



KUNSILL LOKALI
MOSTA
LOCAL COUNCIL

22nd September 2021

National Audit Office
Notre Dame Ravelin
Floriana
FRN 1600

Your Ref NAO 107/2021/39

Dear Sir/Madam,

Re: **Mosta Local Council – Audit 31st December 2020**

We are in receipt of your Management Letter dated 31st August 2020 in connection with the Audit of the Council's financial records as at 31st December 2020, received at the Council's offices on the 3rd September 2021. We would like to take this opportunity to thank you at Grant Thornton for the services and co-operation provided to the Council during the audit exercise.

We have taken note of the weaknesses and recommendations that arise from the review of our systems and we will do our utmost to implement them and to be in conformity with the Local Councils Act (1993), the Financial Procedures (1996), the various Legal Notices and the Local Council's Department Memos.

We the undersigned, Romilda B. Zarb and Lorraine Templeman, Mayor and Executive Secretary respectively, are addressing the shortcomings and needs of the Council with the sole aim to be in line with the rules and regulations of the Local Government Department.

Hereunder are our answers with regards to the shortcomings which in your opinion need the Council's attention.

1. FOLLOW-UP: MANAGEMENT REPORT – YEAR ENDED 31 DECEMBER 2019

The Council has addressed all matters which were mentioned in last year's management report, other than those, which are outside the control of the Council.

2. INCOME

Joint Committee

The Council has made persistent representations calling to get such a report within the respective time frame. Therefore, there were no further actions to be taken as it is beyond the Council's control.

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Central Government Income

Comment noted and suggested reclassification posted in the updated financial statements.

Supplementary Government Income

Comment noted and suggested reclassification posted in the updated financial statements.

Other Government Income

Comment noted and suggested reclassification posted in the updated financial statements. The project for the restoration of niches has been in the pipeline for a long time and at times, the Council was worried that money may be lost and thus an accrued income was not provided in previous years.

Income from organic waste

Noted. Any reclassifications as suggested by the auditor were included in the updated financial statements. It is also to be noted that the invoice to Wasteserv can only be issued upon the receipt of invoice from the supplier.

General income & custodial receipts

Noted, when we do not deposit daily, cheques and cash are locked in a safe.

Income from bye-laws

Noted. Bye-laws are on our website, only those which have not been finalised are not yet uploaded.
<https://www.mostalocalcouncil.com/mt/pages/pubblikazzjonijiet>

Income from LESA and regional committees

Noted. When we have delays, this is usually due to staff sick leave and vacation leave.

3. PERSONAL EMOLUMENTS

Allowances

Comment noted and suggested reclassification posted in the updated financial statements.

4. EXPENDITURE

Petty cash payments

Noted. We will implement your advice and add the nominal account in the petty cash report.

Procurement procedures

Noted. Sometimes we will face a situation where the works are urgent or cannot be done by another supplier because of brand etc. There are various explanations about the matters raised by the auditors. Printing of magazine – we now have a tender in place; Computers and monitors – prices and quotes are provided by our IT company, who see to seeking quotes depending on the requirements



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and what is available on the market; CCTV cameras- CCTV cameras belong to FARO group, which were purchased via the tendering procurement procedure, therefore its' FARO group who are required to do the maintenance as per our maintenance agreement; Removal of illegally dumped waste and flushing of storm water culverts, these are usually urgent matters, where safety of residents comes first, including possibility to avoid third party damages.

Expired contracts

a) KLM 02-2011 – this is not expired besides this was never tender based but quote based, which is in order. We sought quotes which are available, and also we did not exceed the 5,000 excluding VAT. The total for this service amounting to 5,630 is inclusive of VAT, therefore such quotations do not need to be issued through the ePPS System.

b) KLM03-2011 – noted

Insurance policy

Ok Noted.

Rent agreements

Re Targa Battery. Please note that the rent amount agreed was reviewed. This is supplied by an e-mail not by an updated contract. Copy available on request.

IFRS 16 leases assessment

In our view, IFRS 16 'Leases' does not apply for Government Leases and since matter is immaterial, such accounting was deemed unnecessary.

Contract Manager

Kindly note we are awaiting on the Northern Region to employ a CM, which will be working with Councils falling within the Northern Region.

5. FIXED ASSETS

Fixed Asset Register

Noted. We are doing our utmost to remedy our situation during this current year, as with the previous SAGE we were encountering issues, and we will be soon, upgrading and buying an updated SAGE system.

Tagging of Fixed Assets

Ok Noted. We are trying to do utmost to arrange our situation during this current year, as with the previous SAGE we were encountering issues, and we will be soon, upgrading and buying an updated SAGE system.

Additions to Fixed Assets



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New Sage Line50 would help us to monitor and updated fixed asset records better, both in the FAR and also in the Nominal Ledger.

Depreciation of fixed assets

Comment noted and suggested audit adjustment posted in the updated financial statements.

Assets not yet capitalised

Noted. We are working on this and hope to arrange our situation during this current year. We will be asking PAMA architect to provide their certification.

Accounting for grants

These grants refer to old balances, and the Council does not have such records of these balances.

6. STOCK

Stock Count

Comment noted and suggested audit adjustment posted in the updated financial statements.

Net realisable value of inventory

Comment noted

7. TRADE AND OTHER RECEIVABLES

Pre regional receivables

Noted. We will contact Loqus as per your advice.

Overdue receivables

We are taking care of our debtors by sending a statement quarterly. Last year, we also sent a legal letter to long overdue debtors to settle and pay their debts. We will make a provision after Council approval as per your advice.

Alternative procedures on trade receivables

Noted

Prepayments

Comment noted and suggested audit adjustment posted in the updated financial statements.

8. BANK AND CASH

Bank reconciliation



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Noted. Bank reconciliations are prepared every month for every bank account. Mentioned case by the auditor was a one off, which error resulted due to the incorrect final bank reconciliation being filed on file. Error is regretted. Any suggested audit adjustment was included in the updated financial statements.

Petty cash balance

Noted.

9. TRADE AND OTHER PAYABLES

Supplier statements

Comments have been noted. We do chase and send reminders, but we have no control over this.

Long outstanding creditors

Noted. We will implement your advice and get the statements and settle or reverse balances.

Trade payables' reconciliation

Matter noted and as disclosed by the auditors themselves, matter was explained during the audit.

Confirmation of trade creditor

Noted. The difference is due to an invoice which was omitted from our accounts. Reason being that a particular Councillor ordered works without the Council's consent and thus the Council is not accepting liability. Council had reversed the balance with V&C Contractors since the Court Case was deferred sine die. However, after the signing off the financial statements but before the conclusion of the audit field work, the creditor made a fresh claim for this balance and thus the case is again in front of the Malta Arbitration Centre.

Alternative procedures on creditors

Ok Noted. Matter will be investigated during the current year and adjusted accordingly.

Re WM, as advised during your visit, this amount is being challenged in front of the Maltese Law Courts.

Other creditors

Regarding Rent due to Lands Department. This is an entry being done, money was found in the Ex. Executive Secretary's office way back in 2007. At the time all staff were investigated, and we do not have any documents about this entry. We are unable to provide such information, yet the Department of Local Government was kept informed about this case.

Refundable deposits

Re refundable deposits there is no time barred as contractor can leave money and the deposit will be transferred from works to other works. There are contractors who leave a deposit to lift a washing machine with a high up to a top floor but there are contractors who will have to build a whole plot



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and will take years to finish. Also, we have an issue where deposits are not collected by permit applicants. With regards to refundable deposits there is no time barred as contractor can place a deposit of which deposit will be transferred from works to other works.

Accruals

Comments have been noted. The Council prepares accruals list before closing off the quarterly financial statements and also before closing off the unaudited financial statements. Any human errors are highly regretted. Any suggested audit adjustments were included in the updated financial statements

Unrecorded liabilities

Comments have been noted. The Council chases suppliers to send invoices by year end. However, mentioned invoice must have been received by the Council after the closure of the financial statements. Any suggested audit adjustments were included in the updated financial statements

10. BOOKS OF ACCOUNT

Noted. This transaction was part of the year adjustment and any requested clarification was provided during the audit.

11. FINANCIAL STATEMENTS

Noted. The disclosures which were mentioned in the draft management letter were updated in the revised financial statements

12. MEETINGS

Binding of minutes

We are filing signed minutes in a file and also filing in digital format. Our opinion is that binding is not practical as very often we have to send scanned copies of them.

Approval of minutes

Various explanations are available about these matters, which matters could have been explained during the audit. Meetings minutes were approved in the following meeting and the Council had a unanimous consensus to continue with the Council Meeting for more than 3 hours, as per the Local Council Act in relation to Council Minutes.



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13. ELECTRONIC SITE

We upload reports when they are signed. Please note that budget 2020 is uploaded on the intranet website. Old reports were uploaded, including the Management Letter for 2018. The website was eventually changed by the Department for Local Government, and old schedules of payments were uploaded under the archive publications section.

Uploading to management letter and other documents

This is a contradiction in terms as specified by auditors, and this was raised with the Council's Data Protection Officer, who informed us that to his knowledge in management letters there is no issue related to the mentioned of contractors:

1. GDPR does not apply to companies
2. Individual now have contracts with a Local Council and are aware that they have a commitment of a business nature with a public entity
3. Most importantly, eventual breach of data protection occurs when a name is associated with a personal matter – for example ID Card, etc which the Council's DPO feels that this is not relevant to a management letter.

Therefore, the Data Protection Officer concluded and is of the opinion that the Council did not breach any personal data of its suppliers.

14. SCHEDULE OF PAYMENTS

Noted and will update template in line with auditors' suggestions.

15. COMPARISON WITH ANNUAL BUDGET

The underspending in personnel emoluments was as a result of employing the additional employees in the last quarter of the year. The underspending in operations and maintenance was brought about by decrease in social and community costs mainly due to Covid19 limitations and also to cleaning and maintenance of parks and garden since a new garden has not yet been devolved to the Council. Increase in the administration cost was brought about by increase in depreciation.

16. SPECIMEN CHART OF ACCOUNTS



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The Council uses the specimen chart of accounts as instructed from DLG. We have been using this for a number of years, and we never had any issues with previous auditors, including having recently sent the mappings file to the DLG in line with the Department for Local Government request and were never contacted back with any issues about this matter. We kindly invite the auditors to give us more details about this matter.

Romilda B. Zarb
Mayor

Lorraine Templeman
Executive Secretary

c.c DLG
c.c Grant Thornton
c.c NAO