



KUNSILL LOKALI
M O S T A
LOCAL COUNCIL

3rd July 2019

National Audit Office
Notre Dame Ravelin
Floriana
FRN 1600

Dear Sir

Re: **Mosta Local Council – Audit 31st December 2018**

We are in receipt of your Management Letter dated 31st May 2019 in connection with the Audit of the Council's financial records as at 31st December 2018. We would like to take this opportunity to thank you and 3a Accountants for the services and co-operation provided to the Council during the audit exercise.

We have taken note of the weaknesses and recommendations that arise from the review of our systems and we will do our utmost to implement them and to be in conformity with the Local Councils Act (1993), the Financial Procedures (1996), the various Legal Notices and the Local Council's Department Memos.

We the undersigned, Romilda Baldacchino Zarb and Lorraine Templeman, Mayor and Executive Secretary respectively, are addressing the shortcomings and needs of the Council with the sole aim to be in line with the rules and regulations of the Local Government Department.

Hereunder are our answers with regards to the shortcomings which in your opinion need the Council's attention. Our replies are based on the comments and advice supplied to us by our contracted professional accountant Mr Daniel Galea CPA.

1 FOLLOW-UP: MANAGEMENT REPORT – YEAR ENDED 31 DECEMBER 2017

The Council has addressed all matters which were mentioned in last year's management report, other than those, which are outside the control of the Council.

2 INCOME

2.1 Local Enforcement System Pre-Regional

The Council has made persistent representations calling to get such a report within the respective time frame. Therefore, there were no further actions to be taken as it is outside the control of our Council.

Moreover I've checked into detail the report 483 – Pre Regional and Account 0036 and Account 0025.

It transpires that the total of Report 483 is 1,968.60 Euros and the total of the two nominal accounts together are 1829.07 The difference is mainly timing difference because the LES Report is issued based on the date of deposit while our financial statements are run on accrual basis..

2.2 System of Council Income receipting and invoicing

Current system proved to be very efficient and effective over the years. But upon your recommendations of the past audit, the Council has recently implemented an electronic centralised system to issue permits which further enhance these checks and balances.

2.3 Income from bye-laws

Noted. The Bye law will be made available on our website and we will take note for future accounting reports.

2.4 Other Income shortcomings

Noted. Any reclassifications as suggested by the auditor were included in the updated financial statements

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2.5 Reimbursement for administrative fees on LES fines collected.

Noted. Mentioned immaterial difference may be due to timing since the LES reports are grouped by deposit dates and financial statements are prepared on accrual basis.

3 EXPENDITURE

3.1 Procurement procedures

Re the Tenders. We are aware that we have expired tenders. We are making our utmost to be in line with the Local Council Procedures re tenders but we have a back log of expired tenders when a new system was in place.

Re point 1 minutes of tenderers' opening attached.

3.2 Approval of Payments

Noted. Re: Planning Authority cheque. Please note that these cheques are bound by a deadline so we can't wait for the meeting. We will make our effort to issue the cheques after Local Council meeting.

3.3 Inappropriate documentation

The Council is making its utmost to get the fiscal receipt by sending a registered letter to the supplier. Noted for future procurements. Moreover attached you will find the fiscal receipts of Philip Azzopardi and EJ Mangion.

4 PROPERTY, PLANT AND EQUIPMENT

4.1 – Fixed Asset Register (FAR) upkeep and reconciliation

Noted. However, kindly note that this year under review we made our utmost to arrange the Fixed Asset Register according to the new Direttiva 1/2017. This was a very laborious job in itself. In fact, the FAR as prepared in excel was agreeing the financial statements. After this exercise, the information was imported in Sage Evolution by the IT consultants of the Council. Moreover, It is important to note that during the term of the previous accountant, there are some unreconciled differences between the Fixed

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Asset Register and the Nominal Ledger in Sage Pastel. We will work upon your recommendations and make out additions in the Fixed Asset Register where possible.

4.2 Recognition of assets and depreciation thereof

Noted

4.3 Tangible Fixed Assets Tagging

Noted

4.4 Insurance Policy

The costs with respect to insured fixed assets will be updated according to those disclosed in the financial statements at the expiry of insurance period.

4.5 Capital Commitments

Difference of Eur15,000 on capital commitments of Eur1.5Million resulted due to revised budgets which were received by the Council between the time the budgets were prepared that the audited financial statements were approve.

4.6 Capital Expenditure accounted vs Revenue Expenditure

Noted. Any suggested audit adjustments were included in the updated financial statements.

4.7 Assets not yet capitalized

Noted. The Council is still waiting for the list of assets to be capitalised and the percentage completion to be able to correctly account for these fixed assets.

4.8 Accounting for Grants

The grants were transferred to PPE in line with Directive 1/2017

5. Receivables

5.1 Prepayments and Accrued Income

Noted. Any suggested audit adjustments were reflected in the updated financial statements.

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5.2 Trade debtors' balances reconciliations

Noted. We sent statements and check the balances of our trade debtors almost every quarter. We issue invoices upon correspondence to issue the said invoice. Re The balance of Transport Malta you are referring to our ex Mayor corresponds with us that the Transport Malta has to pay for the street markings as they were not done after resurfacing streets from them. (correspondence attached)

6. Cash and Bank Balances

6.1 Petty Cash shortcomings

Noted

6.2 Petty cash balance

Noted

6.3 Withholding Tax on Bank Account

Noted. We had already instructed the bank (copy attached)

6.4 Bank reconciliations

Noted.

6.5 Stale Cheques

Noted

7. Payables

7.1 Refundable Deposits

Noted. We are now claiming for 230 Euros deposit and not more where necessary. We wait for the applicant instructions to refund back and many times they will work again after a few days.

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7.2 Other Creditors

The amounts showing as payable to the Lands Authority are on hold, since the Council has never received any feedback after contacting the Commissioner of Police, soon after the Court Case ended.

While the amounts collected on behalf of the Library can easily be traced to the bank statements of the funds deposited at the bank.

7.3 Amounts payable to supplier under the PPP agreement

Workings were based on the same principles of last year. If the auditors are not in agreement to these workings, we kindly ask the auditors to at least point this out during their audit and kindly advise in what they are not in agreement..

7.4 Deferred Income

The amount showing under liabilities is the closing balance of the preceding year adjusted for this year's release to income statement. The accounting treatment of grants was changed to capital approach in line with Directive No 1 of DLG as from 2018.

8 Other disclosures in the Financial Statements

8.1. Disclosures required in respect of IFRS

The disclosures which were mentioned in the draft management letter were updated in the revised financial statements

8.2. Financial Statements presentation and other matters

The disclosures which were mentioned in the draft management letter were updated in the revised financial statements

9 GENERAL

9.1 Comparison of Actual Expenditure with the Annual Budget

Both budget and annual financial statements are prepared in accordance with the standard templates as instructed from the DLG. The Council had to spend more in the

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repair and upkeep of roads since no new roads were recently built by the Council. The contract and project management fees depends on the values certified by the Council's architect

9.2 Schedule of Payments

We take note re Purchase Orders numbers, Invoice Number etc to be included in the schedule of payments.

9.3 Council meetings, minutes and website

Noted

9.4 Attendance to Council meetings

Noted. The Council will abide by the DLG Circular 17/16 and inform the Minister accordingly.

9.5 Compilation of accounting ledgers in line with IFRS

The Accountant performs end of month reconciliation and general improvements were noted in the reliability of the accounting data of the Council. Unfortunately, as explained in previous comments, it is impossible to reconcile data which is irreconcilable because data of previous years is inaccurate or missing. The present accountant is doing its utmost to reconcile these balances and unexplained balances have been gradually written off. No other unexplained comments noted on reconciliations performed by the accountant.



Romilda Baldacchino Zarb
Mayor



Lorraine Templeman
Executive Secretary

c.c DLG

c.c 3a Accountants