



Grant Thornton

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The Mayor
Tarxien Local Council
73 Triq Santa Marija
Tarxien

Grant Thornton
Tower Business Centre, Suite 3
Tower Street
Swatar BKR 4013
Malta

Level 2
Regional Business Centre
University Heights
Msida MSD 1751
Malta

T +356 21320134
F +356 21331161
www.grantthornton.com.mt

Our ref ABC/scl/029316

28 April 2016

Dear Sir,

Financial statements for the year ended 31 December 2015

During the course of our audit for the period ended 31 December 2015 we have reviewed the accounting system and procedures operated by your council. We have also reviewed the operations of the council and how they conform to the Local Councils Act, 1993, the Financial Regulations issued in terms of this Act, and the supplementary Financial Procedures. We set out in this report the more important points that arose as a result of our review.

1 Previous management letter

1.1 Income

The council is still not classifying income appropriately in the financial statements (refer to note 2.3).

The council is still not depositing receipts on timely basis (refer to note 2.1).

We did not come across an instance where LES administration fees do not agree to Loqus report 483. However other regularities were noted (refer to note 2.5).

No irregularities were noted with respect to grants received and deferred income. However, the council is still not reflecting current and non-current portions of deferred income separately in the trial balance (refer to note 4.10).

1.2 Fixed assets

The council is still not tagging its fixed assets (refer to note 3.5).

The council is still not allocating some assets to proper categories (refer to note 3.3).

We are pleased to note the fixed asset register agreed to the unaudited financial statements. However, during our audit testing we noted an irregularity (refer to note 3.7).

We are still encountering instances where the unaudited financial statements are not in agreement to the books of accounts (refer to note 3.9).

REGISTRY

29 APR 2016

NATIONAL AUDIT OFFICE

1.3 Payables

Inconsistencies are still encountered upon reconciliation of amounts due, with respect to PPP agreement, to the supplier's statement (refer to note 4.11).

We again encountered balances included in other creditors which were not settled nor reversed (refer to note 5.1).

1.4 Personal emoluments

We did not encounter instances where the FS3 was incorrectly filled in.

No irregularities were noted with respect to the executive secretary's performance bonus.

We did not identify shortcomings when reconciling payroll workings with statutory returns and the ledger. However a minor difference was identified upon reconciliation of councillors' allowances (refer to note 6.1).

1.5 Expenditure

No irregularities were noted when testing petty cash expenditure since the council did not make petty cash payments during the year.

We again identified instances where the procurement procedures were not followed (refer to note 7.1).

We did not identify any shortcomings in the tendering procedures in the view that the council did not call for tenders in 2015. Existing tenders were extended for one year, where necessary.

We did not identify any donation payments made by the council.

The council's assets are still not being appropriately insured (refer to note 7.5).

The council's personal accident insurance was correctly limited to Malta and the Maltese Islands, but the names of the insured persons are not listed in the policy (refer to note 7.7)

We are pleased to note that, following Regjun Xlokk tendering procedures, the council entered into an agreement with Nexos Street Lighting during the year.

1.6 Bank

We still encountered saving accounts where the final withholding tax is being charged (refer to note 8.1).

Furthermore, other irregularities were noted (refer to notes 8.4 and 8.6).

The council did not hold petty cash during the year.

1.7 Receivables

Long overdue balances have remained in the debtors' list (refer to note 9.1).

The amounts due from Cassar Shipping is still not resolved (refer to note 9.4).

A difference was again noted between the LES debtors and the Loqus report 622 (refer to note 9.6).

**1.8 Stock**

The council is still not compiling an adequate stock list as at year end, and the stock is not recognised at the lower of cost and net realisable value (refer to notes 10.1 and 10.3).

1.9 Other disclosures in the financial statements

We again identified certain errors in the financial statements (refer to note 11.1).

We again noted that budgeted figures were not included in financial statements (refer to note 11.2).

The council is still in a joint venture agreement with a third party to manage a 5-a-Side Football Ground (refer to note 12).

1.10 General

The council is still not uploading required reports within the required time frame (refer to note 13).

We are still encountering irregularities regarding schedules of payments (refer to note 14).

2 Income**Income receipts**

- 2.1 During our audit we noted that there were many instances where the council did not deposit its income at least twice weekly. Examples are:

Receipt date	Receipt number	Receipt date	Deposit date	€	Note
Building material	1061	27.01.2015	13.04.2015	41.94	a
Crane permit	1053	19.02.2015	13.04.2015	6.99	a
Crane permit	1140	17.03.2015	13.04.2015	20.97	a
Building material	1159	23.03.2015	13.04.2015	41.94	a
Building material	1199	02.04.2015	13.04.2015	27.96	a
Kiosk permit	809	22.11.2014	22.04.2015	23.29	b
LES receipt	2875530	27.01.2015	03.03.2015	34.94	c
LES receipt	2877009	29.01.2015	03.03.2015	69.88	c
LES receipt	2879833	31.01.2015	03.03.2015	34.94	c
LES receipt	2891151	13.02.2015	02.03.2015	23.29	d
LES receipt	2894435	18.02.2015	02.03.2015	34.94	d
LES receipt	2897066	20.02.2015	02.03.2015	23.29	d
Lands Department	598923	19.01.2015	03.03.2015	174.75	e
Lands Department	599896	21.01.2015	03.03.2015	112.51	e
Lands Department	604276	17.02.2015	03.03.2015	98.80	e
Lands Department	652492	10.11.2015	30.11.2015	50.90	



- a) Our testing revealed that the permit receipts received between 01.01.2015 and 09.04.2015 amounting to € 1,126.07 were deposited on 13.04.2015. Examples of this can be seen listed above. The council did not provide an explanation as to why the deposits were not being made twice weekly until April 2015.
- b) We noted that the money collected for kiosk permits issued on 22.11.2014 were deposited at the bank on 22.04.2015, an example is shown in the note above. Upon enquiry with the executive secretary, we were informed that the previous mayor collected the money for the permits on behalf of the council. These receipts totalling € 419.22 were presented to the council and deposited to bank on 22.04.2015.
- c) These receipts are an example of LES receipts received between 27.01.2015 and 03.02.2015 being deposited on 03.03.2015. In total, receipts received between these periods amounted to € 1,793.14. No explanation was provided as to why these were not deposited in timely manner.
- d) Similarly to above, we noted that the LES receipts between 12.02.2015 and 20.02.2015 amounting to € 2,149.15 were deposited to bank on 02.03.2015. Examples are listed above. Again, we did not receive any explanation for such late deposits.
- e) The land receipts received in months of January and February were deposited at the bank on 03.03.2015. A sample of these receipts has been listed above. The council did not provide an explanation for the late deposits.

- 2.2 Apart from the security implications of leaving cash and cheques unnecessarily at the premises, this contravenes the Financial Procedure P.14.c.09. We strongly recommend that the council investigates why these sums were deposited so very late and where the funds were kept during the intervening period.

Classification of income

- 2.3 During our audit testing on income we found that the council recorded an amount of € 15,805.79, being tipping fees paid by DLG on behalf of the council, as grants and other income instead of disclosing it with supplementary Government income. We proposed an audit adjustment to reclassify this amount to appropriate account. The adjustment was approved by the council and included in the latest set of financial statements.
- 2.4 We recommend that the council discloses income properly according to its nature and in accordance with the specimen financial statements of the Local Councils (Financial) Procedures, 1996.

Income from LES administration fees

- 2.5 While reconciling income from LES administration fees to report 483 from Loqus, we identified a difference of € 1,833. Upon further investigation we noted that the difference relates to the following income accounted in the contraventions income account:
- i) Income received from Local Councils Association amounting to € 256.45;
 - ii) Income received from Joint Committee amounting to € 1,576.83
- 2.6 We proposed an audit adjustment to reclassify the above income of € 1,833 to other LES income. This was correctly reflected in the financial statements.



- 2.7 We recommend that all other Government income is allocated to the appropriate line item in the financial statements so that the income of the council is properly reported.

LES administration fees invoicing

- 2.8 Whilst testing income from LES administration fees we noted that the council did not send the invoices to the respective regional committee or LESA within the first week of the following month. The following is an example:

Invoice month	Invoice date
January 2015	12.02.2015
February 2015	12.03.2015
March 2015	28.04.2015
May 2015	01.07.2015
July 2015	27.08.2015
August 2015	24.09.2015
September 2015	29.10.2015
October 2015	24.11.2015
November 2015	30.12.2015

- 2.9 In accordance with memo 91/2011 local councils are required to issue the administration fee invoices in the first week of the following month.

3 Fixed assets

Upkeep of fixed asset register

- 3.1 We reviewed the fixed asset register and noted that it lacks descriptive details, such as location and date of acquisition, which limits its purpose to the council since it is not always possible to identify specific assets.

- 3.2 We recommend that every possible effort should be made to update the fixed asset register in Sage and must include at least the following details:

- Description of asset
- Date of purchase
- Supplier details
- Invoice number
- Asset tag code (where applicable)
- Cost
- Depreciation method and rate
- Location of the asset

- 3.3 We also noted that additions to fixed assets are not being classified under the appropriate fixed asset category. For example, office equipment included the following assets:

- a) drillers
- b) road cutting machines
- c) rotary sander



- d) angle grinder

The above mentioned assets should be classified under the plant and machinery category.

- 3.4 We suggest that the council updates its fixed asset register and categorises assets appropriately. This will ensure the appropriate treatment of depreciation and hence net book value.

Tagging of fixed assets

- 3.5 We noted that the council's fixed assets are not tagged, where applicable.
- 3.6 Assets should be tagged, where applicable, and referenced to the fixed asset register in accordance with the Local Councils (Financial) Procedures, 1996. This would enable the council to identify the assets and verify their physical existence and condition.

Fixed asset register

- 3.7 During the audit, we were presented with a fixed asset register showing a net book value which agreed to the nominal ledger apart from a minor difference. However when accumulated depreciation is deducted from the total cost of an asset it does not give the correct net book value of the asset at year end.

The figures in question are as follows:

	Fixed asset register €	Financial statements €
Cost (excluding assets not yet capitalised)	1,974,547	1,974,550
Depreciation to date	(445,844)	(831,699)
Net book value	1,142,850	1,142,851

It is evident that the fixed asset register casts do not agree as shown above and that the net book value shown in bold is incorrect and should read €1,528,703 which does not agree to the financial statements.

- 3.8 We understand that this arose when the register on Excel was transferred to Sage. We recommend that the problem is resolved with the Sage supplier to avoid a persistent error in the register.

Reconciliation of nominal accounts to financial statements

- 3.9 We identified the following variances in the classes of fixed assets between the unaudited financial statements to the trial balance and books of account:

Asset category	NBV in books of account €	NBV in unaudited financial statements €	Difference €
Street signs	79	-	79
Urban improvements	18,386	18,473	(87)
Office equipment	8,868	9,486	(618)
Computer equipment	5,566	4,931	635

Special programmes	963,994	964,008	(14)
	<u>996,893</u>	<u>996,898</u>	<u>(5)</u>

- 3.10 We recommend that the council investigates and reconciles these differences and ensures that the unaudited financial statements agree to the trial balance and books of account.

Disposal of fixed assets

- 3.11 Whilst testing disposals of fixed assets we noted that on 1 January 2015 the council wrote off various obsolete fixed assets having a total net book value of € 2,368, in the books of account. However this was not approved during the council meetings. Upon enquiry, the executive secretary explained that the write off was approved on 27 January 2016, meeting 44/07.
- 3.12 We recommend the general ledger is not updated before obtaining the council's approval.

4 Trade payables

Debit balance in creditors' list

- 4.1 We identified a total of € 1,680.19 debit balances in the creditors' list. We proposed an adjustment to reclassify these debit balances to other debtors and this was appropriately reflected in the latest set of financial statements.
- 4.2 We recommend that these balances are disclosed separately with receivables rather than set off against trade creditors.
- 4.3 Furthermore, the executive secretary informed us that this debit balance is a result of cheque payments issued on 31.12.2015 for invoices received in January 2016.
- 4.4 The executive secretary should not make payments to settle invoices which have not been presented to the council and approved for payment.

Long outstanding trade creditor

- 4.5 The council's trade creditors' list includes the following balances, which have been long outstanding:

Creditor	€
Building & Design Consultants Limited	154.24
Gramm Plant Hire	548.65
	<u>702.89</u>

- 4.6 Upon enquiry we were informed that the amount € 548.65 due to Gramm Plant Hire is in dispute due to a disagreement between the previous mayor and the supplier. We were also informed that the council is in the process of negotiating the balance with the supplier. No explanation was provided for the other balance.
- 4.7 We advise the council to review these balances, and either settle or, if considered non-payable, reverse after careful consideration and approval by the council. Any decisions taken should be fully explained and minuted.

Trade creditors' statements

- 4.8 We noted that the council did not obtain statements at or near year-end from all suppliers to confirm the year-end balances and to ensure the completeness of the books of account.
- 4.9 This is contrary to the relevant Procedures, which require the council to request monthly statements from all suppliers. Memos issued by the DLG specifically state that the council should reconcile the books of account to supplier statements on a monthly basis.

Reclassification of current and non-current portion of deferred income

- 4.10 The council correctly classified the current and non-current portions of deferred income in the unaudited financial statements, but without reflecting such reclassification in the trial balance. We have proposed an adjustment to reclassify the non-current portion of deferred income amounting to € 387,908.

PPP scheme and resurfacing

- 4.11 A number of exceptions were identified in our reconciliation of creditor balances to available supplier statements from Vella Group Limited:
- (a) A difference of € 55.23 has been identified with respect to the PPP scheme. No explanation has been provided for this difference.
 - (b) The balance as at year end with respect to the PPP resurfacing differs from the supplier's statement by € 3,717.04. The council informed us that the difference is due to invoices pertaining to the Water Services Corporation and GO plc which have been issued to the council instead. This balance is in dispute since the council refuses to acknowledge this invoice. However, the contractor is claiming that these should be paid by the council.

We also noted that the contractor never submitted a bank guarantee.

- 4.12 Our review of the minutes gives us to understand that the dispute has been ongoing for months and has still not been settled. We can only recommend that once the dispute is resolved any adjustments required are posted at that time.

5 Other creditors

- 5.1 As mentioned in the previous management letter, the council has kept the following balances in other creditors:
- a) An amount of € 2,446 relating to an audit adjustment passed by previous auditor's in 2010. The council could not provide an explanation as to what this adjustment relates to.
 - b) A balance brought forward since 2008 amounting to € 2,200. This amount is due to Youth Programmes; however it has never been claimed.
 - c) An allowance due to a councillor amounting to € 3,508 since 2011. This cheque was never cashed; thus the council still considers it due to the councillor but has not yet settled the amount.
- 5.2 In addition to the above, other creditors balance also includes an amount of € 1,128 due to a previous employee of the council. The council explained that this balance arose due to the employee depositing her wage cheque back into the council's bank by error. This has not yet been refunded but no explanation has been provided as to the reason why no refund was made.



- 5.3 We again point out that the council should resolve the above amounts and if due, pay them. The decisions taken should be made during the council meeting and approved accordingly.

6 Payroll

Councillors' allowances

- 6.1 During our audit testing we noted a small difference of € 35 between councillors' allowances declared under the FSS and the books of accounts. No audit adjustment was proposed due to the immateriality of the amount.
- 6.2 We recommend the council correctly accounts for the allowances in the books of accounts and investigates any differences in timely manner.

7 Expenditure

Procurement procedures

- 7.1 Our testing on cheque payments revealed the following irregularities:

Details	Supplier	€	Notes
Material and supplies	JC Ironmongery	690.18	a
Legal fees	Dr. Joe Mifsud	774.08	a
Permit & customer care system	Lornit Ltd	2,300.00	a
One new computer laptop	The Notebook Centre	1,050.00	b
Cleaning administration office	Charmaine Deguara	100.00	a,c
Legal Service- various meetings & court attendances	Mifsud & Abela	1,860.00	a
Instant repair bags (tarmac)	Bitmac Limited	659.75	a

- (a) The council did not raise purchase orders and obtain quotations.
- (b) The cheque for this purchase was issued prior to the approval of the schedule of payment.
- (c) The expense had no supporting invoice or appropriate documentary evidence.

- 7.2 May we remind the council that the purpose of a purchase order is to confirm in writing the order for goods or services from third parties. Such purchase order is the evidence of the council's approval for a proposed purchase or service. Upon receipt of the invoice, this should be checked and matched to the purchase order, with any discrepancies referred to the supplier.
- 7.3 In addition, the council must obtain a tax invoice/receipt duly addressed to the council for all payments issued by the council.
- 7.4 Furthermore, we draw your attention to the Local Councils (Financial) Procedures, 1996 which state that councils should obtain at least one quotation for purchases between € 24 and € 1,165 and at least three quotations if between € 1,165 and € 4,658. In addition, as stated in memo 1/2010, all calls for quotations must be published on the Government Gazette and any other local newspaper.

**Asset insurance**

- 7.5 We reviewed the council's insurance policies and noted that the assets of the council are not adequately insured. The cost of the assets and the insured amounts are as follows:

Asset	Sum insured	Cost as per accounts
	€	€
Buildings	544,000	156,118
Electronic equipment	40,249	32,354
Plant and machinery	6,782	-
Furniture and fittings	588,990	23,729
Street signs	-	16,769
Urban improvements	-	64,250
	1,180,021	293,220

- 7.6 The above shows that some the council's assets are not insured correctly according to their value. The council must comply with section LCP 1.15b.04 of the Local Councils (Financial) Procedures, 1996 and carry out a periodic review to assess the adequacy of the councils' insurance coverage and ensure that the council's assets are not under/over insured. Furthermore, the council should insure its assets on their replacement value and not on the net book value.

Insurance policy document

- 7.7 The council provided us with the original insurance policy document for the group personal accident policy. However we could not confirm who the insured persons are since the document did not include their names but only included their designation.
- 7.8 We recommend the council updates the insurance policy accordingly and lists the names of the persons insured.

8 Bank**Bank statements**

- 8.1 The following irregularities were noted during our audit procedures:
- The council provided us with internet banking lists of transactions for HSBC Current account 120-19048-001 and HSBC Savings account 012-0190480-50.
 - Final withholding tax is being charged on HSBC Savings account 012-0190480-50 and BOV Savings account 4002385064.
- 8.2 We recommend that the council obtains bank statements as at year end to ensure that the correct balance is included in the books of account at year end. The council should confirm with the bank that an internet transactions list does not necessarily agree to a bank statement because of timing differences.
- 8.3 Furthermore we recommend that the council instructs the bank not to withhold tax on interest since councils are exempt from income taxation.

**Bank account representative**

- 8.4 We noted that the previous mayor, Mr Joseph Abela, is still a signatory for BOV account 40021980431 (pending closure).
- 8.5 We suggest that, for security reasons, the council instructs the bank to update the account's authorised signatories, until the account is eventually closed.

'Stale' cheques

- 8.6 We identified a cheque in the reconciliation for bank account 40022383163 which has subsequently become stale. The cheque is dated 16 August 2015 amounting to € 46.59 and to date has still not been cashed.
- 8.7 It is important that the council investigates any 'stale' cheques to determine why they were not cashed. If the cheque is unlikely to be cashed or has been replaced, the amount should be reversed against the respective expense or creditor account.

9 Trade and other receivables**Overdue trade receivables**

- 9.1 The council's receivables include the following amounts which have been long overdue:

Debtor	€	Note
Glenn Cutajar	25.00	
Regjun Ghawdex	261.96	
Regjun Nofsinhar	1,409.58	
Regjun Tramuntana	490.40	
Water Services Corporation	49,826.52	9.2
	<u>52,013.46</u>	

- 9.2 A provision was created against the balance due from Water Services Corporation in prior years to write its carrying amount to € 11,687.29, thus leaving only the amounts due since 2014 in the books of account.
- 9.3 The council should contact these debtors to press for payment and if it remains unlikely that they will be settled, these should be considered for a complete write off. In doing so, the council should obtain prior approval in meeting and document the decision in its minutes. In the case of the WSC balance the council should consider enlisting the help of the Local Council's Association which has negotiated settlement for a number of councils.

Cassar Ship Repair

- 9.4 The council has an amount of € 1,754 due from Cassar Ship Repair for the 50% part of the electricity bill the council paid with regards to the 5-a-Side Football Pitch.
- 9.5 We recommend that the council follows up the outstanding amounts with Cassar Shipping for payment and ensures that all dues are paid in line with the joint venture agreement.

Pre-regional receivables

- 9.6 The council's books of account are showing LES tribunal pending payments of € 86,738. Report 622 (version 1) shows a balance of € 250,783, that is, a difference



of € 164,045. In our previous management letter we also point out that there was a difference of € 164,313. No explanations have been made available to us.

- 9.7 We repeat our recommendation that the council investigates this difference with Loqus and determines how this difference arose. Once explained the council should be in a position to include the correct figure for tribunal pending payments.

10 Stock

Stock list

- 10.1 The stock list and movements of the books held, either for resale or to give as gifts, totalled € 4,146, and not as shown in the financial statements, € 2,750.
- 10.2 Last year we were not presented with stock lists with values and hence we were unable to check the valuation. This year the stock lists were given a value per book but we have noted that the value assigned is the same as the sales value (based on a receipt issued by the council). This is contrary to IAS 2 which states that stock should be valued at the lower of cost and net realisable value.

Net realisable value of inventory

- 10.3 Furthermore, as noted in our previous management letter, the council's inventory is slow moving, with a total of two books given out as prizes during the year and one sale of € 5.
- 10.4 The council should assess whether the books are being carried at the lower of cost and net realisable value in the financial statements in accordance with generally accepted accounting principles. Write-offs or provisioning of inventories might be necessary if the books remain slow-moving or have no realisable value.

11 Financial statements

Presentation of financial statements

- 11.1 During our audit we identified the following shortcomings in the unaudited financial statements:
- i. A typing error in the statement of financial position with respect to non-current deferred income balance.
 - ii. A typing error in the note "Standards, interpretations and amendments to published standards as adopted by the EU that are not yet effective up to 31 December 2014", the year should be restated to 2015 instead of 2014.
 - iii. Some of the accounting policies disclosed by the council are irrelevant. A case in point is 'Foreign currencies'.
 - iv. The capital commitments note is incorrectly disclosing amounts for 2016 and 2015, this note should be disclosed for periods 2015 and 2014.

The council has amended the audited financial statements as recommended.

12 5-a-Side Football Ground

- 12.1 Following our recommendation last year the council amended the 2014 financial statements to account for the joint arrangement correctly as a joint venture. We also pointed out that the agreement provided that the amounts should be audited every



six months. Although we were provided with management accounts for the year ended 31 December 2015, these were not audited. We agreed the share of the loss to these financial statements.

- 12.2 We recommend that the terms of the agreement are adhered to and that the council obtains audited financial statements every six months. In view of the fact that the figures are not audited, our audit report is qualified.
- 12.3 We also noted that BOV and HSBC confirmed balances of € 742.23 and € 524.52 respectively which are not included in the council's books of account. We were informed that these balances belong to the joint venture.
- 12.4 We recommend that banks are informed that these should not be in the council's name but in the name of the joint venture, i.e Tarxien 5-a-Side Football Ground.

13 Electronic site

- 13.1 During our audit fieldwork we noted that the council has not uploaded signed documents such as schedule of payments, meeting minutes, quarterly financial reports, business plan, audited financial statements and annual administrative reports within the required time frame. The following are some instances and weaknesses identified::

Report	Note
Quarterly report January-March 2015	a
Quarterly report April- June 2015	a
Quarterly report July- September 2015	a
Quarterly report October- December 2015	a
Annual budget 2014 & 2015	b
Business plan 2015- 2017	a,c
Annual administration reports 2012-2015	b
Financial statements 2014	a

- (a) The council did not upload these reports within the required time frame.
- (b) These reports were not uploaded on the website.
- (c) The council did not approve these reports since these were not signed.

- 13.2 Although not mentioned in memos 36/2011 and 2/2014, we would still suggest that the council uploads the signed documents to indicate that these are the final documents as approved by the council and have not been changed or subsequently updated.
- 13.3 In addition to the above we were provided with the annual budget which was not approved and signed by the council.
- 13.4 According to article 56 of the Local Councils Act, a budget should be prepared, submitted and approved by the council not later than 15 February of each year. To this end, we recommend that the council approves the budget early at the start of the year for proper financial planning and to prioritise expenditures. It should also be prepared in the correct format as laid down in the Local Councils (Financial) Procedures, 1996.



14 Schedules of payments

- 14.1 During our review of minutes, we noted that the schedules of payments were approved by the council before compiling a complete list of cheque numbers.
- 14.2 Furthermore, we identified that the schedule of payment numbered 22 relating to period 27.01.2015 – 23.02.2015 has not been signed and approved by the council.
- 14.3 In accordance with P1.11 of the Local Councils (Financial) Procedures, 1996 the executive secretary must prepare complete and accurate schedules of payments containing information in sequential order and present them for council's approval. We recommend that the schedules of payments are jointly signed by the mayor and the executive secretary to serve as evidence that these have been duly approved by the council.

15 General

- 15.1 Our review of the minutes revealed that the council is relying on the auditors to reveal irregularities in procedures or provide evidence before deciding on a matter. Examples are:
- (i) The executive secretary did not investigate shortcomings in tender procedures but waited until the management letter for the year ended 31 December 2014 was received.
 - (ii) The mayor informed the council of a salary overpayment of € 1,180.84 made to an employee in 2013. The minutes stated that until the auditors notice, no refund will be made.
- 15.2 We would like to remind the council that it should not rely on auditors to reveal all weaknesses and irregularities in a council, particularly if this occurred a number of years ago (as in ii above). The Financial Procedures and Regulations are very clear as to the responsibilities of the executive secretary, who, together with the mayor, is responsible for all financial management and control procedures of the council.
- 15.3 The Audit Procedures guidelines for mayors and executive secretaries states in P2.10a.01 "The audit process assists in the attainment of their objectives, but in no way reduces the responsibility of management".
- 15.4 If the council believes that there is sufficient cause to investigate any irregularity it should make reference to clause 5 of the Financial Regulations and follow the procedures laid down therein.

Conclusion

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 primarily designed for the purpose of expressing an opinion on the financial statements of the 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 defalcation or other irregularities or to include all possible improvements in internal control that a more extensive special examination might develop.



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15

We would like to take this opportunity to thank Ms Antonella Galea and her staff for their co-operation and assistance during the course of the audit.

Yours faithfully,

Grant Thornton