to cover the
3.9 councils group personal accident policy on a worldwide bases, however it is obvious that any claim can only occur in the case that a councillor or a council member is on official duty abroad. Such visit abroad happens once a year when they attend the annual douzelage general meeting.

Kindly note that the council is obliged to cover all councillors on official duty with an insurance when on duty abroad. This would mean that the council would have to pay extra insurance for each and every time a councillors is on official duty. This would cost the council much more in premium apart from the extra administrative work.

- 3.10 In the case of utility payments the council after verifying each and every payment issues the payment, to ensure
3.11 that the council does not occur any charges for late payments. In the case of Matthew Attard the council approved this payment during meeting 33 but we erroneously forgot to mention his name specifically in the council minutes. It is common practise that the council reads out all the details of all the invoices which were received late and which were therefore not featured in this schedule of payments of that particular council meeting as creditors. This would then be included in the next schedule of payments as urgent payments

- 3.12 Kindly note that the council issue cheque payment in sequential order there was only one instance that happened in 2014 when cheque number 11101 to 11300 were skipped erroneously issued during 2014 instead of 2015 this was one off mistake.

- 3.13 Kindly note that cancelled cheques will start to be featured in the schedule of payment.

- 3.14
3.15 The council does not agree that the cancelled cheque should be retained in the cheque book as evidence, this as explained to us by previous auditors. The cancelled cheque is being kept with the sequential payment vouchers. Cheques are always being issued in a sequential order and they are than being grouped into credit payment and urgent payment.

- 4.1 The Council will investigate the variances and adjust its books of accounts accordingly.

4.2

4.3

- 4.4 Depreciation is calculated by the software. The council will contact the software local representatives to
4.5 investigate the variances mentioned by the auditors.

- 4.6 The council will work to update the fixed assets register with detailed information as far as it is possible over
4.7 the past three years but it would be difficult to update its records for the part twenty years.

4.8

- 4.9 Tagging of fixed assets will commence during 2016.

4.10

- 4.11 During 2016 we are going to go through the fixed assets register and write off obsolete and unusable assets

4.12

- 5.1 Our balance is correct and we will inform W.S.C accordingly.

5.2

- 5.3 The council will contact once again the debtor. These are the problems which arise from EU funding. The
5.4 council will try to get a definite answer from Kirkop Local Council and will refer it to the council meeting
- 5.5 We confirm 2014 balance was settled in 2016. We will give you a copy of invoice and receipt once we obtain it from supplier.
- 5.6 Kindly note that Green MT has been supplying benches to the council in the form of barter for more than 3
5.7 years in previous years it was documented in the council minutes and it is now being taken as a general understanding.
- 5.8 These will be included in 2015. These has always been in practise that the benches are included in the fixed
5.9 assets register.
- 6.1 As at year end the mentioned cheques were not stale and hence the council did not reverse such cheques.
6.2 Thereof the Council took the necessary action when the cheques became stale.
6.3
- 6.4 The Council will address this issue.
6.5
- 6.6 We will inform the bank to ensure that these accounts will be non taxable.
6.7
- 7.1 The council asks on a regular basis to all suppliers to send statements. The council already makes great efforts
7.2 to obtain the necessary vat receipt and statements but unfortunately not everybody cooperate.
- 7.3 The council will make its utmost to reconcile these creditors.
7.4
- 7.5 The Council agreed with the auditors and reclassified the mentioned liability accordingly.
7.6
- 8.1 During 2016 the Council will make its utmost to address the mentioned shortcomings.
8.2
8.3
8.4
- 8.5 The financial statements are prepared in accordance to the Local Council (Procedures) (Amendments)
8.6 Regulations 2006 Appendix P2.1 – 'Specimen Annual Audit Report on the Local Council's Financial Statements'. The latter does not include a budget. Thereof the Local Council (Financial) Regulations 1996 need to be updated to be compliant with the above mentioned procedures issued in 2006.
- 9.1 The council will seek to bind the minutes on a yearly basis even though such a procedure is no longer required
9.2 with the publication of the council minutes on the website.
- 9.3 Kindly note that council meeting are taking between 3hrs and 3.5hrs. Moreover the Local Council meetings
9.4 held at the Marsaskala Local Council begin at 6pm. The council does not find it practical to finish off a council meeting after 3 hrs when only another 15 minutes remain



Josef Grech
Executive Secretary



Mario Calleja
Mayor