

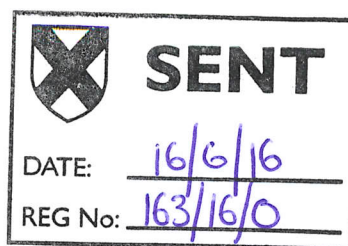


# Marsaxlokk Local Council

Portus Herculis

30 ta' Mejju 2016

National Audit Office  
Notre Dame Revelin  
Floriana



Sinjura/ina,

B'referenza ghar-rapport imhejji mill-Udituri tal-Gvern rigward nuqqasijiet li gew innutati ghas-sena li ghalqet fil-31 ta' Dicembru 2015, hawn taht ghandek issib ir-risposti tal-Kunsill Lokali u l-azzjonijiet li ser ikunu qieghdin jittiehdu sabiex in-nuqqasijiet jigu ratifikati jew ma jibqghux isehhu.

## 2 Income

- 2.1/2.2 As stated in the auditor's report the Local Council amended the financial statements and rectified the issue
- 2.3/2.4 The Council has already increased the frequency of deposits from the previous year. In 2016 we shall ensure that the Local Council adheres to the financial procedures.
- 2.5/2.6 The Council has already increased the frequency of deposits from the previous year. In 2016 we shall ensure that the Local Council adheres to the financial procedures.
- 2.7/2.8 The Local Council has already rectified the situation and in 2016, invoices are being issued in the first week of each of the following month.

## 3 Payroll

- 3.1/3.2/3.3 Aware of the shortcoming, in 2016 the Local Council has procured a software for payroll to ensure that the shortcomings shall not be repetitive
- 3.4/3.5 Aware of the shortcoming, in 2016 the Local Council has procured a software for payroll to ensure that the shortcomings shall not be repetitive
- 3.6/3.7 The issue arose mainly due to financial liquidity problems. The matter has been rectified and in 2016, FSS and NI are being remitted within the stipulated timeframe.

## 4 Expenditure

- 4.1/4.2/4.3/4.4/4.5 The Local Council acknowledges that not all procurement effected through petty cash was covered by a tax invoice addressed to the Local Council. Nevertheless, all procurement was covered by cash register chits which are legally recognized by the VAT department. In this regard, although we try to be compliant to the financial procedures, suppliers systems do not always provide us with the correct documentation. With regards

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Deputy Mayor | Steven Grech

Councillors | Stephen Caruana, Daniel Zerafa, Janice Chetcuti

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instance where two purchases were effected from the same supplier within the same day, the Marsaxlokk Local Council was compliant with procurement procedures since none of the purchases exceeded the €23.29 threshold. Moreover items purchased were not related.

4.6/4.7

The only payment effected prior to the approval during a council meeting was issued following an approval in writing (through e-mail) from all councillors. Cheque was issued as supplier stated before the delivery of items procured that payment had to be effected immediately. All Councillors were informed about the issue and approved purchase and respective payment.

4.8/4.9/4.10/4.11

The Marsaxlokk Local Council was compliant with the tendering procedures with regards to the schedule of tenders. Although no cut-off after the last bidder was marked on the schedules, tenders were opened in the presence of public and bidders themselves and the schedule was compiled during the opening procedure. Bidders who were present for the opening of the tenders were given a copy of the said schedules. A scanned copy of the same schedules were sent electronically within 15 minutes from the opening procedure. Hence there was no possibility of adding further bidders at a later stage and the Local Council deems that the procedure it adopted was fair and transparent.

With regards to performance bonds being provided after seven days from the letter of acceptance in two occasions, the local council was aware of the issue and the delay was justified due to the fact that there were ongoing discussions with the selected bidder in relation to tender number MXLC03/2014 and tender number MXLC04/2015.

4.12/4.13/4.14

The Local Council has rectified the issue and updated the insurance policy.

4.15/4.16

The Local Council shall assure that assets are adequately insured.

4.17/4.18

The Marsaxlokk Local Council does not agree with the claim made by the auditors that the purchase of a musical instrument was a donation to the local musical band. Infact during the meeting mentioned by the auditors it was agreed that the musical instrument be given to the local musical band as a recognition for their work within the locality. The said musical instrument was given together with other recognitions during Jum Marsaxlokk 2015.

4.19/4.20

The Auditors' comments have been noted

4.21/4.22

The Local Council requested in writing, the GALXLOKK Foundation to provide financial statements. These however never reached our offices

## 5 Fixed Assets

5.1/5.2/5.3/5.4

The Local Council has taken note of the auditors' recommendations and shall act accordingly.

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- 5.5/5.6/5.7 The Local Council had planned carry out an extensive exercise to update its fixed assets register. However an unforeseen change of the Council's accountant together with a problem with the sage software lead to delays in the matter.
- 5.8/5.9/5.10 The Local Council had planned carry out an extensive exercise to update its fixed assets register. However an unforeseen change of the Council's accountant together with a problem with the sage software lead to delays in the matter
- 5.11/5.12/5.13 During the said exerise of the updating of its fixed assets register the Local Council shall ensure that the net book value of assetsis equal in both he Fixed Assets Register and the nominal ledger.
- 5.14/5.15 The Marsaxlokk Local Council has already started the procedure to tag its assets. The exercise should be concluded by September 2016.
- 5.16/5.17 The plant register is being updated in 2016
- 5.18.5.19/5.20 The amount paid to the contractor did not include only the supply Isuzu Elf CCA. There were two direct orders equivalent to the difference stated in the auditors report which were issued at a distance of 9 months. Hence the Local Council was compliant to tendering procedures.
- 5.21 There were unforeseen circumstances which led to the increase in capital expenditure. The main contributor was the carrying out of a European Union project (Setting up of a Tourist Hub). The project's proposal was made after the Local Council approved its annual budget and hence the Local Council could not plan for its capital expenditure appropriately.
- 5.22/5.23/5.24 The Marsaxlokk Local Council issued a part payment to the contractor following an onsite inspection by the Council's architect who confirmed that works were being carried out according to contract. At that stage no certification could be issued.

## 6 Receivables

- 6.1/6.2/6.3 The Coucnil is liaising with the said debtors and establishing whether the amounts due are recoverable. If it transpires that there is any amount which is not recoverable, the Local Council shall act accordingly.
- 6.4/6.5 The Local Council shall do its utmost to assure that the shortcoming won't be repetitive.
- 6.6/6.7 As stated in the auditors' report, the Local Council has made the necessary adjustment to rectify the issue
- 6/8/6.9 The Local Council has written off the garnishee order issued by Dr. Gaetano in 2008.

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6.10/6.11 During 2016 the Marsaxlokk Local Council shall investigate the issue and assure that figures match.

## 7 Bank

7.1/7.2 The said bank accounts shall be omitted from the Local Council's books in 2016.

7.3/7.4 As stated in the Auditor's report, the Local Council made an adjustment and rectified the issue.

7.5/7.6 This is the first occurrence where there was a mistake in the petty cash reconciliation. The said double posted petty cash vouchers occurred in the period when the local council had technical problems with Sage Software and hence could not carry out a proper reconciliation. The amount of €1.55 (difference) was due to petty cash voucher number 060/2015 also being a double posted entry.

7.7/7.8/7.9 The Marsaxlokk Local Council shall notify both Bank of Valletta and HSBC Malta not to withhold tax from deposits held in accounts.

## 8 Trade and other payables

8.1/8.2 The Marsaxlokk Local Council issues payments to its suppliers on a regular basis (normally within 30 days from receipt of invoice), hence suppliers do not normally produce statements

8.3/8.4 The Local Council shall investigate the issue and rectify the matter within 2016.

8.5/8.6/8.7 The local Council has already sent letters to suppliers to verify the payable amounts. While we shall be paying the amounts which will be verified, the Local Council shall omit from its records long outstanding amounts for which no documentation is provided by year end.

8.8/8.9/8.10 As stated in the auditor's report the Local Council has reflected the adjustment proposed in the audited financial statements.

8.11/8.12/8.13 As stated in the auditor's report the Local Council has reflected the adjustment proposed in the audited financial statements.

8.14/8.15 As stated in the auditor's report, the Marsaxlokk Local Council is still discussing with ARMS Ltd. the bills related to a water feature in Pjazza Madonna ta' Pompei.

8.16/8.17 The issue shall be rectified in 2016 as suggested by the auditors.

## 9 Financial statements

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- 9.1/9.2/9.3 As stated in the auditor's report, the Local Council has amended the audited financial statements as recommended.
- 9.4/9.5 As stated in the auditor's report the Local Council has amended comparative figures as appropriate.
- 9.6/9.7 As stated in the auditor's report the Local Council has amended the audited financial statements accordingly

## 10 Council meetings

- 10.1/10.2 The Council has binded all minutes pertaining to council meetings between 1994 and 2014. As discussed during the Audit visit, the Local Council could not bind the documents for 2015 due to the fact that at the time of the audit visit it was still awaiting to receive documents whihc had to be binded to the minutes.

## 11 Schedule of payments

- 11.1/11.2/11.3/11.4/11.5 While ew reitirate that all cheque numbers were included in the schedule of payments with the exception of the payroll which due to the fact that it was made up of multiple payments could not be included, we have as from 2016 started to input the account number and cancelled cheques as per auditors' recommendations.


## 12 Electronic Site

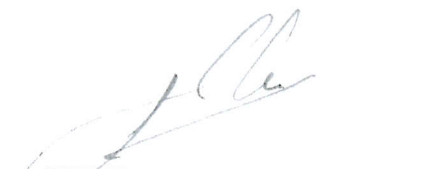
- 12.1/12.2 The Local Council has ensured that all documents are properly uploaded as per auditor's recommendation. We shall be doing our utmost to ensure that the shortcoming won't be repetitive

## 13 Financial situation indicator

- 13.1/13.2 The Local Council is aware that the Financial Situation Indicator fell below the stipulated 10% balance. In this regard we have held internal discussions and we are implementing cost cutting measures which should contribute to a positive 10% of the financial situation by mid 2016

Kind regards

  
Horace Gauci  
Mayor

  
Duncan Hall  
Executive Secretary

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