

**LOCAL COUNCIL PEMBROKE**

**REPORT TO MANAGEMENT**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**



## Contents

<b>1. Follow-up: Management Report – Year Ended 31 December 2013 .....</b>	<b>4</b>
1.1 Local Enforcement System .....	4
1.2 Income from Bye-Laws .....	4
1.3 Documentation and record keeping .....	4
1.4 Procurement Procedures.....	4
1.5 Categorization of assets and depreciation thereof.....	4
1.6 Insurance Policy .....	4
1.7 Capital Expenditure accounted for as revenue expenditure .....	4
1.8 Capital Commitments.....	5
1.9 Assets no longer used by the council .....	5
1.10 Prepayments and Accrued Income .....	5
1.11 Amounts due from Water Services Corporation .....	5
1.12 Accrued Expenditure and Trade Payables .....	5
1.13 Classification of Payables.....	5
1.14 Disclosure of Contingent Liabilities.....	5
1.15 Disclosures required in respect of certain IFRS .....	5
1.16 Disclosures required in respect of Local Councils' Financial Procedures.....	6
1.17 Financial Statements Presentation .....	6
1.18 Council Minutes uploaded on the Website .....	6
<b>2. INCOME.....</b>	<b>7</b>
2.1 Local Enforcement System .....	7
2.2 Income from Bye-Laws .....	7
2.3 LES Post Regional 10% Commission .....	8
2.4 Other supplementary Government Income .....	9
2.5 System of Council Income Receipting and Invoicing.....	10
<b>3. EXPENDITURE .....</b>	<b>11</b>
3.1 Inappropriate Documentation .....	11
3.2 Procurement Procedures.....	11
3.3 Other expenditure shortcomings.....	12
<b>4. RECEIVABLES.....</b>	<b>12</b>
4.1 Prepayments and Accrued Income .....	12
<b>5. CASH AND CASH EQUIVALENTS.....</b>	<b>13</b>

5.1	Taxation of Investment Income .....	13
6.	PROPERTY, PLANT, AND EQUIPMENT .....	13
6.1	The upkeep of the Fixed Asset Register (FAR) .....	13
6.2	Categorisation of assets and depreciation thereof.....	14
6.3	Depreciation .....	14
6.4	Reconciliation of financial statements to FAR.....	15
6.5	Computer Software.....	16
6.6	Insurance Policy.....	16
7.	PAYABLES .....	17
7.1	Classification of payable.....	17
7.2	Trade Payables.....	18
7.3	Disclosure of Contingent Liabilities.....	18
8.	OTHER DISCLOSURES IN THE FINANCIAL STATEMENTS.....	19
8.1	Disclosures required in respect of Financial Procedures.....	19
8.2	Disclosures required in respect of certain IFRSs.....	20
8.3	Financial Statements Presentation .....	21
9.	Conclusion .....	22

PKF – Malta  
35, Mannarino Road,  
B'Kara BKR 9080 – Malta  
Tel: (0356) 21 493041, 21 484373  
Fax: (0356) 21 484375  
e-mail: [info@pkfmalta.com](mailto:info@pkfmalta.com)  
web: [www.pkfmalta.com](http://www.pkfmalta.com)

The Mayor  
Pembroke Local Council,  
Triq Alamein,  
Pembroke, PBK 1776  
Malta

17<sup>th</sup> April 2015,

**Re: Financial statements for the year ended 31 December 2014**

As you are aware, our firm has been appointed by the National Audit Office to carry out the annual audit of the financial statements of your Council. During the course of our audit for the year ended 31 December 2014 we have reviewed on a test basis the accounting system and procedures operated by your Council. We have also reviewed the operations of the Council and how they conform to the Local Councils Act, 1993, the Financial Regulations issued in terms of this Act, and the supplementary Financial Procedures. You appreciate that our examination cannot be expected to disclose every weakness and therefore the matters dealt with in this report are not necessarily the only shortcoming which exists. This report is intended as a source of guidelines for the Council to fine tune its systems for better compliance, internal control and governance.

This report has been distributed to your Council, the National Audit Office and Department of Local Councils. The contents of this report shall not be quoted in part or in full or used in anyway other than the above-mentioned scope, without our written consent.

## **1. Follow-up: Management Report – Year Ended 31 December 2013**

### **1.1      *Local Enforcement System***

The council does not have direct control on this matter as it is dependent on third party reports and therefore it could not address this issue. In this respect, we draw your attention to paragraph 2.1 of our management report.

### **1.2      *Income from Bye-Laws***

The council has addressed the matter during the year under review with respect to sale of books. However, we still found other classification matters and we refer to paragraph 2.2 of our management report.

### **1.3      *Documentation and record keeping***

The council has not addressed the matter during the year under review and we therefore draw your attention to paragraph 3.2 of our management report.

### **1.4      *Procurement Procedures***

The council has addressed this issue during the year under review.

### **1.5      *Categorization of assets and depreciation thereof***

The council has not addressed the matter during the year under review and we therefore draw your attention to paragraph 6.2 of our management report.

### **1.6      *Insurance Policy***

The council has not addressed the matter during the year under review and we therefore draw your attention to paragraph 6.6 of our management report.

### **1.7      *Capital Expenditure accounted for as revenue expenditure***

The council has addressed this issue during the year under review.

### **1.8      *Capital Commitments***

The council has addressed this issue during the year under review.

### **1.9      *Assets no longer used by the council***

The council has addressed this issue during the year under review.

### **1.10     *Prepayments and Accrued Income***

The council has not addressed the matter during the year under review and we therefore draw your attention to paragraph 4.1 of our management report.

### **1.11     *Amounts due from Water Services Corporation***

The council has addressed the matter during the year under review.

### **1.12     *Accrued Expenditure and Trade Payables***

The council has not addressed the issue during the year under and we therefore draw your attention to paragraph 7.2 of our management report.

### **1.13     *Classification of Payables***

The council has not addressed the matter during the year under review and we therefore draw your attention to paragraph 7.1 of our management report.

### **1.14     *Disclosure of Contingent Liabilities***

The council has not addressed this issue during the year under review and we therefore draw your attention to paragraph 7.3 of our management report.

### **1.15     *Disclosures required in respect of certain IFRS***

The council has not addressed the matter during the year under review and we therefore draw your attention to paragraph 8.2 of our management report.

**1.16      *Disclosures required in respect of Local Councils' Financial Procedures***

The council has not addressed the matter during the year under review and we therefore draw your attention to paragraph 8.1 of our management report.

**1.17      *Financial Statements Presentation***

The council has not addressed this issue during the year under review and we therefore draw your attention to paragraph 8.3 of our management report.

**1.18      *Council Minutes uploaded on the Website***

The council has addressed this issue during the year under review.

## **2. INCOME**

### **2.1      *Local Enforcement System***

#### ***Observations***

By the date of conclusion of our audit work, the Council had still not received the audited annual report of the North Joint Committee for the year ended 31<sup>st</sup> December 2014. It is important to highlight that the Joint Committee function ended in August 2011 consequently starting from September 2011 the Local Enforcement System was delegated to Regional Committees. During the year under review, the Council did not receive any income in relation to income arising from pre-Region LES contraventions.

#### ***Issue arising***

We appreciate that the LC has no control over the administration of the Joint Committee. However, in view of the absence of an audited annual report from the North Joint Committee for the year ended 31<sup>st</sup> December 2014, the audit team could not rely on third party financial information to obtain reasonable assurance on the completeness of amounts being recorded in the financial statements as income and expenditure arising from the Local Council Enforcement System in relation to contraventions issued pre-Regional Committees.

#### ***Recommendations***

The Council is advised to pressure the North Joint Committee so that the latter would produce the outstanding reports and the Council could then be in a position to factor any accounting provisions as the case may be in its financial statements. We have qualified our audit report in this regards.

### **2.2      *Income from Bye-Laws***

#### ***Observations***

The Council organised a number of activities during the year under review and collected the following income:



Activity 21/03/14	€ 99.00
Hamis lx xirka	€ 72.00
Fun train activity	€ 206.50
Jum Pembroke Wine & Pizza	€140.00

This income was disclosed under General Income (note 6 of the financial statements) instead of under Bye-Law income in note 5 of the financial statements).

### ***Issues Arising***

Article 61 of the Local Councils Act (Cap 363) states that such additional income raised should be covered by a bye-law. In fact, the Council has a bye-law in place regulating income arising from courses, activities, and outings. Hence, income from activities fall under income generated from this specific bye-law and should therefore be disclosed accordingly.

### ***Recommendations***

The Council is advised to ensure that all income generated from bye-laws is disclosed properly in the financial statements under the heading of income arising from bye-laws. Following our recommendation, the Council adjusted the financial statements accordingly.

## **2.3 LES Post Regional 10% Commission**

### ***Observations***

During 2014, the Council has issued invoices amounting to €4,601 in total to the LES Regional Committees for commissions on post region LES fines paid at Pembroke Local Council. This is equivalent to the amount recorded in the books as well as to the actual amount deposited by the Council. However, according to Report 483 – Post Regional Tickets, the council's share of commission for 2014 amounts to €4,613, resulting in a minor difference amounting to €12.

### ***Issues Arising***

No inconsistencies were found between income recorded and invoices issued. Although, a minor difference of €12 resulted between Report 483 – Post Regional Tickets issued by the LES system and invoices.

### ***Recommendations***

The minor difference could be a result of timing differences; hence we suggest that the actual amount deposited by the Council (thus invoiced) should be reconciled with the LES report.

## **2.4 Other supplementary Government Income**

### ***Observations***

The funds received in the name of the Local Council from the Department of Local Council directly to the WasteServ Malta Ltd to pay tipping fees of €14,157 was recorded and disclosed as *Other Government Income*.

### ***Issues Arising***

In accordance with MEMO 1/2015, the funds received from the Department of Local Council in respect of WasteServ Malta Ltd to pay tipping fees have to be recorded and disclosed as *Other Supplementary Government Income* in the financial statements for the year ended 31<sup>st</sup> December 2014.

### ***Recommendations***

The Council is advised to ensure that it comply with MEMO 1/2015. Following our recommendation, the Council adjusted the financial statements accordingly.

## **2.5      *System of Council Income Receipting and Invoicing***

### ***Observations***

The Council uses a system of official receipts for incoming funds. Such system is manual based. We noted the following shortcomings in respect to the Council system of receipting and invoices:

- The current system for income recording does not provide a proper electronic audit trail system

### ***Issues Arising***

The current model adopted by the Council should work well, but the system needs a substantial amount of human manual intervention. While it could result in errors, such system may also be time consuming.

From an invoicing point of view, best practice suggests that the Council should issue proper serial numerated invoices to third parties to record its various sources of income. This of course relates to income which would be receivable but not yet paid. These invoices would also be recorded in the debtors' ledger and the nominal ledger in Sage Pastel accounting software and thus a debtors' system would be maintained. This system ensures that all income is properly accounted for when it arises as well as it produces a standard system of invoicing.

### ***Recommendations***

We take the opportunity to advice that the Council may consider to implement a centralised electronic receipting system. Such system would facilitate cash reconciliations, filtering of data and recording of income in the general ledger with reduced human intervention. At the same time, it ensures that all receipts are in numerical order, thus enabling a proper audit trail system.

### **3. EXPENDITURE**

#### **3.1 Inappropriate Documentation**

##### ***Observations***

Throughout the audit fieldwork on the expenditure, the audit team identified a payment to EII's Urban Services amounted to €10,742.11 that was not supported by a proper invoice in terms of the VAT Act 1998.

##### ***Issues arising***

Having expenditure unsupported by appropriate documentation goes against the requirements of the Local Councils Procedures (1996-Finance) K.L.P. 1/96, P1.11b. It should be the Council's policy that all expenditure and payments should only be affect against an appropriate invoice. The provision of a computer-generated invoice or receipt does not satisfy the requirement of the Financial Procedures that mandates Councils must obtain a valid tax invoice for all its purchases.

##### ***Recommendations***

The Council is well advised to ensure that an appropriate tax invoice, as prescribed by the respective procedures, is obtained for all the expenditure incurred by the Council. Payments unsupported by an appropriate invoice should be avoided.

#### **3.2 Procurement Procedures**

##### ***Observations***

We noted that the expenditure for Street Lightening incurred by the Council is not covered by a tender.

##### ***Issues Arising***

We understand that in accordance with 19(1)(a) Subsidiary Legislation 363.160, one of the functions of the Regional Committee is to provide for the proper upkeep and maintenance of street lighting in accordance with national and international standards. However, Memo 34/2013 issued in December 2013 requires Local Councils to issue a new tender for a full year in relation to Street Lighting services which contract may be extended to a maximum of three years.

### ***Recommendations***

We recommend that Council to follow the matter with the Regional Committee.

### **3.3 Other expenditure shortcomings**

#### ***Observations***

While checking the tipping fee expense the team found out that the fee for December which amounted to €901 was not included in the account. This was wrongly posted in the bulky refuse account.

#### ***Issues arising***

The tipping fees expense is under-recorded and bulky refuse expense is over-charged.

#### ***Recommendations***

We recommend that this is adjusted so that the expense accounts show the proper expense incurred. Following our recommendation, the Council adjusted the financial statements accordingly.

## **4. RECEIVABLES**

### **4.1 Prepayments and Accrued Income**

#### ***Observations***

During our fieldwork testing, it was noted that the Council failed to account for accrued bank interest receivable amounting to €33 generated from HSBC fixed bank account.

In addition, the list of accrued income includes an amount of €500 relating to a library scheme. This amount is already accounted in the list of receivables.

#### ***Issues Arising***

In order for the Council to comply with the requirements of International Financial Reporting Standards, it needs to account for accrued income correctly based on the year this relates to.

### ***Recommendations***

We recommend that the Council makes a proper assessment of its accrued income and prepayments at the end of every financial reporting period and record them appropriately in the financial statements. Following our recommendation, the Council adjusted the financial statements accordingly.

## **5. CASH AND CASH EQUIVALENTS**

### ***5.1 Taxation of Investment Income***

#### ***Observations***

During our audit fieldwork, we noticed that as from November 2014 the Council is being charged withholding tax on its investment income arising from capital investment in a local bank. Withholding tax of €11.44 was charged during the year.

#### ***Issues Arising***

It should be brought to your attention that the Local Councils are not subject to taxation on income in terms of Article 12(1) (e) of the Income Tax Act.

#### ***Recommendations***

In view of this, the Council already advised the bank in writing to revoke the withholding tax mandate accordingly and reimburse the tax withheld.

## **6. PROPERTY, PLANT, AND EQUIPMENT**

### ***6.1 The upkeep of the Fixed Asset Register (FAR)***

#### ***Observations***

We noted that the description of the asset in the FAR card does not always contain the desired detail. For instance we noticed additions such as "Gnien ta Kalkutta – repair works", "Gnien ta Kalkutta - extra civil works" and "Construction of accessible ramps" which are too generic. In addition there is no common reference in the description of the asset in the FAR and the related transaction posting reference in the nominal ledger.

### ***Issues Arising***

The upkeep of FAR is of utmost importance to the Council. The FAR helps the Council to keep track of details of each fixed asset, ensuring control and preventing any misappropriation of assets. It also keeps track of the correct value of assets, which allows for computation of depreciation and for insurance purposes.

### ***Recommendations***

The description of the asset in the FAR card should contain the highest degree of detail possible and such description should not be of a generic nature.

## **6.2      *Categorisation of assets and depreciation thereof***

### ***Observations***

Litter bins amounting to €1,097.85 have been recognised under 'Urban Improvements' asset category whereas these should have been expensed directly to the Statement of Comprehensive Income.

### ***Issues Arising***

The Council is not following the requirements of memo 150/2010 and has continued recognising litter bins as capital expenditure in the FAR instead of expensing these immediately to the Statement of Comprehensive Income.

### ***Recommendations***

The Council is advised to ensure that any litter bins are duly expensed in the year of purchase. Following our recommendation, the Council adjusted the financial statements accordingly.

## **6.3      *Depreciation***

### ***Observations***

Depreciation charge for the year amounts to €55,431 which is being calculated by the SAGE accounting package. Depreciation is calculated on a yearly basis using the reduced balance method at rates calculated to write off the cost less residual value of each asset over its expected useful life.

Moreover, we noted that additions amounting to €44,936.58 categorised under 'Urban Improvements' were not depreciated even though the project has been finalised and capitalised during the month of December.

### ***Issues Arising***

In terms of IAS 16, depreciation commences when an asset is in the location and condition that enables it to be used in the manner intended by the Council. Depreciation ceases at the earlier of its derecognition (sale or scrapping) or its reclassification as 'held for sale' and should be reviewed at least at each year end. The Council should calculate the depreciation on a monthly basis rather than on an annual basis.

### ***Recommendation***

The Council is advised to ensure that depreciation commences when an asset is in the location and condition that enables it to be used in the manner intended by the Council in accordance with IAS 16. Furthermore, the Council should comply with the Accounting Policy disclosed on page 10 of the Financial Statements.

## **6.4 Reconciliation of financial statements to FAR**

### ***Observations***

The audit team identified variances between the depreciation charge of the assets in the financial statements and the depreciation charge posted in the FAR. These are summarised below:

<b>Class of Assets</b>	<b>Depreciation as per Financial Statements</b>	<b>Depreciation as per FAR</b>	<b>Difference</b>
	<b>Euro</b>	<b>Euro</b>	<b>Euro</b>
Office Furniture, Fixtures and Fittings	1,048.00	1,022.76	25.24
Office Equipment	2,556.00	2,316.30	239.70
Urban Improvements	32,148.00	32,391.80	(243.80)
Construction	19,482.00	19,396.64	85.36
Plant and Machinery	197.00	174.11	22.89



### ***Issue Arising***

The deprecation charge of the assets in the financial statements does not reconcile with the depreciation charge in the nominal ledger.

### ***Recommendations***

The council is advised to investigate and reclassify accordingly the depreciation variances identified between asset categories in the financial statements and the FAR.

## **6.5 Computer Software**

### ***Observations***

We have noted that the Council does not have computer software recognised and measured in its books. However, we noted that during the year under review, it has incurred an expense of €118 for “reinstallation of the Sage Pastel”. The reinstallation of the Sage Pastel has been correctly recognised as an expense.

### ***Issues Arising***

In terms of IAS 38 – Intangible Assets, computer software falls under the definition of intangible assets that is a non-monetary asset which are without physical substance and identifiable. An intangible asset meeting the recognition criteria must be measured initially at cost, subsequently measured at cost or using the revaluation model, and amortised on a systematic basis over their useful life.

### ***Recommendation***

Capital items should be duly accounted for in line with the relevant International Financial Reporting Standards.

## **6.6 Insurance Policy**

### ***Observations***

We reviewed the Council’s insurance policy in different categories of Property, Plant and equipment held by the Council. In fact, the Council has an insurance policy covering the following:

- On the Buildings including debris removal costs at premises for the amount of €72,655.
- On fixtures and fittings whilst contained at the premises of the Council for the amount of €27,190.
- Property in the Open including but not limited to bins, signs, public convenience, and playground/playing fields for the amount of €81,000
- On all Electronic Equipment for the amount of €45,370

The Council's total cost of fixed assets, excluding amounts not yet capitalised, as disclosed in its financial statements amounts to €1,700,112 as follows:

Asset	Cost as per accounts
Office Furniture & Fittings	€24,583
Office Equipment	€45,367
New Street Signs	€11,787
Urban Improvements	€393,083
Construction	€547,060
Special Programs	€653,660
Trees	€18,091
Plant & Machinery	€6,481

### ***Recommendation***

The council must comply with section LCP 1.15b.04 of the Local Councils (Financial) Procedures, 1996 by carrying out a periodic review to assess the adequacy of the councils' insurance cover.

## **7. PAYABLES**

### **7.1 Classification of payable**

#### ***Observations***

During the audit fieldwork, the audit team noted that "note 19 – Provisions" discloses accruals and deferred income amounting to €27,478 and €46, 356 for 2014 and 2013 respectively.

### ***Issues arising***

Accruals and deferred income should not be accounted for under "Provisions" but be reported under "Trade and other payables" in accordance with the requirements of IAS1 – Presentation of Financial Statements.

### ***Recommendations***

The Council is advised to ensure proper disclosure of all items within the financial statements is undertaken correctly in line with the requirements of International Financial Reporting Standards. Following our recommendation, the Council adjusted the financial statements accordingly.

## **7.2 Trade Payables**

### ***Observations***

A creditor Ell's Urban Services has charged an amount of €10,742 for patching works done during December and this was the amount that was recorded in the accounts however the actual amount paid to Ell's was €10,179 on February 2015. A credit note with the difference of €563 has to be issued.

### ***Issues arising***

The creditor and the expense are overstated by €563

### ***Recommendations***

We recommend that the council adjusts for this amount in the financial statement so that the creditor and the expense are properly recorded. Following our recommendation, the Council adjusted the financial statements accordingly.

## **7.3 Disclosure of Contingent Liabilities**

### ***Observations***

The Council has disclosed €3,538 by way of contingent liabilities. IAS 37 defines a contingent liability as an obligation that is either:

- A possible obligation arising from past events, the outcome of which will be confirmed on the only occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of the local council, or
- A present obligation arising from past events, which is not recognised either because it is not probable that an outflow of resources will be required to settle an obligation or the amount of the obligation cannot be measured with sufficient reliability.

### ***Issues Arising***

IAS 37 sets the threshold for accrual at “more likely than not”. Thus, if there is even a hint that the obligation is more likely to exist than to not exist, the Council will need to formally recognise it if an amount can be reasonably estimated.

### ***Recommendations***

We recommend that the Council assess the likelihood of the contingent events and applies the requirements of IAS 37 in this regards.

## **8. OTHER DISCLOSURES IN THE FINANCIAL STATEMENTS**

### ***8.1 Disclosures required in respect of Financial Procedures***

#### ***Observations***

The financial statements prepared and approved by the Council do not contain the corresponding budget figures for the year under review.

#### ***Issues Arising***

According to the Financial Procedures supplementing the Financial Regulations issued in terms with the Local Councils Act, 1993, the financial statements should include the budget for the period. However, in line with Local Councils’ generally accepted reporting procedures, the budget has been excluded from these financial statements. We have made a note to this effect in our audit report.

## **8.2 Disclosures required in respect of certain IFRSs**

### ***Observations***

The councils are required to prepare financial statements in conformity with International Financial Reporting Standards. During our audit we pointed out that the council's financial statements were not fully compliant in all respect with the requirements of these standards.

Among other things, omissions were noticed in relation to the following disclosures:

- The council did not disclose the list of all the relevant new and amended IFRSs that have been adopted by the council in the preparation of the financial statements.
- The council is not disclosing all the requirements of IAS 24 Related Party Disclosures in the notes to the financial statements. If there have been transactions between related parties, IAS 24 requires disclosure of the nature of the related party transactions as well as the outstanding balances necessary for understanding of the potential effect of the relationship on the financial statements. These disclosures should be made separately for each category of related parties and would include:
  - The amount of transactions;
  - The amount of outstanding balances, including terms, conditions and guarantees;
  - Provision of doubtful debts relating to the outstanding amounts;
  - Expense recognised during the period in respect of bad and doubtful debts from related parties.

### ***Issues arising***

All disclosures need to be undertaken in line with the requirements of International Financial Reporting Standards. These disclosures include both a quantitative and descriptive nature. In respect of IAS 24, we have made a note in our audit report.

### ***Recommendations***

The financial statements should be prepared in accordance with International Financial Reporting Standards and all necessary prescribed formats and disclosures are to be made accordingly.

## **8.3 Financial Statements Presentation**

### ***Observations***

The Local Council (Financial) Procedures, 1996, requires that the financial statements should be prepared in accordance with International Financial Reporting Standards. We have noted the following when reviewing the audited financial statements:

- Property, plant and equipment accounting policy on page 10 should read 'Office Furniture, Fixtures and Fittings' and not 'Office Furniture and Fittings';
- Disposal of 'trees' amounting to €1,944 are included as disposal under the category 'Urban Improvements' in note 12 on page 18;
- Depreciation balance as at 1<sup>st</sup> January 2014/2013 of the 'Special Programmes' is resulting in negative of €263 in note 12/13 on page 18/19;
- The title of note 4 on page 14 should read 'Income raised under Local Enforcement Income';
- Note 14 on page 20 reference should not be made to 'provision for general bad debts' instead it should read 'provision for bad debts';
- Note 15 on page 20 reference should not be made to 'Petty Cash' instead it should read 'Cash in hand';
- Total 'trade and other payables' as at 31<sup>st</sup> December 2013 is note 17 on page 21 not agreeing with amount shown in the statement of financial position and note 24 on page 26;
- On page 4 reference should not be made to 'Operations and maintenance' instead it should read 'Operations and maintenance expenses'.
- Note 23/24 on page 24/26, classes of financial assets - carrying amounts of trade and other receivables should read €55,710 and not €54,327.

### ***Issues Arising***

These financial statements are not fully compliant in all respects with the requirements of these standards mainly disclosures in respect of IAS 1 – Presentation of Financial Statements.

### ***Recommendations***

It is important that the Council takes note of the above matters so as to prepare and present financial statements which are in full compliance with IFRS. Following our recommendation, the Council adjusted the financial statements accordingly in relation to most of the issues raised above.

## **9. Conclusion**

We wish to record that this has been our first audit of your Council and therefore we had no previous experience on your internal control systems, council governance, procurement protocols, staff procedures, neither did we have access to past audit working papers that could have helped us to acquire a faster appreciation of the audit environment and in the process of obtaining detailed information on levels of compliance with the various Acts and guidelines we had to ask questions to officers which may have seemed to be repetitive as answers to most must have been already provided to the outgoing auditors.

We would like to point out that the matters dealt with in this report came to our notice during the conduct of our normal audit procedures which are primarily designed for the purpose of expressing an opinion on the financial statements of the council. In consequence our work did not encompass a detailed review of all aspects of the system and cannot be relied upon necessarily to disclose defalcation or other irregularities or to include all possible improvements in internal control that a more extensive special examination might discover.

We look forward to receiving the Council's response to this management letter, confirming that the Council has discussed the letter and outlining specifically what action is to be taken to remedy the above mentioned weaknesses and errors. We would like to remind the Council that in accordance with memo 1/2015, the reply must be received by 12 June 2015 or six weeks after receipt of the letter from the Auditor General.

For the patience and understanding that you showed us we are truly grateful and in this regard we would like to take this opportunity to thank the staff at the local council and the council members for their cooperation and assistance during the course of the audit.



---

Mr. George Mangion  
Senior Partner  
PKF Malta