



Grant Thornton

An instinct for growth™

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Dear Sir,



Financial statements for the year ended 31 December 2018

During the course of our audit for the period ended 31 December 2018 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

We again noted a discrepancy between the Loqus report 483 and council's calculation of income from LES administration fees (refer to note 3.1).

We did not encounter any income received from the Joint Committee.

The council once again failed to provide us with the audited financial statements of the Joint Committee (refer to note 3.4).

The council did not receive income from LESA distribution during the year under review.

The council did not rectify the issue with respect to disclosure of income from bye-laws in the financial statements (refer to note 3.11).

1.2 Payroll

We again noted that councillors were paid a full year's allowances even though they failed to attend some of the meetings and did not provide a letter of excuse (refer to note 4.1).

1.3 Expenditure

The council still did not implement the Imprest system to account for petty cash movements (refer to note 5.1).

We again identified instances where the procurement procedures were not followed (refer to 5.3).

During the year under review, the level of expenditure of 'Koperattiva Tabelli u Sinjali' did not exceed the threshold for call for tenders.

We again noted that the council failed to make a call for tenders for the accountancy services (refer to 5.5).

We have again noted cheque payments issued prior to approval by the council (refer to note 9.6).

The council's assets are still not appropriately insured (refer to notes 5.9 and 5.10).

1.4 **Fixed assets**

The fixed asset register still does not include all necessary information (refer to note 6.1).

We again noted differences between the accounting records and the financial statements (refer to note 6.6).

We have also noted a discrepancy when reconciling the financial statements with the fixed asset register (refer to note 6.8).

During the year under review there were no disposals of fixed assets.

1.5 **Stock**

We again noted that the council is still not compiling a proper stock list as at year end, and the stock is not recognised at the lower of cost and net realisable value (refer to notes 7.1 and 7.3).

1.6 **Trade and other receivables**

Long overdue balances were again identified in the debtors' list (refer to note 8.5).

We again noted that the amounts due from Cassar Ship Repair are still not settled (refer to note 8.7).

We again noted that debtors in the Loqus report are less than LES debtors recorded in the council's book of account (refer to note 8.11).

We again noted that pre-regional debtors and the corresponding provision were not adjusted (refer to note 3.3).

1.7 **Bank**

The ex-mayor is still listed as a representative of the BOV account (refer to note 9.1).

The council once again failed to provide us with the statements of all BOV bank accounts (refer to note 9.3).

1.8 **Trade payables**

The council is still not obtaining suppliers' statements as at or near year end (refer to 10.1).

We are pleased to note that the council rectified the issue and settled the amount due with respect to the PPP liability.



We again noted that the 'other creditors' are still present in the books of account (refer to note 10.10).

1.9 5-a-side football ground

We again encountered various irregularities regarding the joint venture (refer to note 10.16).

1.10 Financial statements

We have encountered a number of shortcomings in the presentation of the unaudited financial statements (refer to notes 11.1, 11.3 and 11.4).

1.11 Council meetings

The council followed our recommendation to set the date of the next meeting at the end of each council meeting.

We again noted a shortcoming in the schedule of payments (refer to note 12.1).

1.12 Electronic site

The council is still not uploading documents within the required time frame (refer to note 13.2).

The council also failed to upload all required documents on the council's website (refer to note 13.1).

2 Prior period adjustment

2.1 During the year under review the council changed its accounting approach for grants from the income to the capital approach in line with Directive 1/2017 issued by the Department for Local Government. In accordance with IAS 8 '*Accounting Policies, Changes in Accounting Estimates and Errors*' this change has to be accounted for retrospectively.

2.2 While performing audit procedures on the prior period adjustment we noted that the council transferred a grant of €250,000 in relation to the embellishment of Kurunell Mas to the special programmes category in the fixed assets' schedule. Further enquiry revealed that, up to the date of audit fieldwork, the project had not yet been started. Therefore the amount of €250,000 should be classified as an advance payment. We proposed an audit adjustment to rectify the issue. The council has amended the financial statements to include our audit adjustment.

We recommend that the council adheres to the IAS 20 '*Accounting for Government Grants and Disclosure of Government Assistance*' and transfers deferred grants to fixed assets based on the percentage of completion of the project.

**3 Income****Income from LES administration fees**

- 3.1 We obtained Loqus report 483 and reconciled to income from LES administration fees and established that the council's income from LES administration fees for 2018 is overstated by €785. Upon further enquiry we established that this amount was received with the respect to pre-regional contraventions and should be disclosed separately in the financial statements.
- 3.2 We recommend that the council generates the Loqus report frequently and reconciles amounts to fees claimed for collection of fines and discloses pre-regional contraventions separately from administration fees in the financial statements.
- 3.3 We also noted that the council did not adjust its pre-regional debtors and corresponding provision. We did not propose an audit adjustment because it has no effect on the financial since LES debtors are carried at nil value following a provision for doubtful debts for the same amount (refer to note 8.11)
- 3.4 We also noted that the Joint Committee, of which Tarxien local council formed part up to 31 August 2011, has not provided the council with recent audited accounts.
- 3.5 In the absence of the audited financial statements of the Joint Committee, we were unable to determine whether the council is entitled to receive any further income from the Joint Committee. As a result our audit report has been qualified.
- 3.6 We recommend that the council queries this issue with the DLG and tries to obtain audited financial statements so as to ensure whether the council has any amounts which are still due to it.

Income from LESA and regional committees

- 3.7 The following invoices were not sent to the regional committees or LESA in the first week of the following month:

Invoice month	Invoice date
February 2018	09.03.2018
May 2018	13.06.2018
June 2018	11.07.2018
July 2018	27.08.2018
August 2018	24.09.2018
November 2018	19.12.2018
December 2018	18.01.2019

- 3.8 In accordance with memo 91/2011 local councils are required to issue the regional committee and LESA invoices in the first week of the following month.

Other Government income

- 3.9 We noted that during the year council received a grant of €12,704 from Regjun Xlokk in relation to the Tarmac Initiative introduced by the Department. The council erroneously classified this grant as other Government income. We have proposed an audit adjustment to rectify the issue since this was a capital grant. The adjustment was correctly incorporated in the audited financial statements.



- 3.10 We recommend that the council accounts for capital grants received under the capital approach as specified by Directive 1/2017 issued by the Department for Local Government.

Income from bye-laws

- 3.11 During our testing, we noted that the council disclosed income derived from bye-laws under general income. The council has amended the audited financial statements accordingly.
- 3.12 We recommend that income derived from bye-laws should be separately disclosed in the financial statements in accordance with the specimen financial statements in Appendix P2.I of the Local Councils (Audit) Procedures.

4 Payroll

Councillors' allowances

- 4.1 When reviewing FS3 forms we noted that four councillors were paid the full allowances. However during 2018 three of the councillors were absent for one meeting each, and another councillor was absent for two meetings. These absences were without valid reasons and letters of excuse. The council also expensed the full amount in its books of account.
- 4.2 We refer to memo 89/2009 and circular 17/2016 which state that councillors' allowances are to be paid in proportion to the number of meetings attended in a calendar year. The memo further explains that no deductions should be made only where valid reasons in writing are put forward for the absence from meetings. These should be considered for acceptance by the council and a copy of the letter kept with the minutes.
- 4.3 We noted that the council erroneously classified the amount of €2,862 pertaining to the executive secretary bonus in the account of employees' bonuses. Furthermore employees' bonuses amounting to €1,930 were recorded in the account pertaining to the executive secretary bonus. We have proposed a reclassification to rectify the issue. The council approved the audit reclassification and it was incorporated in the financial statements.
- 4.4 We recommend that the council should allocate its expenditure to the appropriate accounts so that the expenses of the council are properly reported.

5 Expenditure

Petty cash expenditure

- 5.1 We have again noted that the council did not yet employ the Imprest system for petty cash. Instead it uses the same suppliers and settles by cheque periodically.
- 5.2 We would like to bring council's attention to the clause in the Local Councils (Financial) Procedures, 1996, which states that the executive secretary should institute an Imprest system for petty cash and thus control can be implemented over this kind of payment.

**Procurement procedures**

- 5.3 Our testing on cheque payments revealed the following irregularities for the below listed purchases:

Details	Supplier	€	Note
50 tarmac bags	Bitmac	228	(c)
Permit system	Lornit Ltd	1,595	(a, b)
Liquid membrane	G&E Stones Ltd	2,354	(d)
Cabinet doors for the new office	Quality Postform Ltd	317	(c)
8 channel digital video recorder	Fire & Theft	572	(c)
Materials and supplies and cleaning materials	JC Ironmongery	113	(c)
Materials and supplies	WJA Distributors	413	(c)
6 linear meters, single leaf gate – Gnien Bulebel	M-Quip Co Ltd	4,680	(c)
Jigger for road works	WJA Distributors	1,190	(c)
Fencing and railing Gnien Bulebel	Fremy Investments	6,420	(e)

- (a) The council did not raise a purchase order.
 (b) The council failed to obtain any quotation.
 (c) The council obtained only one quotation.
 (d) The council obtained only two quotations.
 (e) The council did not issue call for quotations.

- 5.4 In accordance with the Procurement Guidelines 2017 issued by the Department for Local Government the council should raise purchase orders for all purchases above €50. Furthermore, the council should obtain at least three signed quotations for purchases exceeding €50 up to €5,000.

- 5.5 Our audit revealed that, the last call for tender for accountancy services was issued in 2012, with the original contract being signed from 28 June 2012 to 28 June 2015. During the year the council again extended the agreement up to 28 June 2019.

- 5.6 We remind the council that in accordance with the Procurement Guidelines 2017, councils are specifically required to make a public call for quotations for expenditure in the range of €5,000 to €10,000 and issue a call for tenders for expenditures above €10,000.

Tendering procedures

- 5.7 Whilst reviewing the below tender documents we noted the following irregularity:

Reference	Title
HTLC001/2018	Bulky refuse and electric and electronic waste
HTLC002/2018	Household mixed waste
HTLC004/2018	Embellishment of Gnien Kurunell Mas

The opening staff did not sign the opening of tenders document.

- 5.8 May we remind the council that in accordance with the Procurement Guidelines 2017 issued by the Department for Local Government the opening staff should sign the opening of tenders document.

**Asset insurance**

5.9 Whilst reviewing the council's asset insurance policy, we again noted that the sum insured amounted to €1,180,405. The policy insures buildings including fixtures and fittings situated at the following locations:

- Local council offices
- War Shelter
- Community Centre
- House 'Tal-Kejka'
- Berga
- Public Convenience
- Garage

5.10 On the contrary, the council's fixed assets have a net book value of €164,138 in the audited financial statements 2017 (before adjusting grants and depreciation). Furthermore, the council's fixed asset register does not include the War Shelter building, Community Centre and House 'Tal-Kejka'. However these assets are included in insurance policy and can be classified as 'community assets'. This is in breach of Directive 3/2017 which states that community assets should not be insured.

5.11 Directive 3/2017 and Legal Notice 269 of 2017 state that the council must ensure that administrative offices, including all the furniture and office machinery are insured by a 'buildings and content' insurance. The insurance shall cover fire, theft and damage due to natural events. Circular 33/2016 also states that the insurance policy should be based on the net book value of assets included in the last audited financial statements. However, in view of the fact that last year a significant number of assets had a nil net book value (because of the change in depreciation and inclusion of grants) we recommend that the insurance at least covers the replacement value for assets.

Reimbursement

5.12 During the audit fieldwork we noted that the expenditure incurred during the year included €16 for transport services rendered to council members.

5.13 May we recommend that the council observes memo 107/2010 which clearly states that the councillors and mayor have no right to claim any other expenditure in relation to performing their council duties apart from the honorarium and the allowance.

6 Fixed assets**Upkeep of fixed asset register**

6.1 When reviewing the fixed asset register, we noted that relevant details like invoice number, location and depreciation for the year are missing. Examples include:

Asset category	Asset code	Description	NBV €
Office furniture and fittings	100304	12 picture frames	87
Urban improvements	100480	3 opal globes	66
Special programmes	100337	Traffic cameras	599



Special programmes	100427	1 Alfa pump for war shelter	285
Special programmes	100349	8 throughs Kobe 80 cm	204

6.2 We recommend that every possible effort should be made to update the fixed asset register and include at least the following details:

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

6.3 An updated fixed asset register enables the council to exercise proper control over the council's property, plant and equipment. It provides a suitable inventory/checklist which may be used to determine whether assets previously purchased are still in existence or in use. We therefore recommend that the council's fixed asset register is updated.

6.4 We again noted that certain fixed assets are not being classified under the appropriate fixed asset category. For example in office equipment the following assets were noted:

- a) Driller
- b) Rotary sander
- c) Belt sander/jigsaw
- d) Jigger for road works

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

6.5 Once again, we suggest the council updates its fixed asset register and allocates assets appropriately. This would ensure that the council is calculating depreciation using the appropriate depreciation rate and thus showing the correct net book value.

Reconciliation of financial statements with accounting records

6.6 We identified the following discrepancies between the net book value of assets in the financial statements and the net book value in the nominal ledger.

Asset category	NBV in unaudited financial statements €	NBV in nominal ledger €	Difference €
Street signs	-	877	(877)
Urban improvements	25,220	23,436	1,784
Office equipment	8,546	9,447	(901)
Special programmes	313,350	313,361	(11)
	347,116	347,121	(5)



- 6.7 We remind the council that any variances between the assets disclosed in the financial statements and the nominal ledger need to be investigated and reclassified accordingly.

Reconciliation of financial statements with fixed asset register

- 6.8 We identified a number of differences between the net book value of assets in the financial statements and the net book value in the fixed asset register. These are summarised below:

Asset category	NBV in unaudited financial statements €	NBV in fixed asset register €	Difference €
Urban improvements	25,220	24,318	902
Office equipment	8,546	9,431	(885)
Office furniture and fittings	11,280	11,297	(17)
	45,046	45,046	-

- 6.9 May we recommend the council that any variances between the assets disclosed in the financial statements and the plant register need to be investigated and reclassified accordingly.

7 Stock

Stock list

- 7.1 The stock list and movements of the books held, either for resale or to give as complimentary gifts, amounted to €4,146, but shown as €2,750 in the financial statements. Stocks should be stated at the lower of cost and net realisable value. Therefore any books held to give as gifts should have a nil value. Since the number of gifts to be given is unknown, no audit adjustment has been proposed to increase the carrying amount of the books (refer also to note 7.3).
- 7.2 We recommend the council prepares and maintains an inventory list agreeing to the financial statements or prepares a reconciliation between the existing inventory list and the financial statements.
- Net realisable value of inventory**
- 7.3 Furthermore, as noted in our previous management letter, the council's inventory is slow moving. No books have been sold or given as complimentary since 2012 except for minor sales in 2014 and 2015.
- 7.4 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.

8 Trade and other receivables

Confirmation of debtor

- 8.1 As part of our audit procedures we circularised confirmation letters to selected debtors. We noted the following discrepancy between the council's books of account and the received confirmation letter:



Debtor	Amount in council's books of account €	Amount in confirmation reply €	Difference €
Water Services Corporation	60,172	-	60,172

8.2 We noted that the council recognised a provision for bad debts amounting to €55,599. However, the long overdue balance is €59,449 (refer to note 8.5). Thus, the local council is partly providing for the overdue balance from Water Services Corporation.

8.3 During the audit fieldwork the council provided us with the statement showing the balance due from Water Services Corporation amounting to €64,346. This amount does not agree to the books of account showing a discrepancy of €4,174. Upon enquiry the council informed us that this difference relates to the invoices which were agreed to set-off with the debtor. The council failed to update its statement. Furthermore council stated that the invoices amounting to €102 were settled twice. The debtor already paid the said amount through bank payment and set-off.

8.4 We recommend that, as with all debtors, regular reconciliations of amounts due are prepared to promptly highlight any differences.

Overdue trade receivables

8.5 We noted that the council's trade debtors' list includes the following balances, which have been long overdue.

Debtor	€	Note
Cassar Ship Repair	2,303	8.7
Glenn Cutajar	25	
Regjun Centrali	3	
Regjun Ghawdex	67	
Regjun Xlokk	119	
Regjun Tramuntana	16	
Water Services Corporation	59,449	8.2
	<u>61,982</u>	

8.6 The council should ensure that the balances are valid and, if so, chase these debtors by sending reminders for the long overdue amounts. In the event that recoverability of these debtors remains doubtful, the council should also consider making a provision for doubtful debts in the books of account after obtaining council approval in meeting.

Cassar Ship Repair

8.7 As mentioned in the previous management letter, the council has an amount of €2,481 (of which €2,303 is long overdue) due from Cassar Ship Repair pertaining to the 50% part of the electricity bill the council paid with regards to the 5-a-side football pitch.

8.8 We advise to the council to follow up this outstanding debtor for payment and ensure that all amounts are received in line with the football ground agreement.



Organic waste collection agreement

- 8.9 To date of the audit fieldwork the council did not have a signed agreement with WasteServ Malta Limited for the reimbursement of organic waste collection expenses. Owing to the absence of an agreement the council could not accrue for this source of income for October to December 2018.
- 8.10 May we remind the council contacts WasteServ to sign the agreement. In this case the council will be able to claim the organic waste collection costs. The contract will also establish the rates of recharge and reimbursement and rights and obligations of both parties.

Pre-regional receivables

- 8.11 During the audit fieldwork, when testing the pre-regional receivables, we noted a balance of €86,738 in the council's books whilst report 622 shows a balance of €16,776. This results in a difference of €69,962 for which the council did not provide us with any explanation. We did not propose an audit adjustment because it has no effect on the financial statements since LES debtors are carried at nil value following a provision for doubtful debts for the same amount.
- 8.12 We would like to remind the council that it is the council's responsibility to investigate these differences and refer them to Loqus.

9 Bank

Bank account representative

- 9.1 We again noted that one of the signatories for BOV account 40021980431 (pending closure) is Mr Joseph Abela, the previous mayor.
- 9.2 We recommend the council instructs the bank to update the account representatives for security reasons until the account is eventually closed.

Missing bank statements

- 9.3 In the books of account we identified accounts 1211 BOV General and 1212 BOV LES amounting to €0.48 and (€0.35) respectively. The council failed to provide us with the bank statements for these accounts.
- 9.4 We noted that the bank accounts have not been used since 2008. When reviewing the bank reply we identified that these accounts were not listed. We recommend that the council confirms whether these accounts were closed and, if so, removes these accounts from its books of account after approval in council meetings.
- 9.5 We also remind the council that bank statements must be obtained and reconciled frequently so as to ensure proper accounting records are being kept.

Cheque payments

- 9.6 While reviewing cheques stubs we noted that cheques 2120 to 2130 were pre-signed by the mayor without any payee and amount written on it (i.e. a blank cheque).
- 9.7 The mayor should not sign blank cheques before all details have been included on the cheque payment. Furthermore, the council should ensure that all payments are approved during council minutes prior to any payments being made.

**10 Trade payables****Supplier statements**

- 10.1 During the course of our audit we noted that the council did not manage to obtain monthly suppliers' statements for all suppliers to confirm the year-end balances and to ensure the completeness of the books of account.
- 10.2 We again recommend that the council obtains monthly statement from all suppliers in order to ensure proper recording of creditors in the council's ledger. This will highlight any discrepancies between amounts recorded in the ledger and amounts in the suppliers' statements.

Confirmation of trade creditors

- 10.3 As part of our audit procedures we circularised confirmation requests to selected suppliers. We noted the following:

Supplier	Amount in council's books of account €	Amount in confirmation reply €	Difference €
Koperattiva Tabelli u Sinjali	182	609	(427)

- 10.4 The council did not provide us with a reconciliation of the identified discrepancy.
- 10.5 We remind the council that circular 2/2019 states that the council should reconcile creditors' balances on a regular basis, thus identifying and investigating any differences as soon as possible.

Long-outstanding creditor

- 10.6 The council's creditors' list includes the long-outstanding balance of €1,067 with Vella Group Limited. The council did not provide us with a supplier statement as at year end. The latest available statement provided to us was dated 22 February 2018 showing an amount of €7,343. Upon enquiry we were informed that council has not had any contractual relations with the supplier since 2014 but still receives statements from Vella Group Limited. The balance in the supplier's statement increases due to the fact that council is being charged for the interest and works done by third parties. The council informed us that they do not agree with the supplier statement.
- 10.7 We understand that the council has a dispute with this creditor. We recommend the council continues discussions with the creditor to resolve the issue with respect to the long-outstanding balance.

Outstanding invoices

- 10.8 Whilst reviewing the supplier activity it was noted that the council is making supplier payments on account and not on specific invoices. This was noted on the following suppliers: Anton Agius, Arms Ltd, Cucciardi Florist, Dimbros Ltd, Department of Information, Jimmy Muscat, SJF Consultancy and WasteServ Malta Ltd. In this respect we were unable to identify specific long-outstanding invoices. However we noted that some balances have been brought forward from the previous year.



- 10.9 We recommend that the council issues payments against specific invoices. In this way the council will be able to reconcile creditor balances and identify any differences on time. Payments should be allocated to the specific invoices in order to identify any misallocation immediately.

Other creditors

- 10.10 We again noted that, the council has kept the following balances in other creditors:
- a) An amount of €2,446 relating to an audit adjustment passed by the previous auditor 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 Exchanges; however it has never been claimed.
- 10.11 We again recommend that the council investigates the above amounts and, if due, pay them. Furthermore, decisions and discussions regarding these balances should be minuted during the council meetings.

Unrecorded liabilities

- 10.12 Whilst performing tests on the accruals we noted that council failed to accrue for the Christmas decorations used during December 2018. We proposed an audit adjustment amounting to €4,720 to accrue for the above expenditure. This was approved by the council and properly reflected in the audited financial statements.
- 10.13 We recommend that the council records expenditure on an accruals basis so that liabilities are recorded in the correct financial year.
- 10.14 Furthermore the council did not obtain three quotations with respect to the Christmas decorations.
- 10.15 We draw attention of the council that three quotations must be obtained for all purchases made above €50 but below €5,000 as required by the Procurement Guidelines 2017 issued by the Department for Local Government.

5-a-side football ground

- 10.16 We were provided with management accounts of the joint venture for the year ended 31 December 2018; however these were not audited. We agreed the share of the loss, amounting to €368, to these management accounts.
- 10.17 We recommend that the terms of the agreement are adhered to and that the council obtains audited financial statements every six months.
- 10.18 We also noted that BOV and HSBC confirmed balances of €743 and €472 respectively which are not included in the council's books of account. We were informed that these balances belong to the joint venture.
- 10.19 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. The council should also include a note in the financial statements listing the details of the bank accounts pertaining to the joint venture but held in the council's name.



11 Financial statements

Presentation of financial statements

- 11.1 Councils are required to prepare financial statements in conformity with International Financial Reporting Standards (IFRS). During our audit we identified that the council's unaudited financial statements were not prepared in accordance with IFRS:
- i. Note 'Basis of preparation' includes irrelevant disclosures. Cases in point include IFRS 15 and IFRS 15 Clarification '*Revenue from Contract with Customers*', IFRS 4 Amendments '*Applying IFRS 9, Financial instruments, with IFRS 4, Insurance Contracts*', Amendments to IAS 40 '*Transfers of Investment Properties*', Amendments to IFRS 2 '*Classification and Measurement of Share Based Payment Transaction*', IFRIC 22 '*Foreign Currency Transactions and Advance Considerations*'.
 - ii. Note 'Standards, interpretations and amendments to published standards as adopted by the EU that are not yet effective for financial periods beginning on 1 January 2018' also includes irrelevant disclosures. Cases in point include IFRIC 23 '*Uncertainty over income tax treatments*', Amendments to IFRS 9 '*Prepayment features with negative compensation*'.
 - iii. Note 'Standards, Interpretations and Amendments issued by the International Accountancy Standards Board (IASB) but not yet adopted by the European Union' includes irrelevant disclosures. Cases in point include IFRS 17 '*Insurance Contracts*' and Amendments to IAS 19 '*Plan amendment, Curtailment or Settlement*'.
 - iv. The accounting policy for property, plant and equipment includes the percentage rather than range of years or percentages due to the change in the depreciation method.
 - v. Casting error in property, plant and equipment schedule.
 - vi. Casting error in statement of changes in equity.
 - vii. Council failed properly to distinguish between financial and non-financial assets and liabilities in the notes to the financial statements.
 - viii. Note 21 of the financial statements does not include comparative figures.
- 11.2 We recommend that the council gives more attention to the preparation of the financial statements. The council correctly amended the audited financial statements.

IAS 8 'Accounting policies, changes in accounting estimates and errors'

- 11.3 The council failed to include all the disclosure required by IAS 8 '*Accounting policies, changes in accounting estimates and errors*'. The standard requires the council to disclose the nature and amount of a change in accounting policy and estimates that has an effect in the period or future periods. Also the same standard requires the disclosure of the nature of a prior period adjustment and for each period presented, the amount of the correction for each financial statement line item affected and a description of how the error was corrected. The council correctly included the required disclosures in the final set of the financial statements.

IFRS 9 'Financial Instruments'

- 11.4 The financial statements do not include all the disclosures required by IFRS 9. The standard required additional disclosures regarding financial instruments' impairment and expected credit losses. The disclosures are included in the audited financial statements.
- 11.5 We recommend that the council ensures that its accountant is fully up to date with all IFRS's and includes all accounting treatments and disclosures required by new and existing accounting standards.



12 Council meetings

Schedule of payments

- 12.1 We identified that BOV cheque 1927 was not listed in the schedule of payments and upon further investigation we found that the cheque was cancelled.
- 12.2 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. All cheques, including those cancelled should be included on the schedule. The cancelled cheque should be retained as proof of its cancellation.

13 Electronic site

- 13.1 We noted that the council did not upload the following documents on the website:

- Quarterly financial reports for the period January to December 2018
- Annual administrative report 2017
- Management letter and its reply for 2016
- Audited financial statements, management letter and its reply for 2017
- Business plan 2018 - 2020

- 13.2 Furthermore we identified that the following documents were not uploaded within the required time frame:

- Budget for financial year 2018
- Meeting minutes 79/07, 82/07 and 85/07 were not uploaded within three working days from approval.

- 13.3 We recommend the council uploads all documents within the required time. Furthermore, the council should indicate as signed all documents uploaded as confirmation that the uploaded documents have been approved and are the correct ones.

Uploading of management letter and other documents

- 13.4 Memo 7/2016 required the council to upload the management letter on the website. We have noted that the council does not upload the letter on the website whilst other councils do so. We would like to point out the Local Councils (Audit) Procedures, P2.10.06b states that "such correspondence would not be made public ...".
- 13.5 We therefore recommend that the council contacts the Department for clarification of this contradiction.
- 13.6 We would also like to remind the council of the recent General Data Protection Regulations as indicated to councils in SPI 7/2018. Councils should be mindful that there are restrictions on transmitting/ publishing information regarding personal data. Therefore certain documents should be carefully scrutinised to ensure that they do not contravene the GDPR prior to uploading on website.



14 Capital commitments

- 14.1 During the year under review we noted that the council has €784,000 in capital commitments included in the 2019 budget. The financial statements include capital commitments of €450,000. Therefore there is some confusion since the cash budget should indicate capital expenditure for the next twelve months whilst the note to the financial statements indicates both short-term and long-term projects. The council should disclose capital commitments required within the coming year and future years separately informing users of the council's future intentions.
- 14.2 We recommend that the financial statements should adequately disclose the council's future capital expenditure plans, if any, as agreed to the budget and business plan. Where appropriate it is advisable to explain how such capital expenditure is to be funded.

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.

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