



Monday, 30th May 2016

The Auditor General
National Audit Office
Notre Dame Ravelin
Floriana CMR02

Dear Sir,

RE: FINANCIAL STATEMENTS FOR PERIOD ENDED 31 DECEMBER 2015
Response to the Management Letter for Year 2015

Reference is made to the auditors' letter dated 25th May 2016. In terms of Section P2.05B (d.02) of the Local Councils (Audit) Procedures 2005, on behalf of Ta' Sannat Local Council, we are presenting herewith the following comments:

1. Property, Plant and Equipment

Ta' Sannat 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 2.3 by the auditors on page 5, we agree to the proposed audit adjustment done by the local auditors. This was due to the fact that we did not have sufficient information of audit adjustments that were done in previous years.

With respect to the variances noted in 2.5 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.

With respect to point noted in 2.9, the study of the upgrading of the Mgarr ix-Xini valley is still an open discussion project and the intention of the council is to find the necessary funding to embark on the project.

With respect to the borrowing costs as noted in management report point 2.10, the Council has the intention to include borrowing costs from the date the loan was taken, when doing the reconstruction of the fixed asset register.

2. Receivables

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 income which has not yet been receivable, will be identified and noted in the accounts.

3. Payables

Note is being taken of the auditor's recommendations in management report point 4.1 and the audit adjustment relating to the classification and amortisation of grants.

With respect to management report point 4.6, it was an oversight on the part of the administrative staff of the Council for paying the supplier when it was supposed to be paid only by the paying agency of the EU funding Department. The double payment of the supplier will be refunded back in 2016.

With reference to the management report point 4.10, note has been taken of the auditor's recommendations.

4. Income

With reference to the management report point 5.1 and 5.3, note has been taken of the auditor's recommendations.

5. Expenditure and Tenders

For the period ended 31st December 2015, the Council was forecasting a balanced budget. Utilities and office services expenses have increased compared to last year due to increased costs, and repairs and maintenance increased due to unforeseen repairs. Social events increased due to the organ festival which a grant was received in this respect while contractual and professional services increased due to increased fees by contractors for new tenders issued during 2015.

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.

As for street lighting contract, these costs have been taken over by the Gozo Regional Committee and are no longer maintained by the council.

6. Personal Emoluments

The Council has noted the auditors' recommendations in points 7.1 and 7.3 and we have rectified both situations in year 2016.

7. Liquidity and Financial Situation Indicator

The Sannat 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 Council has a loan of Eur 95,561 as at 31 December 2015 on the construction of the council's premises which negatively affects the financial indicator.

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,
TA' SANNAT LOCAL COUNCIL



Philip Vella
Mayor



Jason Curmi
Executive Secretary