

Il-Management Letter



Spiteri Bailey & Co.

Accountancy Audit Advisory

10/11/14

Munxar Local Council
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Dear Mayor

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RE: MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

We have completed our audit of the financial statements of the Munxar Local Council for the year ended 31 December 2013. The purpose of this report is to summarise our principal findings arising from this work.

Our audit was primarily based on verifying balances in the financial statements to ensure that they are free from material error and comply with relevant legislation. Consequently, the matters raised in this report cannot be regarded as a comprehensive statement of all weaknesses that exist or all improvements that might be made. Our aim is to offer guidance to the Local Council such that it would be in a better position to improve its internal controls, enhance its book keeping function and consolidate its overall governance.

Our engagement obliges us to distribute copies of this report to (a) your Council; (b) the National Audit Office; and (c) the Local Councils' Department. Consequently this report may not be distributed used or quoted, in part or in full, except for the scope it is prepared, without our prior written consent.

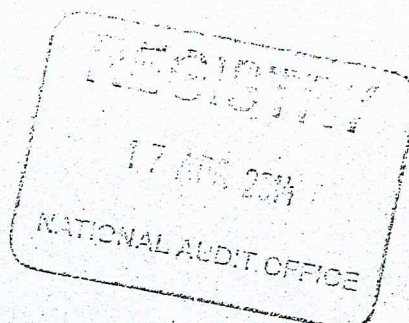
This report has been prepared on the basis of the limitations set out in the Responsibility Statement as presented on page 14 of this report.

During the course of our audit for the year ended 31 December, 2013, we examined the principal documents, systems and controls used by the Council, to help it ensure, as far as possible, the accuracy of these documents and to assess how much can one rely on these documents to safeguard the assets of the Council. We also examined, whether or not your Council abided by the procedures as they are provided for in the Local Councils Act, 1993, the Financial Procedures and various Legal Notices issued to your Council.

The objective of this letter is to bring to your attention those divergences in the system that were noticed during our audit work and suggest ways of how these can be remedied.

We would like to take this opportunity to thank the Executive Secretary and the clerk for their assistance during the course of our audit.

Conrad Borg FCCA FIA DipIFR CPA (Partner)
for and on behalf of
Spiteri Bailey & Co.





Munxar Local Council

Management Report for the year ended 31 December 2013

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1.0 FOLLOW-UP TO LAST YEAR'S REPORT

1.1 Property, plant and equipment – Point 2.0

During last year's audit, it was pointed out that an exercise should be carried out in order to write off the items of property, plant and equipment that are no longer in use. Although the Local Council stated in its comments on the Management Letter dated 11 June 2013 that this will be done, the exercise was not carried out.

This year, the VAT refund and the 10% co-financing of Measure 313 and 323 were correctly accounted for. On the other hand, we again encountered instances where assets still under construction started being depreciated.

1.2 Receivables – Point 3.0

The concept of accruing for income relating to the year under review which has not yet been received was not addressed.

No action was taken on the matter relating to the balance due from Water Services Corporation and no reconciliation of such balance was carried out during the year. Moreover, more invoices were issued during 2013 which Water Services Corporation is disregarding as they are not in accordance with the agreement there is with the Corporation.

1.3 Bank and Cash – Point 4.0

Last year, we recommended that the Local Council should maintain two separate cash boxes, in order to keep petty cash transactions separate from the cash from other transactions such as receipts from permits. This year the Local Council rectified this situation and started using two cash boxes as suggested.

Last year, we pointed out that certain 2012 receipts were deposited in 2013 and have not been accounted for in 2012. No such instances were observed during the current year.

Although last year it was pointed out that all cheques need to be approved before sent to the suppliers, similar occurrences were found during the current audit.

1.4 Payables – Point 5.0

During last year's audit, it was noted that the wrong accounting treatment was applied where it came to the accounting for the deferred income and the amortisation thereof, where government grants were concerned. Cases were also encountered where an amount payable and several accruals were not accounted for.

We found out that the weaknesses with respect to deferred income and accrued expenses still existed during the year ended 31st December 2013.



1.5 Income – Point 6.0

The invoices issued to Water Services Corporation for road re-instatement which were not in accordance with the agreement were once again issued during 2013. No instances of prepaid income not accounted for were encountered this year.

1.6 Expenditure and Tenders – Point 7.0

In some cases last year, purchase requests were not being drawn up in line with the Local Council Financial Procedures. Similar situations were also encountered during our testing this year.

The Local Council has not issued a new tender for the services being provided by the Director for Tourism and Economic Development and therefore is still applying the expired contract.

1.7 Payroll – Point 8.0

Unlike last year, no discrepancies were found this year in the FSS documentation. Also, the figures in the accounts tallied with the figures shown in the FSS forms.