

23rd May, 2018

Nexia BT
The Penthouse, Suite 2,
Capital Business Centre, Entrance C
Triq taz-Zwejt
San Gwann

Dear Sirs,

We acknowledge our responsibility, on behalf of the council members, for the fair presentation of the financial statements in accordance with the requirements of the Local Council Act, 1993, the Financial regulations issued in terms of the Act and the Supplementary Financial Procedures, and for the implementation and operations of accounting and internal control systems that are designed to prevent and detect fraud and error.

We confirm, to the best of our knowledge and belief, the following representations:

2.1 Closure of bank account

The Council took note and will make the necessary adjustments.

2.2 Rent

The Council will investigate the matter and make the necessary adjustment.

2.3 Cash in hand

The amount of 403€ was made of 206.65€ petty cash and the rest was cash not yet deposited, waiting for collection.

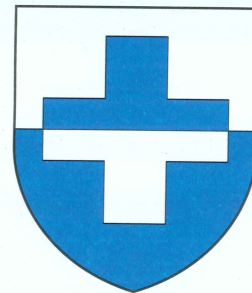
2.4 Accrued Income

The Council accepted the auditor's adjustment but however it would be appreciated if guidance is included in Circular no. 1 issued by DLG.

2.5 Budgets for 2017

Personal Emoluments – This was due to the fact that there was less overtime; an employee resigned and there was 1 month (January) where the Council was under staff.

Contractual services – In our budget we took estimates. Apart from this, some contracts are not fixed monthly rates but are unit contracts such as bulky refuse and tipping fees. Further to this, there were instances where extra services were provided by contractors. These include cleaning services.



**KUNSILL LOKALI
IŻ-ŻURRIEQ**

'Ċentru tal-Komunità' Joe Cassar
Triq Pietru Pawl Saydon,
Żurrieq
Tel: (356) 2168 9111, 2164 2974
Fax: (365) 2168 9733
Email: zurrieq.lc@gov.mt
<http://www.zurrieqlocalcouncil.com>

Sindku :
Ignatius Farrugia

Viċi Sindku :
Rita Grima

Kunsillieri :
Jean Pierre Attard
Tiffany Ann Farrugia
Joseph D'Amato
Pierre Farrugia
Kenneth Farrugia
David Abdilla
Dino Bonnici

Segretarju Eżekuttiv :
Josianne Cilia Mumford

Depreciation – Budget was an estimate.

Overseas subsistence and accommodation – This expense was covered by income. Moreover in budget it was included under community services, while in financial statements it was included under travelling.

2.6 Legal Letter

The Council did its utmost to chase the Lawyer in order to acquire the legal letter. However this was never provided. Next year the Council will do its utmost once more in order receive it on time.

2.7 Wages and Salaries

This variance happened due to previous year arrears which were paid during the year under review.

2.8 Debit balances in creditors' list

The Council took note and in the future such balances will be allocated.

2.9 Unadjusted errors

The Council noted such discrepancies however these are not material.

2.10 Reclassifications

These were adjusted in the Financial Statements year ending 2017.


2.11 Adjustments

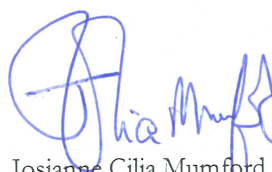
These were adjusted in the Financial Statements year ending 2017.

The approval of this letter of representation was minuted by the council members at its meeting on 16th May, 2018.

Signed on behalf of the council,

Yours faithfully


Ignatius Farrugia
Mayor


Josianne Cilia Mumford
Executive Secretary



KUNSILL LOKALI IŻ-ŻURRIEQ

'Ċentru tal-Komunità' Joe Cassar'
Triq Pietru Pawl Saydon,
Żurriq
Tel: (356) 2168 9111, 2164 2974
Fax: (365) 2168 9733
Email: zurrieq.lc@gov.mt
<http://www.zurrieqlocalcouncil.com>

Sindku :
Ignatius Farrugia

Viċi Sindku :
Rita Grima

Kunsillieri :
Jean Pierre Attard
Tiffany Ann Farrugia
Joseph D'Amato
Pierre Farrugia
Kenneth Farrugia
David Abdilla
Dino Bonnici

Segretarju Eżekuttiv :
Josianne Cilia Mumford



Nexia BT
The Penthouse, Suite 2, Capital Business Centre
Entrance C, Triq taz-Zwejt,
San Gwann SGN 3000, Malta
T: +356 2163 7778 | F: +356 2163 4383
info@nexiabt.com | www.nexiabt.com
Vat no: MT10591627

The Mayor
Zurrieq Local Council
Centru tal-Komunita Joe Cassar
Triq Pietru Pawl Saydon
Zurrieq ZRQ 1030
Malta

20th 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 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 Closure of bank account

As in the previous year, we still noted that the APS Bank account balance of €9.82 was still being reflected in the trial balance (Refer to note 2.1).

1.2 Accruals

We are pleased to note that following our testing on the Local Council's accruals, we did not encounter any material variances in the accrued expenses with respect to their related documentation.

1.3 Cash in hand

As in the previous year, we still noted that the Local Council's cash balance at year-end exceeded the maximum allowed of € 232.93 (Refer to note 2.3).

1.4 Prepayments

We are pleased to note that following our testing on the Local Council's prepaid expenditure, no material variances were found when verified with the backing documentation.

1.5 Accrued income

We are pleased to note that the bank interest receivable as per the accounts agreed with the figure shown in the bank letter. However the related accrued income was not accounted for (Refer to note 2.5).

1.6 Personal emoluments

As in previous year, we still noted a difference following our testing on the Local Council's wages and salaries with respect to the amounts shown in the corresponding FS3s (Refer to note 2.7).

1.7 Budgets

As in the previous year, we still noted that the budget has different classification of expenses than the financial statements (Refer to note 2.5).

1.8 Legal Letter

As in previous year, the legal letter from the lawyer of the Council was not provided. We request such letter in the normal course of the audit to determine whether there are any legal cases and the possibility and probability of the outcome of such cases (Refer to note 2.6).

2. Management letter points for the year

2.1 Closure of bank account

During our testing on bank balances, we noted that for APS Bank account 1241851001-7, the balance as per accounts is €9.82 and in actual fact it should be €Nil, as the Local Council stated that they have instructed the bank to close this account. However no formal documentation was available to confirm that this account was actually closed.

We recommend that a reconciliation is performed and this difference is accounted for appropriately. The discrepancy was very immaterial, and hence was included in the list of unadjusted errors (Refer to note 2.9).

2.2 Rent

We noted that as at year-end the rental expense was understated by € 71.

We recommend to the Council to prepare a reconciliation in order to reflect the actual rental expense as stipulated in the related contract agreements. This discrepancy was included in the list of unadjusted errors (Refer to note 2.9).

2.3 Cash in hand

We noted that as at year-end the Local Council held € 403 cash in hand.

We recommend to the Council to hold a cash balance not higher than €232.93, in order to be in line with the regulations.

2.4 Accrued income

During the testing on accrued income, we noted that accrued bank interest receivable amounting to €4 as per the bank statement was not accounted for in the accounts. No adjustment was proposed as the amount was not material, and this was included in the list of unadjusted errors (Refer to note 2.9).

We recommend that an exercise is undertaken at year-end in order to accurately account for all accrued income.

The Council also did not account for accrued income amounting to € 17,301, related to advancements by the DLG in respect of tipping fees. An adjustment was proposed to the Council and passed in the accounts after the Council's approval (refer to AA 01/17 in note 2.11).

We recommend that, in the future, the Council obtains the approved amount from the DLG and accounts for all accrued income before the financial statements are approved.

2.5 Budgets for 2017

While reviewing the budget for 2017, we noted that, in certain circumstances, the budget has different classification of expenses than the financial statements. Thus, comparison of specific expenses could not be adequately performed and our testing was limited to the aggregate totals of expenses. In this respect, the below differences were noted:

- Personal Emoluments over-budgeted by €14,637
- Contractual Services under-budgeted by €22,831
- Depreciation under-budgeted by €25,071
- Overseas Subsistence and Accommodation under-budgeted by €12,264.

The budgeting process is essential to monitor and control costs and to prioritise cash outflows. We recommend that the budget is prepared using the same classification of expenses as in the financial statements. We also recommend to the Council to maintain the expenditure within the budgeted limits.

2.6 Legal letter

During the audit, we requested a legal letter from the lawyer of the Council. We request such letter in the normal course of the audit to determine whether there are any legal cases and the possibility and probability of the outcome of such cases. This however was not provided. The Mayor and Executive Secretary confirmed that as at year-end there is no pending litigation.

We recommend that the Council obtains the legal letter before each audit.

2.7 Wages and Salaries

During the testing on wages and salaries, we noted that the total stated in the accounts was overstated by €35 with respect to the FSS forms. No further testing was performed as the amount is not material for audit purposes.

	€
Total as per FS7/FS5	118,788.00
1/2 the total social security as per FS7/FS5	<u>7,727.24</u>
Total as per FS7	<u>126,515.24</u>
Wages and salaries as per accounts	107,180.00
Mayor's remuneration as per accounts	12,618.00
NI as per accounts	7,765.00
Add opening accruals	5,266.66
Less closing accruals	<u>(6,279.00)</u>
Total as per accounts	<u>126,550.66</u>
Difference - not material	<u>(35.43)</u>

We recommend that an exercise is undertaken every month by the Council in order to reconcile for the wages and salaries expense as per accounts to the amounts as shown in the FSS forms.

2.8 Debit balances in creditors' list

The Council's books include debit balances in the creditors' list amounting to €200. This amount was reclassified as an advance payment to supplier by means of a proposed audit reclassification RECL A/17 (refer to note 2.10).

We kindly draw the attention that the Council should not have Dr balances in the creditors' list. The council should not set off any expenses without having the related invoice.

We reiterate our recommendation to the Council to reclassify debit balances in the creditors' list and disclose them with receivables rather than setting off against trade creditors.

2.9 Unadjusted errors

During the audit, we noted various misstatements of a non-material nature, both individually and in aggregate. The following is the list of unadjusted errors:

		€
1	Profit or Loss a/c	10
	Bank	(10)
	Being incorrect bank balance still being shown in the accounts (Refer to note 2.1).	
2	Rent expense	71
	Bank	(71)
	Being understatement of rental expense (Refer to note 2.2).	
3	Accrued income	4
	Bank interest	(4)
	Being accrued interest not accounted for in the accounts (Refer to note 2.4)	

We recommend that similar discrepancies are detected and addressed by Council before the unaudited financial statements are presented for the audit.

2.10 Reclassifications

Reference No.	Details	€
RECL A/17	Other debtors	200.00
RECL A/17	Trade payables	(200.00)
	Being reclassification of Debit Balances in the creditor's list (Refer to note 2.8).	

2.11 Adjustments

Reference No.	Details	€
AA 01/17	Accrued income	17,301.00
AA 01/17	Other government income	(17,301.00)
	Being adjustment of accrued income with respect to tipping fees (Refer to note 2.4).	



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 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 staff for their help during the course of our audit.

Mr Manuel Castagna
For and on behalf of Nexia BT

A handwritten signature in blue ink, located in the bottom right corner of the page.