

The Mayor
Santa Lucija Local Council
5/6, Binja tal-Faqqani
Trejget il-Girasol
Santa Lucija SLC 1050
Malta

17th April 2018

Dear Sir,

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

During our audit for the year ended 31 December 2017, we have reviewed the accounting systems and procedures operated by the Council. We set out in this report the more important points that arose as a result of our review.

1 Previous management letter

1.1 Fixed assets

We noted that there is still a difference in the property, plant and equipment between the amount as per accounts and that as per fixed assets register, part of this difference is resulting in a difference in the depreciation charge for the year between the amounts as per register and as per accounts (refer to note 2.1).

1.2 LES debtors

As in previous year, the debtors' balance receivable as at 31 December 2017 as per accounts did not agree to that as per Loqus (Datatrak) report (refer to note 2.2).

1.3 Trade payables

We were pleased to note that, this year, there was no difference in a trade payable's balance as at year-end.

1.4 Bank loan

The bank loan is correctly classified as short-term in this year's accounts.

1.5 Variances between budgets and actuals

We were pleased to note that there were no major variances between the budget and actual results obtained during the year.

2 Management letter points for the year

2.1 Fixed assets

We noted that the fixed assets register (FAR) does not agree to the amounts as per accounts with a net difference of €876, as per table below:

	Council Premises €	Construction Works & Special Programmes €	Office Furniture and Fittings €	Urban Improvements €	Office Computer and Equipment €	Plant & Machinery €	Street Paving €	Total €
NBV 31/12/2017 - As per accounts	28,236	373,538	15,649	35,418	12,089	6,991	29,316	501,237
NBV 31/12/2017 - As per FAR	28,240	372,233	15,692	35,573	12,261	7,047	29,315	500,361
DIFFERENCE BETWEEN FAR AND ACCOUNTS	(4)	1,305	(43)	(155)	(172)	(56)	1	876

We recommend that the accounts are reconciled with the fixed assets register periodically. Part of this difference resulted in a total difference of €143 in the depreciation charge for the year between the amounts as per register and the amounts as per accounts, as per breakdown below:

Asset category	Depreciation as per accounts €	Depreciation as per register €	Difference €
Construction Works & Special Programmes	39,459.00	39,321.00	138.00
Office Furniture and Fittings	1,150.00	1,151.00	(1.00)
Urban Improvements	2,908.00	2,957.00	(49.00)
Office Computer and Equipment	2,363.00	2,342.00	21.00
Plant & Machinery	1,474.00	1,440.00	34.00
Total	47,354.00	47,211.00	143.00

Since difference is not material, an adjustment was not passed. Refer to list of unadjusted errors in note 2.6 below.

2.2 LES debtors

When testing the balance receivable from LES debtors as at year-end, we noted that the LES debtors' balance and the respective provision on such balance as per accounts were not showing the actual balance receivable. The report generated by Loqus (Datatrak) as at 31 December 2017 indicated that the balance due to the Council

from pre-regional LES amounted to €70,659. However, the Council has incorrectly recorded an amount of €70,822.

We have proposed an adjustment of €163 to correctly show LES debtors as at the end of year and this was correctly reflected in the audited financial statements. A further adjustment of €163 was proposed to fully provide for the LES debtors balance as at year-end (refer to note 2.7). This was also reflected correctly in the audited financial statements.

2.3 Trade payables

While performing our testing on trade payables, we selected eight suppliers for testing and found that for four suppliers no reconciliations were carried out. Reconciliations were not carried out for the following:

Supplier	Annual turnover	Year-end balance
Owen Borg	€3,669	€367
Joseph and Spiridione Zammit	€25,052	€2,058
Ronald Bezzina Bulky Refuse	€11,254	€Nil
Koperattiva Tabelli u Sinjali	€9,259	€8,417

While we acknowledge that a number of creditors do not prepare statements and duly make them available, we strongly suggest that a periodical exercise that confirms creditor balances is still performed.

Creditor reconciliations are an essential element of a good internal control system. They can assist in enhancing the internal control system of the Local Council whilst also ensuring that the supplier balances reflected in the accounts are accurate.

2.4 Wages reconciliation

A difference of €227.92 arose between the salaries as per accounts and the amounts as per FSS forms, as shown in the wages reconciliation below:

			Gross (€)	SSC (€)	Emp	Super
As per FS5's						
	January		8,503.00	1,163.00		
	February		6,592.00	930.00		
	March		9,694.00	930.00		
	April		6,110.00	896.00		
	May		6,894.00	1,131.00		
	June		9,993.00	905.00		
	July		6,388.00	1,131.00		
	August		6,358.00	905.00		
	September		6,905.00	910.00		
	October		6,387.00	1,137.00		
	November		6,415.00	910.00		
	December		9,940.00	910.00		
			90,179.00	11,858.00		
	add 1/2 of total NI		5,929.00			
	Total		96,108.00			
As per FS7						
	Gross Salary		90,174.00			
	add 1/2 of total NI		5,928.50			
	Total		96,102.50			
	Difference (between FS5s and FS7)		5.50			
As per Accounts						
1100/000	Mayor's allowance		7,340.16			
1200/000	Employees' Salaries/Wages		41,018.34			
1300/000	Bonuses		5,931.28			
1400/000	Income Supplements		484.52			
1500/000	Social Security Cont.		6,093.84			
1600/000	Allowances		7,144.78			
1700/000	Overtime		2,989.26			
1800/000	Executive Secretary Salary		25,502.24			
	Add opening accruals		4,528.00			
	Less closing accruals		(4,702.00)			
	Total as per accounts		96,330.42			
	Difference - not material		(227.92)			

Since the difference is not material, an audit adjustment was not proposed (refer to note 2.6).

We recommend that the Council performs such reconciliation and passes the necessary adjustments before the accounts are approved for the audit.

2.5 Tipping fees

The Council did not account for accrued income amounting to €1,553, related to advancements by the DLG in respect of tipping fees. Since difference is not material, an adjustment was not proposed. Refer to list of unadjusted errors in note 2.6 below.

We recommend that the Council obtains the approved amount from the DLG and account for the accrued income before the financial statements are passed for the audit.

2.6 List of unadjusted errors

During the audit, we noted the following misstatements of a non-material nature, both in aggregate and individually, with a net effect on income of €1,928.

Dr Depreciation (B/S)	€143
Cr Depreciation (P/L)	€143
<i>Being adjustment with respect to depreciation on fixed assets – note 2.1</i>	

Dr Accruals	€228
Cr Personal emoluments	€228
<i>Being difference in personal emoluments between FS7 and accounts – note 2.4</i>	

Dr Accrued income	€1,553
Cr Supplementary Government income	€1,553
<i>Being omission of tipping fees due from WasteServ Malta Limited – note 2.5</i>	

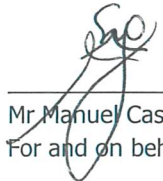
2.7 List of audit adjustments passed

Below is the audit adjustment passed for the year:

Dr Contraventions	€163
Cr LES debtors	€163
Dr Provision for bad debts (B/S)	€163
Cr Movement in provision for bad debts (P/L)	€163
<i>Being over-statement of LES debtors as per Loqus report – note 2.2</i>	

We would like to point out that the matters dealt with in this report came to our notice during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements of the Local Council. In consequence, our work did not encompass a detailed review of all aspects of the system and cannot be relied upon necessarily to disclose defalcations or other irregularities or to include all possible improvements in internal control that a more extensive special examination might develop.

We would also like to take this opportunity to thank the Mayor, Executive Secretary and Local Council staff for their help during the course of our audit.



Mr Manuel Castagna
For and on behalf of Nexia BT