

Kunsill Lokali  
**IL-MUNXAR**  
Local Council

parvulus sed munitus

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Our Ref: DLG/01/2016

Director Local Government  
Monitoring Unit  
Department for Local Government  
26/28, Archbishop Street,  
Valletta  
Malta

16th June 2016

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**RE: REPLY TO REPORT BY AUDITOR GENERAL FOR THE PERIOD ENDED 31<sup>st</sup> DECEMBER 2015**

**1.0 FOLLOW UP TO LAST YEAR'S REPORT**

Noted and currently action is being taken to, as much as possible, address any pending issues.

**2.0 PROPERTY, PLANT AND EQUIPMENT**

The issue about Property, Plant and Equipment has been with the Council for a couple of years. It's the intention of the Council to tackle the Fixed Asset Register problem, to compile, reconcile and update the Fixed Asset Register. As discussed also in the management report itself, this is not an easy and straight forward task, however, the Council will be doing its utmost to reconcile and update the Fixed Asset Register. Comment about insurance noted and will be discussed at the Council's Meeting to consider the pros and cons since the Council is on a tight budget. Re Comment 2.3, the project was not yet finalised since the Council was still in the process to do some works with the funds available. However, during the audit process, it was established that these works were never commissioned. Re Comment 2.5, matter is subject to interpretation. The Council felt at the time of preparing the financial statements that since this was part of a landscaping project which included considerable embellishment and improvement, such cost would be appropriate to be capitalised. However, any proposed audit adjustments were posted in the updated financial statements.

**3.0 BANK AND CASH**

The Council always strives to get prior approval from the Council before issuance of payments. However, kindly note that cheques for wages and salaries do not require such approval prior to

their issuance as long as they are then included in the following schedule of payments to be approved during the Council meeting. This is in line with the Council's obligation as an employer to issue the salaries to its employees in a timely manner.

#### **4.0 PAYABLES**

Noted. Any requirements, mainly in relation to Amortisation of Government Grants coming out from International Financial Standard 20 will be adhered to. Related to Comment 4.2 and 2.5, the deferred income related to this project did not start to be released during 2015 to further confirm that such assets were classified as Assets Not Yet Capitalised. Any proposed audit adjustments and reclassifications were posted in the updated financial statements.

#### **5.0 EXPENDITURE AND TENDERS**


Noted. The variance between the budgeted and actual expenditure was mainly Maintenance which variance was mainly the result of the audit adjustment mentioned in 2.5 above and an increase in patching works. The Council experienced a decrease in the actual Community Service cost from 2014 to 2015 amounting to Eur3110. The Council does its utmost to stick to the budget, however one have to keep in mind that it's the priority of the Council to keep the locality well maintained. Although the Council experienced this sharp increase in the repairs and upkeep cost, if one is to eliminate the increase in depreciation, the Council ended the year with a marginal current surplus of Eur13,600.

#### **6.0 PAYROLL**

Comment noted. However, it is to be noted that no inconsistency was recorded in the payroll on the financial statements. Furthermore, no issue was noted in the reconciliation between the FS7 and the payroll in the accounting system.

#### **7.0 LIQUIDITY**

Comment noted. However, in the opinion of the Council, it would be more appropriate to eliminate the effect of non-cash deferred income resulting from the future release of grants income when compiling such ratios. In fact, when one avoids these non-cash deferred income the Council ends the year with a positive FSI of 29% which is more than the minimum of 10% required by the Local Council (Financial) Procedures, 1996.

  
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Carmen Said  
Mayor

  
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Anthony Grech  
Executive Secretary

Copies: National Audit Office, Malta.  
Spiteri Baily & Co

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