

Our Ref: NAO 107/2021/39  
Your Ref:

31 August 2021

The Mayor and Executive Secretary  
Mosta Local Council  
Mosta



Dear Sir/Madam,

**AUDIT REPORT and FINANCIAL STATEMENTS  
YEAR ENDING 31 DECEMBER 2020**

In terms of Section P2.06 (c.02) of the Local Councils (Audit) Procedures 2006, I am forwarding a copy of the Audit Report and Financial Statements, together with the Management Letter for the financial year ending 31 December 2020.

After seeking the Local Council's approval, you are kindly requested to submit your response to the Director (Monitoring & Support) Local Government Division, the Local Government Auditor, and to this Office as stipulated in Section P2.06 (d) of the same Procedures, by not later than six weeks following receipt of this letter.

Yours faithfully,



**Tanya Mercieca**  
Asst. Auditor General

Encls.

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Our ref MB/mf/95321

13 July 2021

Dear Madam,

### **Financial statements for the year ended 31 December 2020**

During the course of our audit for the year ended 31 December 2020 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 from Joint Committee**

We again noted that the issue of the joint committee was not resolved during the year (refer to note 2.1).

##### **1.2 Supplementary Government income**

During the year under review, we again noted shortcomings in supplementary Government income (refer to note 2.6).

##### **1.3 Other Government income**

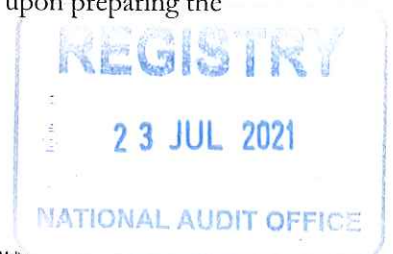
We again noted instances of income not being recorded in the appropriate accounting period (refer to notes 2.12 and 2.14).

##### **1.4 Income from bye-laws**

We again identified shortcomings in income from bye-laws (refer to note 2.22).

##### **1.5 Income from organic waste**

We noted that the income from organic waste was initially allocated in the general income account and reclassified to other Government income upon preparing the unaudited financial statements (refer to note 2.8).





**1.6 General income**

We have again noted that the council is not depositing income on a regular basis (refer to note 2.20).

**1.7 Income from LES administration fees**

We did not identify any discrepancies between the Loqus report 483 and the books of account.

**1.8 Income from LESA and regional committees**

We again identified an instance where the council did not issue the LESA and regional committee invoice within the first week of the following month (refer to note 2.25).

**1.9 Mayor honoraria**

We are pleased to note that the council correctly accounted for the mayor honoraria.

**1.10 Petty cash payments**

The petty cash lists provided still do not include the details of the nominal account to which expenses are allocated (refer to note 4.1).

We again noted petty cash purchases which exceeded the €50 threshold (refer to note 4.3).

**1.11 Procurement procedures**

During the year under review we noted various instances where the council failed to obtain quotations in accordance with the Procurement Guidelines 2017 (refer to note 4.5).

**1.12 Expired contracts**

During the year under review the council utilised expired contracts (refer to note 4.7).

**1.13 Tendering procedures**

We are pleased to note that the council has rectified the issue during the year under review.

**1.14 Insurance policy**

We noted that the council is not insuring its premises in accordance with the Directive 3/2017 and LN 269 of 2017 (refer to note 4.9).

**1.15 Rent agreements**

We again noted a difference between the invoices issued during the year and amounts agreed in the rental agreement (refer to note 4.12).

**1.16 IFRS 16 'Leases' assessment**

The council failed to assess and account for leases in accordance with IFRS 16 (refer to note 4.14).

**1.17 Classification of expenditure**

We are pleased to note that the council has rectified the issue during the year.

**1.18 Contract manager**

During the year under review the council did appoint a contract manager as required by Directive 03/2019 (refer to note 4.16).

**1.19 Tagging of fixed assets**

The council failed to tag its fixed assets (refer to note 5.10).

**1.20 Upkeep of fixed asset register**

During our audit the council failed to provide us with an updated fixed asset register agreeing to the unaudited financial statements (refer to note 5.1).

**1.21 Reconciliation of financial statements to fixed asset register**

In our previous management letter we had informed the council on differences identified between the financial statements and fixed asset register, during the year the council failed to address the issue. Furthermore, the council did not provide us with an updated register (refer to note 5.2).

**1.22 Reconciliation of additions in financial statements and register**

In the absence of the fixed asset register we could not carry out this test.

**1.23 Reconciliation of financial statements to accounting records**

We are pleased to note that the council has rectified the issue during the year under review.

**1.24 Additions to fixed assets**

We have again noted a number of shortcomings in fixed assets additions (refer to notes 5.12 and 5.14).

**1.25 Assets not yet capitalised**

We again noted that the council failed to account for assets and grants received from the agreement entered into with Pama Shopping Village Limited (refer to note 5.23).

**1.26 Accounting for grants**

We again noted that the council failed to rectify the issue (refer to note 5.27).

**1.27 Pre-regional receivables**

Debtors in the Loqus IT system are more than LES debtors recorded in the council's books of account (refer to note 7.1).

**1.28 Overdue receivables**

We have again noted long outstanding receivables in the books of account (refer to note 7.5).



**1.29 Confirmation of trade receivables**

We did not encounter discrepancies between the debtors list and third-party confirmations.

**1.30 Bank statements**

We are pleased to note that the council provided us with all bank statements dated 31 December 2020.

**1.31 Final withholding tax**

The council has rectified the issue during the year under review.

**1.32 Supplier statements**

The council did not obtain supplier statements from all suppliers during the year (refer to note 9.1).

**1.33 Long outstanding creditors**

The council's books of account still includes long outstanding creditors (refer to note 9.3).

**1.34 Confirmation of trade creditor**

We have encountered instances where the council did not reconcile creditor balances (refer to note 9.5).

**1.35 Alternative procedures on creditors**

The council failed to reconcile differences noted between the books of account and payments made after year or outstanding invoices (refer to note 9.12).

**1.36 Other creditors**

The books of account still include a balance with respect to 'rent due to the Lands Department' (refer to note 9.15).

**1.37 Refundable deposits**

The council failed to resolve the issue of the refundable deposits (refer to notes 9.19).

**1.38 Deferred income**

We again identified income recorded in the books which had to be accounted as deferred income (refer to note 2.12).

**1.39 Books of account**

The council is still recording grouped transactions and not including the details identifying the items which are being reclassified (refer to note 10.1).

**1.40 Presentation of financial statements**

We again noted shortcomings in the presentation of financial statements (refer to notes 11.1 and 11.3).



**1.41 Binding of minutes**

The council failed to bind the minutes of the previous legislature as required by the Local Councils (Office) Procedures, 1996 (refer to note 12.1).

**1.42 Approval of minutes**

The council did not rectify the issue in relation to the approval of minutes in accordance with the Local Council Procedures (refer to note 12.3).

**1.43 Electronic site**

The council's electronic site is not updated in accordance with the Local Council Procedures (refer to note 13.1).

**1.44 Uploading of management letter and documents**

During the year we noted that the council uploaded the management letter for 2019. The council failed to scrutinise the letter to ensure that it does not contravene GDPR prior to uploading on council website (refer to note 13.3).

**1.45 Schedules of payments**

The schedule of payments does not include all details as required by memos and circulars issued from time to time (refer to note 14.1).

**1.46 Comparison with annual budget**

We again noted discrepancies when comparing budgeted figures with actual expenditure figures (refer to note 15.1).

**1.47 Specimen chart of accounts**

The council failed to use the specimen chart of accounts mandated for local councils and regional committees (refer to note 16.1).

## **2 Income**

### **Joint committee**

2.1 We noted that the North Joint Committee, of which Mosta Local Council formed part up to 31 August 2011, has provided audited financial statements for the year ended 31 December 2009.

2.2 The reserves of the committee at that date amount to €1.6 million. In the absence of audited financial statements for 2011 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.

2.3 Nevertheless, we recommend that the council raises this issue with the Department for Local Government and ensures that the joint committee is liquidated and that the council receives any further income that may be due to it.

### **Central Government income**

2.4 In 2020, the council received €3,743 from the Department of Local Government for the '2019 adjustment fund'. The council has included this amount with the annual allocation. In view of this we proposed an audit adjustment to record the

above as other Government income. The adjustment was approved by the council and incorporated in the audited financial statements.

- 2.5 We recommend that the council records income obtained from the Department through various schemes to be received under other Government income as appropriate, unless otherwise directed by the Department.

#### **Supplementary Government income**

- 2.6 During the year under review, the Department paid the amount of €73,718.27 to WasteServ Malta Limited relating to tipping fees incurred in prior years. We noted that the council has erroneously recorded this income in 'other Government income'. We have proposed an audit adjustment to include the above income as 'supplementary Government income'. The adjustment was correctly included in the audited financial statements.
- 2.7 In accordance with circular 1/2021 this income should be disclosed with 'other supplementary Government income'.

#### **Other Government income**

- 2.8 Upon agreeing the trial balance with the unaudited financial statements we noted that account '0066 General income' of €114,623.67 was reclassified to 'Other Government Income'. This reclassification was not reflected in the trial balance.
- 2.9 We have passed an audit adjustment to reclassify amounts from the general income account to "other Government Income" to agree to the unaudited financial statements.
- 2.10 Due to the above reclassification noted in note 2.9, the council erroneously included general income of €4,692.67 with 'other Government income'. We have proposed an audit adjustment to allocate income in the proper account. The council has amended the financial statements to include our audit adjustment.
- 2.11 The council should ensure that transactions are properly allocated to the correct account. Furthermore, the council should ensure that the trial balance is agreeing to the financial statements.
- 2.12 During the year under review the council included an amount of €3,200 with other Government income in relation to the 'LC Care Project Grant Support Scheme 2020'. The agreement specifies that the term of the project was for 2021. Furthermore, the council confirmed that the expenses for the scheme will be incurred in 2021. To this end, we have proposed an audit adjustment amounting to €3,200 to record it as deferred income. The council has included this adjustment in the final set of financial statements.
- 2.13 We recommend that the council records income in the correct period as required by IFRS.
- 2.14 We noted that during the year under review, the council recorded income amounting to €3,068 received from the Planning Authority for the 'Restoration of Street Shrines in St Nicholas Street' dated 31 October 2018. We noted that the council did not record this amount as accrued income in prior years. Settlement of payment of €3,068 was received in December 2020.

- 2.15 May we remind the council that income should be accounted for when contracted. The council should accrue for the income and defer it until the project is finalised.
- 2.16 In 2019 the council had deferred income of €4,260 received from the Planning Authority for the 'Restoration of four street shrines in the locality'. During the year under review the council expensed an amount of €11,233.60. We also noted that accrued income in relation to this grant was of €11,233.60. The council failed to deduct the amount received by the Planning Authority in 2019 which was included with deferred income. To this end accrued income was overstated by €4,260. We have proposed an audit adjustment to reverse the over provision of accrued income. The council has included this adjustment in the final set of financial statements.
- 2.17 We remind the council that the books of account should reflect the actual amounts received or still to be received and avoid any double posting. This would ensure that the books of account show a true view of the situation.

#### **Income from organic waste collection**

- 2.18 The following invoices were not sent to Wasteserv Malta Limited in the first week of the following month:

<b>Invoice month</b>	<b>Invoice date</b>
January 2020	13.03.2020
February 2020	30.03.2020
April 2020	26.08.2020
May 2020	26.08.2020
June 2020	26.08.2020
October 2020	31.12.2020
November 2020	31.12.2020

- 2.19 May we remind the council that the agreement signed with Wasteserv Malta Limited indicates that invoices should be sent to the latter in the first week of each of the following month.

#### **General income and custodial receipts**

- 2.20 During our audit fieldwork we noted that in certain instances the council failed to fulfil its obligation to deposit received income on a timely basis, namely:

<b>Details</b>	<b>Receipt date</b>	<b>Deposit date</b>	<b>€</b>
Truck permit	24.02.2020	02.03.2020	10.00
Kiosk permit	10.03.2020	16.03.2020	23.29
Lifter permit	10.06.2020	18.06.2020	10.00
Krejn and ready mix permit	14.10.2020	20.10.2020	10.00
Lifter permit	09.11.2020	16.11.2020	10.00
Ready mix permit	15.12.2020	22.12.2020	10.00
Lands receipts	11.06.2020	17.06.2020	250.00
Lands receipts	24.10.2020	29.10.2020	150.00
Lands receipts	16.12.2020	21.12.2020	249.50

- 2.21 The above is in contravention of the relevant regulations. Moreover, leaving cash and cheques on the premises can raise security issues.

### **Income from bye-laws**

- 2.22 In 2020, the council classified €1,040 income from courses with general income. We noted that this income falls under 'income from bye-laws' which is supported by S.L. 363.101 '*Organisation of courses (Mosta Local Council) Bye-Laws*'. To this end, we have proposed an audit adjustment to account for it in the appropriate account. The audited financial statements of the council reflect this adjustment.
- 2.23 Furthermore, we noted that the council generated a total income of €245 from publications which in the unaudited financial statements was classified under 'general income'. We noted that this income is supported by S.L.363.104 '*Publications (Mosta Local Council) Bye-Laws*'. We have proposed an audit adjustment to reclassify amount pertaining to publications from general income to income from bye-law. The council approved our audit adjustment and included it in the final set of financial statements.
- 2.24 We recommend that the council ensures that income from bye-laws is separately disclosed in the financial statements.

### **Income from LESA and regional committees**

- 2.25 The following invoice was not sent to LESA in the first week of the following month:

<b>Invoice month</b>	<b>Invoice date</b>
January 2020	12.02.2020

- 2.26 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.

## **3 Personal emoluments**

### **Allowances**

- 3.1 During audit testing on allowances, we noted that the council has erroneously classified the amount of €5,117 pertaining to other personal emoluments in the account of allowances. We have proposed an audit adjustment to rectify the issue. Our proposed adjustment was reflected in the audited financial statements.
- 3.2 We recommend that the council should allocate its expenditure to the appropriate accounts so that the expenses of the council are properly reported.

## **4 Expenditure**

### **Petty cash payments**

- 4.1 During our audit fieldwork we noted that the petty cash lists prepared by the council do not include details of the nominal account to which the expenses were allocated.
- 4.2 To this end, it is suggested that the council facilitates approval of petty cash expenditure by providing an analysis of all petty cash expenses and allocating the monthly total of each category of expense to the correct amount.
- 4.3 Furthermore, we noted that the following petty cash purchases exceeded the €50 threshold:



Details	Supplier	Date	€
Sanitizers sprays	Healthy Beauty Essentials	10.03.2020	55.48
Bulk postage for invitation	Malta post	10.09.2020	54.81

- 4.4 Directive 3/2017 and Legal Notice 269 of 2017 state that cash transactions paid through petty cash should not exceed €50. If expenditure surpasses the established threshold, then the council should obtain prior approval by means of a signed purchase order, quotations and make payment by cheque. The Local Councils (Financial) Regulations specify that no petty cash transaction shall be made for items of expenditure costing €50 or over in aggregate.

#### Procurement procedures

- 4.5 Our testing on cheque payments revealed instances where purchases were not supported by quotations in accordance with the Procurement Guidelines 2017. The following are examples:

Details	Supplier	€
Printing of magazine (il Mosta Ghalik) issue 1	Print Right Ltd	4,567.50
4 computers and monitors	Merlin Computer Ltd	3,823.20
Maintenance on CCTV cameras in 5 gardens 15 <sup>th</sup> Ottubru, Gorg Grognet de Vasse, Gharusa ta Mosta, Reggie Cilia & Sta Margherita	Faro Group Ltd	2,419.00
Removing illegally dumped waste in various streets	Charles Gauci	4,025.00
Flushing storm water culvert in Sqaq Nru 1 Triq il Kbirra with vacuum bowser and inspect it with camera	E.J. Mangion	1,675.00

- 4.6 In accordance with the Procurement Guidelines 2017 issued by the Department for Local Government the council should obtain at least three signed quotations for purchases exceeding €50 up to €5,000 unless, for purchases exceeding €50 but not €500, a direct order approved by the Executive Secretary is issued.

#### Expired contracts

- 4.7 We noted that the council continued using expired contracts during the year under review. The council kept on using the service from the same supplier under the old terms and conditions. The following are the expired contracts:

Tender number	Details	Date of expiry	Notes
KLM 02-2011	Provision for services of a legal consultant for Mosta Local Council	30.04.2015	(a)
KLM03-2011	Provision for a service of a maintenance hand/ messenger for the Mosta Local Council	31.05.2015	(b)
	Construction of footpaths and culverts and various other works	06.11.2015	(c)

- (a) The total expenditure for the provision for legal services incurred in 2020 amounts to €5,630. To date of audit fieldwork, the council did not issue a call for quotations.
- (b) The council incurred total expenditure of €35,743. To date of audit fieldwork, the council did not issue a call for tenders.
- (c) During the year under review the council paid a total amount of €94,857 in relation to the construction of footpaths, culverts and various other works. To date of the management letter, the council did not issue a call for tenders.

4.8 We would like to remind the council that the Procurement Guidelines 2017 issued by the Department for Local Government state that the council should start preparing for a new call for tenders ahead of the expiry date of existing contracts for those expenditure exceeding €10,000. May we also remind the council that, purchases equal to or above €5,000 but below €10,000 should be supported by a call for quotations issued through ePPS system.

#### **Insurance policy**

4.9 During our audit we identified the following discrepancies between the asset insurance cover and net book value of assets included in the prior year audited financial statements:

Asset	Sum Insured €	NBV €
Building	500,000	245,823
Plant and machinery	10,000	-
Office equipment, computer equipment and furniture and fittings	126,500	29,762
	<b>636,500</b>	<b>275,585</b>

- 4.10 It is evident that the above fixed assets are over insured. May we advise the council to perform at least an annual review of its insurance policy in order to ensure that the council's insurance coverage is in line with current legislation.
- 4.11 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. We recommend that the insurance at least covers the replacement cost of the assets.

#### **Rent agreements**

- 4.12 During the year under review the council provided us with the contract agreement of 'The Targa Gap Battery'. The contract agreement was dated 20 November 2012 with a lease term of 15 years stating that the rent of this property amounts to €6,900 per annum. We were also provided with the invoice for the rent of 'The Targa Gap Battery' amounting to €4,140. Thus, the contract agreement is not in line with the invoices issued to the council.
- 4.13 We recommend that the contract agreement should be in line with the invoices issued to the council to avoid possible future disputes.

### **IFRS 16 'Leases' assessment**

- 4.14 Whilst performing our audit procedures we noted that the council recorded a rent expense amounting to €36,645.75 in the books of account in relation to five properties leased by the council. The council failed to assess and account for the leases in accordance with IFRS 16.
- 4.15 We recommend that the council performs an IFRS 16 assessment to establish whether the council should account for the rent expense in accordance with IFRS 16 accounting treatment. In accordance with the new standard, at lease commencement date, the council should recognise a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the council, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). The council should depreciate the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of, the end of the useful life of the right-of-use asset, or the end of the lease term. The council should also assess the right-of-use asset for impairment when such indicators exist. At the commencement date, the council should measure the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the council's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. After initial measurement, the liability should be reduced for payments made and increased for interest.

### **Contract Manager**

- 4.16 We noted that during the year under review the council did not issue a call for quotations/tender in accordance with the Procurement Guidelines 2017 to appoint a contract manager. To date of the audit fieldwork the council failed to issue a call for tenders/ quotations. This is not in line with directive 03/2019.
- 4.17 Directive 03/2019 states that the council had to appoint a contract manager by 31 December 2019.

## **5 Fixed assets**

### **Fixed asset register**

- 5.1 During our audit fieldwork we were not presented with a fixed asset register. We have been informed that the council has not updated the fixed asset register since 2019.
- 5.2 In our previous management letter we had informed the council that the fixed asset register was not agreeing to the 2019 unaudited financial statements as below:



Category	NBV in 2019	NBV in 2019	Difference
	fixed	Unaudited	
	Asset register	financial	
	€	statements	€
Improvements to premises	5,952	400	5,552
Computer equipment	2,786	2,274	512
Office equipment	21,124	4,933	16,191
Urban Improvements	33,770	24,060	9,710
Plant & machinery	18,750	-	18,750
Office furniture & fitting	43,952	11,472	32,480
Construction works	836,930	275,593	561,337
Special programmes	501,079	279,553	221,526
Software	2,278	747	1,531
	<b>1,466,621</b>	<b>599,032</b>	<b>867,589</b>

- 5.3 In our previous management letter we noted that in 2018 the council was requested to change its depreciation method from reducing balance method to straight line method in line with Directive 1/2017. The council had provided us with the workings agreeing to the audited financial statements as at 31 December 2018. However, whilst reviewing the fixed asset register of 2019, we noted various shortcomings which the council did not address during 2019. These are explained in notes 5.4 and 5.5.
- 5.4 Previously we noted that various assets had a nil net book value in 2018. However, when these were inputted from excel format to the fixed asset register, the council included a revalued amount. In 2019, the council was recording the depreciation for these assets even though the assets had a nil net book value in 2018. Examples include assets in the construction category with asset codes from C003 to C160.
- 5.5 We have also noted that in 2018 the council had prepared depreciation workings in excel format over the useful life of the assets. When inputting the net book value of assets in the fixed asset register the council included a standard rate for each category of assets rather than the useful life of assets. Initially the council should have allocated a depreciation rate for each individual asset based on the remaining useful life. In this case the depreciation for the various categories was understated.
- 5.6 In addition to the requirement in the Regulations, the council is contravening circular 1/2021 which obliges councils to ensure that the fixed asset register agrees to the nominal ledger.
- 5.7 furthermore, the council should ensure that the fixed asset register at least include the following details:
- Description of asset
  - Date of purchase
  - Supplier details
  - Invoice number
  - Asset tag code
  - Cost
  - Depreciation method and rate
  - Location of the asset
- 5.8 During the year under review the council failed to provide us with the depreciation workings used for the preparation of the unaudited financial statements. Our



depreciation workings and adjustments noted in note 5.21 were based on the 2018 workings provided in previous year which agreed to the 2018 audited financial statements and including all additions made in 2019 and 2020.

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

### **Tagging of fixed assets**

- 5.10 We again noted that the council's assets have not yet been tagged (where applicable). This is in breach of the Local Councils (Financial) Procedures, 1996.
- 5.11 We recommend that the council tags its fixed assets, where applicable, as soon as possible. This would enable individual assets to be identified and their physical existence verified once the plant register is compiled.

### **Additions to fixed assets**

- 5.12 Whilst reviewing additions we noted that total additions in the financial statements amount to €39,019 whereas the books of account has an amount of €66,628. The difference of €27,609 was noted in special programmes. The council informed us that the difference pertains to the reversal of grant for the PPP programme received in 2012. The council failed to provide any further explanation or supporting documentation. To this end we have qualified our audit opinion as fixed asset additions are not properly reported.
- 5.13 We recommend that the council keeps all documentation in hand and ensures that all adjustments posted in books of account are backed up by their respective agreements. Furthermore, if this was a grant received the council should not have netted off the grant from additions however included the amount in the grants section of the property, plant and equipment schedule.
- 5.14 During audit testing on additions, we noted that the council erroneously classified the amount of €3,832.20 pertaining to computer equipment as office equipment. We have proposed an audit adjustment to rectify the issue. We have also passed an audit adjustment to reclassify its respective depreciation of €955.80 to the appropriate account. The adjustments have been reflected in the audited financial statements.
- 5.15 In addition to the above, we noted that the council erroneously classified the amount of €213,913.22 in relation to Zokrija outdoor gym equipment and soft flooring as construction. The council informed us that the outdoor gym is still not in use, and the architect certificate has not been issued. Hence, this should be classified as assets under construction. We have proposed an audit adjustment to rectify the issue. We have also passed an audit adjustment to reverse its respective depreciation amounting to €10,695.66. Our proposed audit adjustments were approved by the council and reflected in the audited financial statements.
- 5.16 We recommend the council to allocate its capital expenditure to the appropriate accounts so that the assets of the council are properly reported.
- 5.17 We have also noted that an amount of €22,302 in relation to street lighting was expensed instead of capitalised. We have proposed an audit adjustment in order to properly account for the capital expenditure. The council has included this adjustment in the final set of financial statements.

- 5.18 The council should not expense costs which are of a capital nature. IAS 16 states that the asset purchased should provide future service potential. In this case, the capital expenditure incurred were to add economic benefits or service potential.
- 5.19 Our testing on fixed asset additions revealed the following irregularities for the below listed purchases:

Details	Supplier	€	Note
Electrical work outdoor gym	Robert Borg	851	a
4 computers and monitor	Merlin	3,823	b
Pedestrian crossing	Solar	5,192	a
Protective screen	AF Sign Studio	1,198	b
Stainless steel poles	Charles Schembri	1,298	b

- (a) The council failed to obtain any quotations.  
 (b) The council obtained only one quotation.

- 5.20 In accordance with the Procurement Guidelines 2017 issued by the Department for Local Government the council should obtain at least three signed quotations for purchases exceeding €50 up to €5,000 unless, for purchases exceeding €50 but not €500, a direct order approved by the Executive Secretary is issued.

#### Depreciation of fixed assets

- 5.21 During the year under review we have again noted that the council's depreciation charge was understated by €120,213.88. We proposed an adjustment to rectify this issue. This was accepted by the council and corrected in the final set of financial statements.
- 5.22 We reiterate our recommendation that the plant register is updated to agree to the nominal ledger. This will ensure that the depreciation calculated by the plant register is correctly reflected in the financial statements.

#### Assets not yet capitalised

- 5.23 On 19 December 2016 the council entered into an agreement with Pama Shopping Village Limited. The agreement is in connection with PA (2560/16) where the latter was subject to a €500,000 fine approved by the Planning Authority. Pama Shopping Village Limited was bound to use all the funds on the below projects with the remits of Mosta.

Project	Amount €
Two playing fields	230,000
Pavement works Pantar Road	50,000
Fountain in Pjazza Rotunda	20,000
Pavement works in Mosta	200,000
	<b>500,000</b>

- 5.24 In our previous management letter we noted that the council incurred development and other related fees payable to the planning authority in connection with the public convenience project. In 2019 the council also incurred costs for the 'Monument tal- Ljun'. These costs were covered by the above PAMA funds. The

council failed to capitalise completed projects and current projects and it also failed to record the amounts for the respective projects as grants received.

- 5.25 The agreement specifies that all projects undertaken are under the authority of the council and upon completion they will fall under the responsibility of the council. To date the council failed to recognise these assets in the books of account.
- 5.26 We recommend the council to obtain a list of projects completed including architect certifications. The council should also obtain a list of assets under construction and projected date of completion. Once the project is finalised and ready for use, the total cumulative amount should be capitalised and also included in the fixed asset register.

#### Accounting for Grants

- 5.27 In the previous year's management letters the predecessor auditors had pointed out that no supporting documentation was available for the below grants:

Grant	€
EU Grant – Archaeotur Project	72,571
EU Grant – Measure 313	32,212
EU Grant – Measure 323	113,414
EU Grant – Cultural Exchange	69,843
	<b>288,040</b>

- 5.28 In prior years the council reclassified the grants with 'Property, plant and equipment'. To this respect our audit report is qualified.
- 5.29 May we recommend the council to assess the basis for which these grants were received and confirm that all costs have been capitalised. The council should ensure that grants have been allocated to the correct category and necessary reclassification or adjustments should be made to properly record the grants.

## 6 Stock

### Stock count

- 6.1 During the audit fieldwork we counted books in the premises of the council and noted the following discrepancies:

Book title	Books in provided stocklist €	Books counted during audit fieldwork €	Difference €
Mosta Bejn Fidi u Storja	459	454	4

- 6.2 We were informed by the council that the books were given for free. We have proposed an audit adjustment of €27.72 to record the stock given for free. The council correctly included our proposed adjustment in the final set of financial statements.

- 6.3 We recommend the council to ensure that stock count is performed regularly. In case any damages are identified it should be properly documented and books of account adjusted accordingly.

**Net realisable value of inventory**

- 6.4 During the year we noted that the council's inventory is slow moving. Furthermore, we were informed that the council will be printing more books in 2021.
- 6.5 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.

**7 Trade and other receivables**

**Pre-regional receivables**

- 7.1 In our testing on LES debtors, we obtained report 622 generated from the Loqus system and found that tribunal pending payments as at 31 December 2020 were €382,485.85. The council has passed an entry of €36,193.83 against LES debtors to agree the books with the LES report. We have proposed an adjustment to reverse the entry passed by the council as there is uncertainty as to whether the LES reports are correct. This adjustment was properly reflected in the audited financial statements.
- 7.2 We would like to remind the council that it is the council's responsibility to investigate these differences and refer them to Loqus.
- 7.3 During the year under review the council received a payment of €291.17 from pre-regional LES receivables. The council has passed the entry against income but failed to pass an adjustment against the debtors and provision for bad debts account. We have proposed an audit adjustment to rectify the issue. This was correctly adjusted in the financial statements.
- 7.4 We would like to remind the council that any receipts of pre-regional contraventions should be recorded against LES debtors while the provision for doubtful debtors should be reduced by an equivalent amount.

**Overdue receivables**

- 7.5 We noted that a total provision of €6,615.29 was recorded as at 31 December 2020 in the books of account for the trade receivables out of which the following have been long overdue:

<b>Debtor</b>	<b>€</b>
Ace English Malta	140.00
Aisha	298.57
Ezy Fit Ltd	140.00
Executive Services Limited	168.50
Go	776.53
Joseph Borg	116.47
Ministeru tas-Sahha L-anzjani u l-kura	4,527.87
Magical moments	290.50

Pizze	70.00
Rita Fenech	52.00
South Eastern Region	34.85
	<b>6,615.29</b>

- 7.6 We recommend that, although a provision has been made, the council should continue trying to obtain settlement from these debtors reminding them that the amounts have been long overdue.
- 7.7 We have again noted some long-term receivables which have not been provided for. These are summarised below:

<b>Debtor</b>	<b>€</b>
Cauchi Stationery	811.25
David Debono	90.00
Executive Secretaries Limited	168.50
E.M.Y Enterprise Limited	400.00
GRTU	30.00
Owen Galea	469.64
Parocca Mosta	540.00
Partit Laburista	25.00
Silvestar	90.00
Rines Vending Machine	166.66
Transport Malta	3,107.74
WM Environmental	250.00
	<b>6,148.79</b>

- 7.8 We recommend that the council regularly reviews overdue receivables for recoverability. If their recoverability is doubtful, the council should consider making a provision for all amounts after obtaining the approval of the council in meetings. Furthermore, the council should send continuous reminders/statements to its debtors to ensure that the council still has the right to collect the amounts due.

#### **Alternative procedures on trade receivables**

- 7.9 Whilst carrying out alternative procedures, we noted that the debtor balance for LESA did not agree to the outstanding invoices provided by the council by €128.12. No explanation was provided by the council for the above difference.
- 7.10 We recommend that the council should prepare regular reconciliations of amounts to promptly highlight any differences.

#### **Prepayments**

- 7.11 During our audit we noted that the prepayment for the rent of the Mosta Centre of €3,537 was omitted from the books of account. An audit adjustment was proposed to account for the prepayment. This was correctly adjusted in the financial statements.
- 7.12 We recommend that prepayments are properly accounted for so as to reflect expenditure based on the accruals concept.

## 8 Bank and cash

### Bank reconciliation

- 8.1 The books of account show that BOV account 17211608022 has a book balance of €1,015,634.79. The bank statement included a balance of €1,014,971.35, thus the difference between the books and bank statements resulted to €663.44. The council provided us with a list of outstanding deposits of €440. However failed to reconcile the remaining difference of €223.44.
- 8.2 We recommend that the council investigates the balance in the books of accounts and reverses it against the correct account.
- 8.3 During our fieldwork on bank balances and bank reconciliations we noted that the nominal account for BOV account 40019032061 had a closing balance of negative €124,685.66 whereas bank statements as at year end show a balance of €10. As a result the difference between the books and bank statements was of €124,695.66. The council provided us with a list of outstanding payments with a total of €111,607.32 and an unreconciled difference of €13,088.34. Upon further enquiry to the council, we noted that upon closing the books of account the council excluded two payments made October 2020 amounting to €13,091.67 in the bank reconciliation.
- 8.4 We recommend that adequate procedures are put in place to ensure that bank reconciliations are agreeing to the books of account. Furthermore, the council should ensure that transactions are recoded in the books in a timely manner. This would reduce the risk of possible misstatements in the books of account.
- 8.5 During the audit we noted that the bank BOV current account reconciliation included the below reconciling items:

Transfer number	Transfer date	€
95322707	25.09.2020	1,308.48
97765104	23.12.2020	1,701.42
97764438	23.12.2020	2,198.07
		<u>5,207.97</u>

- 8.6 When reviewing bank statements, we noted that the above transfers were already withdrawn from the council's bank account. The council informed us that the payments were posted twice in the bank nominal account and an adjustment as at year end was posted to the public property account. To this end we have passed an audit adjustment to reverse €5,207.97 reconciling transfers. The council approved our audit adjustment and included it in the final set of financial statements.
- 8.7 The above errors show that the council cannot rely on the bank reconciliations since the balance shown in the books of account are materially misstated. If the list of unrepresented cheques is materially overstated, then it follows that the balance in the books of account is also understated by the same amount. We strongly recommend that the bank reconciliation is redone to determine all errors and ensure that the book balance is correct. It is absolutely essential that the council keeps strong control over its cash and bank balances. The above indicates that control, if any, is very weak.



## **Petty cash balance**

- 8.8 When testing petty cash we noted that the total petty cash in hand was € 314.98. This exceeded the maximum balance of € 232.94 stipulated by Local Councils (Financial) Procedures.
- 8.9 We recommend the council to abide to the maximum balance stipulated by the Local Council (Financial) Procedures.

## **9 Trade and other payables**

### **Supplier statements**

- 9.1 The council did not obtain monthly statements from all of its suppliers. Directives and circulars issued from time to time by the Department for Local Government specifically state that the council should obtain monthly statements from all suppliers.
- 9.2 We again recommend that the council obtains monthly statements from all suppliers in order to ensure proper recording of creditors in the council's ledgers. This will highlight any discrepancies between amounts recorded in the ledger and amounts in suppliers' statements.

### **Long-outstanding creditors**

- 9.3 The council's creditors' list includes the following balances which have been outstanding for more than one year:

<b>Creditor</b>	<b>€</b>
David Debono	450.00
Ell's Urban Improvements Limited	10,201.56
The Lighthouse Keepers	284.52
Top Serv Limited	495.58
Transport Malta Limited	359.62
V & C Contractors Limited	55,208.02
WM Environmental Limited	17,953.64
	<u><b>84,952.94</b></u>

- 9.4 We recommend that the council reviews these amounts and, either settles them if still due, or else reverses them after having obtained approval from the council. Furthermore, decisions and discussions regarding these balances should be minuted during the council meetings.

### **Trade payables' reconciliation**

- 9.5 According to the council's creditors' list as at 31 December 2020, trade payables amount to €505,464. The balance disclosed in the trial balance as trade payables amount to €385,919, that is a difference of €119,545. Upon enquiry to the council, we noted that the difference noted was due to the adjustments passed by the council when concluding the unaudited financial statements. The adjustments were mainly the reversal of the V & C Contractor amount of €47,728.02 against the construction account and accounting of Wasteserve tipping fees of €71,817.52 against other government income (refer to note 2.6).

- 9.6 We recommend that the council reconciles the creditors' list with the creditors' control account. According to the Local Councils (Financial) Procedures, 1996, records and ledgers should be reconciled at least monthly. Furthermore, the council must ensure that the financial statements agree to the trial balance prior to signing.

**Confirmation of trade creditor**

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

Supplier	Amount in council's books of account €	Amount in confirmation reply €	Difference €
Koperattiva Tabelli u Sinjali	23,180.92	23,788.46	(607.54)

To date of the management letter the council did not provide a reconciliation and explanation for the above difference.

- 9.8 In our previous management letter, we noted that the amount recorded in the books of account do not agree with amounts confirmed by V & C Contractor Limited as below:

Supplier	Amount in council's books of account €	Amount in confirmation reply €	Difference €
V & C Contractor Limited	77,648.02	29,914.79	47,733.23

- 9.9 During the year under review we noted that the council reversed the amount of €47,728.02 against the construction asset account. The council failed to provide any supporting documentation for the above noted reversal and the adjustment was not approved in council meeting. To this end we have passed an audit adjustment to reverse the entry posted by the council. This has been reflected in the audited financial statements.
- 9.10 Furthermore, during the year under review the council failed to investigate from where the difference is arising. To this respect our audit report is qualified.
- 9.11 We remind the council that circular 1/2021 states that the council should reconcile creditors' balances on a regular basis, thus identifying and investigating any differences as soon as possible.

**Alternative procedures on creditors**

- 9.12 When performing alternative confirmation procedures on the balance due to creditors by verifying payments after year-end and outstanding invoices, we identified the below differences:

Supplier	Amount in council's books of account €	Payments after year end and outstanding invoices €	Difference €
Ell's Urban Improvements Limited	60,392.63	45,848.27	14,544.36
Sandro Caruana	1,273.97	1,434.25	(160.28)
Northern Cleaning Group	92,333.45	88,792.45	3,541.00
WM Environmental Ltd	19,054.48	19,211.85	(157.37)

9.13 To date of the management letter the council failed to provide an explanation for the above differences. To this respect our audit report is qualified.

9.14 The above situations highlight the importance of reconciling creditors' balances to suppliers' statements. Thus, once again we recommend obtaining suppliers' statements on a monthly basis and reconciling immediately in order to identify any discrepancies promptly. We suggest that all differences identified are investigated and adjusted accordingly.

#### Other creditors

9.15 Included with other creditors is a balance of €13,370.28 with respect to 'rent due to Lands Department'. This balance is being carried forward from previous years. The council failed to provide us with supporting documentation. Our audit report was qualified in this respect.

9.16 We advise the council to review this amount, and either settle the balance or, if not due, reverse this after careful consideration and approval by the council. All discussions and decisions taken should be minuted accordingly.

9.17 We noted that other creditors also include a balance of €231.85 with respect to 'other creditors – library'. The council informed us that it collects income on behalf of the library for photocopying services. The income is recorded in the council's books of account and included with other creditors. The income is then used to cover expenses in connection with library such as printer toner etc.

9.18 We recommend that all payables included in the books of account are adequately supported by invoices. The council should appropriately record any income or expenditure in the profit and loss statement.

#### Refundable deposits

9.19 During our audit fieldwork we noted that the council collects deposits for permits of construction works carried out in the locality of Mosta. The deposits are refunded back only if the council obtains assurance that the sites were left in a good condition after all works have been carried out.

9.20 The books of account include an amount of €58,060.70 in relation to refundable deposits. The council has provided to us a list stating that the refundable deposits as of 31 December 2020 were €58,522.96. This results in a difference of €462.26. We also noted that the deposits vary from 2007 to 2019. The council also informed us that the permit deposits are deposited in two separate bank account (one savings



and one current). As at 31 December 2020 the council had €59,907.64 in its bank accounts. When compared to the books of account this highlights a difference of €1,846.94.

- 9.21 Whilst reviewing the list of refundable deposits we also noted deposits of €500 collected for construction works. The council informed us that a higher deposit is obtained to cover higher risks. S.L 441.04 of 2002 legislating deposits states that deposits obtained for permits cannot exceed €232.94.
- 9.22 The council should review this balance and reconcile all differences noted above. Furthermore, the council should seek legal advice to check if these deposits are time-barred and in that case recognise them in income accordingly.
- 9.23 We recommend that the council reviews these amounts and, either settles them if still due, or else reverses them after having obtained approval from the council. Furthermore, decisions and discussions regarding these balances should be minuted during the council meetings.

**Accruals**

- 9.24 Whilst testing accruals we noted that the council has failed to accrue for the below expenditure:

Supplier	Details	€
DTR	Professional services	8,530.51
D Street Lighting	Christmas decorations	12,980.00
Boom Consultancy	Data protection office services	424.80
Galea Cleaning Limited	Street sweeping December 2020	12,083.67

Audit adjustments were proposed to increase the expense and accrual as appropriate. Our proposed audit adjustments were approved by the council and reflected in the audited financial statements.

- 9.25 The council should make adequate provisions for accrued expenditure so that the expense is recorded in the correct accounting period.
- 9.26 During the year under review, the council accrued for youth work for October to December 2020 amounting to €1,530. During our testing, we were provided with invoices with a total of €915. Thus the balance was overstated by €615. In the view of this, we proposed an audit adjustment to decrease the balance by €615. This adjustment was properly reflected in the audited financial statements.
- 9.27 Whilst testing the accruals for rent we noted that the council recorded an accrual of €1,019.89 for December 2020. In notes 9.30 and 7.11 we have noted that audit adjustments were proposed to record an omitted invoice from creditors for the rent of the Mosta Day Care Centre for period November to February 2021 and the respective prepayment. To this end we have proposed another audit adjustment to reverse the above accrual for rent. The council has amended the financial statements to include the audit adjustment.
- 9.28 The council should endeavour to compute accruals as accurately as possible so that expenditure is recorded in the correct financial period based on the accruals concept of accounting.



**Unrecorded liabilities**

- 9.29 Whilst reviewing subsequent year end payments, it came to our attention that the council has omitted an invoice from CX Ironmongery Limited dated 2 November 2020 for €495.82. We have proposed an audit adjustment to record the invoice in creditors. This was approved by the council and incorporated in the financial statements.
- 9.30 While reviewing rental invoices for the year we noted that the council failed to record the November invoice received from CH Formosa of €7,940.08 for the rental of the Mosta Day Care Centre. We have proposed an audit adjustment to account for the omitted invoice and include the prepayment as noted in note 7.11).
- 9.31 We recommend that the council ensures that expenditure is accounted for when it is incurred so that expenses and liabilities are accounted for in the proper financial year.
- 9.32 When reviewing subsequent payments, we noted that the council double posted the invoice for street Sweeping services for October 2020 amounting to €12,083.67. In this regard, an audit adjustment was proposed to rectify the situation. The adjustment was approved by the council and incorporated in the audited financial statements.
- 9.33 We recommend that the council ensures that all expenses being included in the accounts reflect the actual invoices received and that there is no double posting to ensure an accurate picture of the expenses incurred.

**10 Books of account**

- 10.1 During audit fieldwork we identified a number of transactions passed in the books of account which consisted of grouped transactions. The nominal ledger did not include details identifying the items which are reclassified and thus it was difficult to trace all movements. This was noted in YE2020 adjustments posted in the books of account as at 31 December 2020.
- 10.2 Transactions in the books of account should be posted individually. In particular all journal entries should be substantiated by a detailed narrative explaining the purpose of the journal entry.

**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 2, the sub-header 'New and Amended Standards Adopted by the Local Council' includes incorrect information. IFRS 16 *Leases*, was adopted in 2019 and not 2020. Furthermore, the council failed to update the financial year in note 2 to the financial statements.
  - ii. Note 2, to the financial statements, the council is stating that in has applied IFRS 16 using the retrospective approach. The council failed to apply IFRS 16 during the year under review (refer to note 4.14).



- iii. Note 2, the sub-header 'Local Enforcement System' includes incorrect information. As from 2015 the council is receiving 10% commission from LESA.
  - iv. Note 16, 'Receivables' should separately disclose accrued income from prepayments.
  - v. The council failed to include accrued income in the Financial Risk Management note.
  - vi. The council failed to exclude non-financial liabilities from note 24 'Summary of financial assets and liabilities by category'.
  - vii. Note 16 to the financial statements does not disclose the financial and non-financial receivables.
  - viii. Note 18 to the financial statements does not disclose the financial and non-financial payables.
  - ix. The accounting policy for property, plant and equipment includes the percentage rather than range of years or percentages due to change in the depreciation method.
- 11.2 We recommend that the council gives more attention to the preparation of the financial statements. We are pleased to note that the council has correctly amended notes i and iii to viii, however failed to update notes ii and ix to the financial statements.
- 11.3 In addition to the above, we identified further shortcomings in the council's financial statements:
- i. The council failed to disclose separately the provision for bad debts for receivables in note 15 to the financial statements.
  - ii. The council failed to disclose separately LES Debtors and their respective provision including any movement noted during the year.
  - iii. Mayor remuneration in note 8 does not cross cast to amounts included in note 9.
- 11.4 We recommend that the council gives more attention to the preparation of the financial statements and includes all the disclosures required by accounting standards. The council amended the financial statements with the above.

## **12 Meetings**

### **Binding of minutes**

- 12.1 We observed that the minutes of the council are not hard bound at the end of each financial period or legislature.
- 12.2 We recommend that the council adheres to the provisions in the Local Councils (Office) Procedures, 1996 and arranges for the previous year's minutes to be bound. The binding of minutes should be given due importance since this provides the only permanent, unchangeable record of council meetings and discussions taken.

### **Approval of minutes**

- 12.3 We have again noted that the council is not approving the meeting minutes in the subsequent meeting. Meeting minutes 12 were approved in meeting 14. The council did not provide any explanation for not approving minutes in the subsequent meeting.



- 12.4 This contravenes the Local Council (Meetings) Procedures which state that the council should print the minutes and attach them to the agenda for the next formal meeting of the council for approval.
- 12.5 In addition to the above, meetings 12, 18, 22, 23, 24 and 25 lasted more than three hours.
- 12.6 We would like to remind you that memo 68/2009 states that the duration of meetings should not exceed three hours, unless the consensus of all those present to extend the meeting is obtained.

**13 Electronic site**

- 13.1 We noted that the council did not upload signed copies of the following documents on the website of local councils within the required time frame:
  - (a) Quarterly financial reports covering January – September 2020 were not uploaded on the council website within the stipulated time frame.
  - (b) To date of the audit fieldwork the council failed to upload the quarterly financial report for October to December 2020.
  - (c) The council failed to upload the business plan for 2021 – 2025 on council’s website.
  - (d) To date of the management letter the council failed to upload the annual administrative report for 2019.
  - (e) The audited financial statements, management letter and reply to the management letter for 2019 were uploaded late on council website.
- 13.2 We remind the council of the requirements of memos 77/2009 and 102/2010 to upload the signed minutes on the website within three working days. In addition the council should upload all other reports, audited financial statements and management letter within the specified time frame.

**Uploading of management letter and other documents**

- 13.3 During the audit fieldwork we noted that the council uploaded the 2019 management letter in accordance with Circular 21/2019.
- 13.4 We would like to remind the council of the General Data Protection Regulations as indicated in SPI7/2018. 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 GDPR prior to uploading on the website. This is also highlighted in Circular 7/2019 which states that names of third parties not directly connected with the operations of the council should not be published.
- 13.5 We therefore recommend that the council contacts the Department for clarification of this contradiction.

**14 Schedule of payments**

- 14.1 During our review of the schedules of payments, we noted various deficiencies relating to the amount of detail shown in the schedules. Some instances include:
  - i. Account numbers are not included on the schedules of payments.

- ii. Purchase orders are not listed on the schedules of payments.
- iii. Purchase request details are not listed on all the schedules.

This is not in accordance with the template schedule of payment issued by the Department for Local Government.

- 14.2 The council should fill in all details in the schedule of payments as required by memo 37/2011. The required details allow easy cross-referencing between the schedule of payments and the expenses included in Sage.

## 15 Comparison with annual budget

- 15.1 We again noted that some items in the budget were classified as 'operations and maintenance expense' while in the financial statements these were disclosed under administration expenses'. These include categories of expenditure such as rent, community and hospitality.
- 15.2 Furthermore, when comparing the budgeted figures with the actual figures of the year under review, we identified the following differences:

	Budgeted €	Actual €	Difference €
<b>Expenditure</b>			
Personal emoluments	353,643	274,983	78,660
Operations and maintenance	1,008,700	904,446	104,254
Administrative and other expenditure	189,894	626,198	(436,304)
	<b>1,552,237</b>	<b>1,805,627</b>	<b>(253,390)</b>

- 15.3 The council should categorise expenditure of the annual budget in line with the financial statements as it will facilitate the comparison of expenditure. Furthermore, we recommend that the council compares budgeted figures to actual figures at least on a quarterly basis to ensure expenditure is in line with budgeted amounts. The council should apply due care and diligence when compiling the budget figures as required by the Financial Regulations.

## 16 Specimen chart of accounts

- 16.1 We noted that the council is not using the specimen chart of accounts that is mandated for local councils and regional committees.
- 16.2 The chart of accounts presented by the council should be in accordance with those set out in the Local Councils (Financial) Procedures section b.02 – b.04 and explanatory notes C.01 to C.07. Using the standard accounts will facilitate comparability of profit and loss and balance sheet from year to year. It will also enable comparison of results between councils.

**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 Lorraine Templeman and her staff for their co-operation and assistance during the course of the audit.

Yours faithfully,

