



15th September 2016

The Auditor General
National Audit Office
Notre Dame Ravelin
Floriana CMR02

Dear Sir

RE: FINANCIAL STATEMENTS FOR PERIOD ENDED 31 DECEMBER 2015

Reference is made to the auditors' letter received on 7th September 2016. In terms of Section P2.05B (d.02) of the Local Councils (Audit) Procedures 2005, on behalf of San Lawrenz Local Council, we are presenting herewith the following comments:

1. Property, Plant and Equipment

San Lawrenz Local Council is currently reconstructing the fixed asset register from scratch, taking a proactive approach of compiling, categorising, tagging and taking photos of all assets held inside the Council premises as well as those found outside the Council premises.

In relation to the variance noted in 2.1 by the auditors on page 5, we agree to the proposed audit adjustment done by the local auditors. This recommendation was noted and we will take corrective measures not to have double postings.

With respect to the variances noted in 2.6 by the auditors on page 5, the variances were due to depreciation charge being calculated manually. As from next year, the depreciation charge will be calculated using sage software.

With respect to point noted in 2.7, it is very difficult to insure all its assets especially special programmes and urban improvements. However in 2016, with the reconstruction of the fixed asset register, we will be able to adequately revise the insured amounts of assets found in the accounting records.

2. Bank and Cash

With reference to the management report point 3.1, note has been taken of the auditor's recommendations and we will take proactive approach that internal controls of petty cash are adhered to and correctly recorded.

3. Payables

Note is being taken of the auditor's recommendations in management report point 4.1 and 4.2. We are now continuously monitoring the creditors balances against creditors' statements.

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With respect to management report point 4.4, we take note of the auditor's recommendation and we will make our utmost to calculate correctly the deferred income amortisation.

With reference to the management report point 4.8, note has been taken of the auditor's recommendations.

4. Income

With reference to the management report point 5.1 and 5.2, note has been taken of the auditor's recommendations.

5. Expenditure and Tenders

With respect to point 6.1, the Council does not draw up purchase requests and purchase orders.

With respect to 6.2, the Council noted the auditors' recommendation with respect of VAT fiscal receipts and the administrative staff at the Council will make its utmost to request such fiscal receipts upon payment.

Regarding the tenders issue as mentioned in management point 6.7 and 6.10, we take note of the auditor's recommendation and will take a proactive approach to remedy the situation.

The Council has noted the auditors' recommendations in respect of minor gifts and will make the utmost to avoid such instances in the future.

For the period ended 31st December 2015, the Council was forecasting a balanced budget. Utilities have increased compared to last year due to increased costs, and materials and supplies increased due to unforeseen repairs. Social events, transport and travel increased due to the association of town twinning in this respect while contractual and professional services increased due to increased fees by contractors for new tenders issued during 2015 and for legal fees.

While it should be ensured that the Council continuously monitors and compares the actual with the budgeted income and expenditure, the auditors' recommendations are taken on board and during the current financial year, funds within the budget would be reallocated and adjusted to reflect shifts emanating from decreases or increases in budgeted income or expenditure on a quarterly basis.

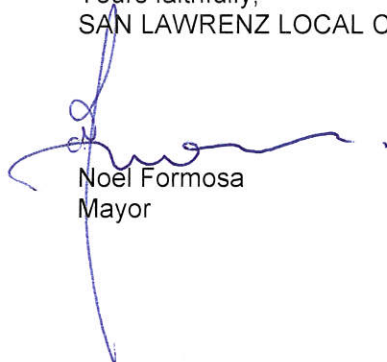
7. Liquidity and Financial Situation Indicator

San Lawrenz Local Council is aware of the fact that the financial indicator is below the threshold of 10%. The council is emphasising that expenditure is being continuously monitored to curtail for financial commitments however we must stress the fact that the government auditors took the short-term deferred income grants into their calculations which negatively affects the financial indicator. If calculations are taken in respect of current assets excluding stock amounting to Eur 178,199 less current liabilities excluding deferred income grants (Eur 241,756 less Eur 88,293) Eur 153,463, the financial indicator results in 17% which is above the threshold.

With respect to the capital commitments of Eur 85,000, these funds will be fully funded by the Ministry for the Family and Social Solidarity.

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

Yours faithfully,
SAN LAWRENZ LOCAL COUNCIL



Noel Formosa
Mayor



Sarah Formosa
Executive Secretary