



27<sup>th</sup> March 2017

The Auditor General  
National Audit Office  
Notre Dame Ravelin  
Floriana CMR02

Dear Sir

RE: FINANCIAL STATEMENTS FOR PERIOD ENDED 3 October 2016

Reference is made to the auditors' letter received on 13<sup>th</sup> February 2017. 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.

With respect to the variances noted in 2.3 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 2.5, 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.

With reference to the management report point 3.5, note has been taken of the auditor's recommendations. This posting was erroneously misposted and we agree with the auditor's recommendations.

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. However in this specific case, we are still awaiting the supplier's invoice way back from 2012 which has not been issued yet.

5. Expenditure and Tenders

With respect to point 5.1, the Council does not draw up purchase requests and purchase orders.

With respect to 5.2, The Council has noted the auditors' recommendations in respect of minor gifts and donations and will make the utmost to avoid such instances in the future.

For the period ended 31<sup>st</sup> December 2016, the Council was forecasting a balanced budget. The variances described by the auditor, have exceeded by immaterial amounts.

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.

6. Payroll

The Council has noted the auditors' recommendations in points 6.1 and we have rectified the correct amounts by end of year 2016.

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.

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