



QLC/F&A/42/94

6th June, 2018

The Auditor General  
National Audit Office  
Notre Dame Ravelin  
Floriana VLT 2000  
Malta.

### **Financial Statements for the year ended 31 December 2017**

Reference is made to the Auditor's management letter dated 25th April 2018 but received on 30 April 2018. In terms of Section P2.05B (d.02) of the Local Councils (Audit) Procedures 2005, on behalf of the Hal Qormi Local Council, we are presenting herewith the following comments on the points raised in the letter:

It has to be pointed out that the official documents of the Financial Regulations issued in terms of the Local Councils Act and the supplementary Financial Procedures have never been updated since 1996.

As a general point, it is important to highlight that during this financial year, the Local Council once again obtained a positive liquidity position and had merely six points mentioned in the management letter.

As a follow-up to last year's report, the Council has made sure to address almost all the issues raised last year in the management letter:

#### **1 Previous management letter**

Whilst acknowledging the positive remarks raised by the Auditors with regards to the previous year management letter, other comments raised under 1.1 will be dealt in paragraph 2.1, and 1.2 in paragraph 2.2:

#### **2 Management Letter points for the year**

##### **2.1 Trade receivables**

As already remarked in the reply to the management letter for the financial years 2015 and 2016, the Council introduced periodic balances reconciliation. Although we have put the required effort when conducting this exercise and cooperation was found from the large majority of the trade debtors, a few others have not replied to our requests.



Nonetheless to say we have no control over these parties regarding their response for the circularization letters sent by the auditors.

## **2.2 Trade payables**

As mentioned in the management letter, some of the creditors do not send their statements on a regular basis. Such situations are beyond our control.

As regards to the difference stated in the statement provided by *Mica Med Ltd* with our accounts, the supplier provided the Local Council with invoices dated December 2017 after the unaudited financial statements were approved. Due to lack of documentation we were not able to record these transactions in the unaudited financial statements. The identified transactions are now recorded in the books.

## **2.3 Wages reconciliation**

The difference indicated was due to post-tax adjustments which has been rectified in 2018.

## **2.4 Major expenses that exceeded the budget**

As regards to the over-expenditure for the *Refuse Collection*, the net effect between the Local Council's approach and the one suggested by the Auditor will be Nil. As from next year's budget, the Local Council will take on board the Auditor's recommendation.

As regards to the over-expenditure for *Other Contractual Services*, this was due to the fact that the costs for the lease of photocopier were incorrectly classified in the Budget when they were classified under "*Other Contractual*" whilst they should have been classified under "*Office Services*". The Local Council rectified the issue in the Budget for 2018.

As for the *Professional Services*, there were extra expenses related to costs which were not estimated at budgeting stage such as Resurfacing of Triq San Pawl and H'Attard which were implemented after that we received funding during the year.

## **2.5 Income raised under LES**

The immaterial difference occurred due to inconsistency in the reporting provided by the LES IT system.



## 2.6 List of unadjusted adjustments

We take note of the unadjusted adjustments. The following is our feedback to these remarks:

1. Kindly refer to our reply to point 2.2.
2. Kindly refer to our reply to point 2.5

This reply has been approved by the Council during a council meeting held on 14th May 2018.

We would like to thank the auditors for their constructive and professional advice, as provided during the course of the audit. Where applicable, the Council commits itself to implement the suggestions accordingly.

Yours faithfully,

(signed)

Jesmond Aquilina  
Mayor

(signed)

Kenneth Brincat  
Executive Secretary

cc. Nexia BT  
cc. Monitoring Unit, Department for Local Government