



1<sup>st</sup> July 2016

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### **Reply to Management Letter – Financial Year – 2015**

Reference is made to the above-mentioned letter dated 26th April 2016, received at the St Julians Local Council on the 1<sup>st</sup> June 2016, concerning the systems and controls used by the Council to safeguard the Council's assets in line with prevailing legislation dealing with local councils.

The contents of the Management Letter were read and discussed by the Council, where it was deemed appropriate to forward the following comments:

1. FOLLOW-UP: MANAGEMENT REPORT – YEAR ENDED 31 DECEMBER 2014

The Council has addressed to the best of its abilities all matters which were mentioned in last year's management report, other than those, which were outside the control of the Council. It is to be noted that during the year under review, the Council had a new Executive Secretary. The Council will strive to continue to improve its operations during the coming year.

2. INCOME

Income from Regional Committees

Comment noted and income will be recognized only to the extent of the recognised expenditure.



#### Income from pre-regional committees

The Council has made persistent representations calling for the production of such a report within the respective time frame. In view of this, while the Council will continue to exert pressure on the Sliema Joint Committee, one should point out that such an issue calls for Department for Local Government intervention, rather than being mentioned in the management letters of affiliated Local Councils, year after year.

#### Accrued Income

Noted. Such income notification was received by the Council in the last week of January/start of February when the Council had already started the process to close off 2015. Proposed audit adjustment was recorded in the updated financial statements.

### 3. FIXED ASSETS

#### Fixed asset disposal

Noted. Suggested audit adjustments were included in the updated financial statements and the disposed units will be written off from the Fixed Asset Register.

#### Fixed asset register

Mentioned difference arise from the processing of the auditor's audit adjustment mentioned in the previous paragraph. I.e. of the assets which were disposed but weren't written off. If one eliminate their effect from the fixed asset reconciliation, the Council did not have any difference in the Fixed Asset Register.

#### Capital expenditure

Noted. The Council does its utmost to abide by the previously approved budget. However, it is to be noted that the amount of Eur41k recognized in assets not yet capitalised had not been paid as at the end of the year.

### 4. GRANTS

#### PPP scheme

Noted. Matter will be discussed with the Council to have more relevant information for the next year's financial statements.

### 5. EXPENDITURE

#### Petty cash payments



Noted. The Council strives to, where possible, obtain a tax invoice or a VAT receipt appropriately addressed to the Council. However, since most petty cash transactions will be purchases from across the counter, the Council can only be served with a fiscal receipt from the supplier's cash register which cash register can only issue fiscal receipts with specific customer's vat number. This is not relevant to the Council since the Council does not have a vat number and thus in our opinion, the Council cannot improve his position in this case.

#### Asset Insurance

Noted. The figures will be updated with the next insurance renewal. However, it is important to note that a balance has to be found between insurable risk and the additional premium cost for increasing the amount covered.

#### Reimbursements of expenses

Noted.

#### Audit Fee

Noted. The accrual was included in the updated financial statements in the form of an audit adjustment. It is to be noted that the Council forwarded to the auditors a comprehensive list of accruals with accompanying workings for all other accruals and not other issues were noted.

#### Pavroll – FSS reconciliation

Comment about discrepancy noted and the Council will do its utmost that such discrepancies will not repeat in 2016. However, one have to understand that the Council had a new Executive Secretary in 2015. Any proposed reclassifications were posted in the updated financial statements. Its important to note that no discrepancy was found between the FS5s, FS7 and the FS3s in the Social Security Contributions and FSS payments.

#### FS4

Documents have in the meantime been prepared and forwarded to Inland Revenue after signed by the new Councillors.

### 6. RECEIVABLES

#### Overdue receivables

The Council will be analysing the overdue receivables in 2016 to assess its recoverability.

### 7. BANK RECONCILIATION

As per our records, no differences were noted in the Council's bank reconciliation. It is suggested that the auditor refers to the bank reconciliations printed directly from Sage Pastel. The Council strives to perform monthly bank reconciliations on all bank accounts within the 10<sup>th</sup> working day of



the following month. However, one have to note that the present accountant was appointed around the end of the year and the bank reconciliations had to be performed in arrears as from July. Furthermore, the Council has some bank accounts which did not trade during particular months and thus a bank reconciliation is not applicable.

## 8. TRADE AND OTHER PAYABLES

### Creditors' statements

The Council does its utmost to reconcile available supplier statement to their balances in the accounts. However, the Council cannot be held responsible if suppliers do not send statements to the Council. It is to be noted that the Council does not normally have any pending creditors other than those which would have sent the bill during the last month prior to the end of period.

### WasteServ Malta Limited

Comment noted. However, the Council is not agreeing to the auditors' comment. The balance as per WasteServ statement of account as at 31<sup>st</sup> December 2015 was Eur18,698.74 while that as Council's accounts is Eur18,428.03, which leaves a balance of Eur270.71, being a payment issued by the Local Council on the 28<sup>th</sup> December 2015 by Cheque no 14734 and shown on the WasteServ statement on the 19<sup>th</sup> January 2016. Thus, in the opinion of the Council, the WasteServ balance agrees fully to the Council records.

## 9. FINANCIAL STATEMENTS

### Presentation of financial statements

The disclosures which were mentioned in the draft management letter and in the notes accompanying the audit adjustments were updated in the revised financial statements.

### Capital commitments

Noted

## 10. COUNCIL'S MEETINGS

Noted. The Council will be doing its utmost not to repeat this instance in 2016

## 11. INTERIM AUDIT



Noted. The Council has in the meantime approved the annual audited financial statements. We understand that the interim audit adjustments were either included in the unaudited financial statements or else included as audit adjustments in the updated financial statements.

Yours faithfully,

Guido Dalli  
Mayor

Paul Spiteri  
Executive Secretary