



KUNSILL LOKALI
MOSTA
LOCAL COUNCIL

10th July 2020

National Audit Office
Notre Dame Ravelin
Floriana
FRN 1600

Dear Sir/Madam,

Re: **Mosta Local Council – Audit 31st December 2019**

We are in receipt of your Management Letter dated 16th June 2020 in connection with the Audit of the Council's financial records as at 31st December 2019, received at the Council's offices on the 17th June 2020. 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 Baldacchino 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 2018

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.

Moreover we checked into detail report 483 – Pre Regional and Account 0036 and Account 0025.



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It transpires that the total of Report 483 is €1,968.60 and the total of the two nominal accounts together are €1,829.07. The difference is mainly timing difference because the LES Report is issued based on the date of deposit, while our financial statements are run on accrual basis.

Supplementary Government Income

Auditors' comment noted and audit adjustment processed accordingly. However, as discussed during the audit such accrued income was included since this income referred to 2019. Additionally, DLG Circular about this matter was issued and clearly states that such balance will be honoured from DLG and not from the respective Council. Furthermore, all the relevant expenditure was included in the 2019 financial statements since the expense was incurred in 2019.

Other Government Income

Noted. The Council will do its utmost to obtain a copy of the signed document.

Income from bye-laws

Noted. The Bye law will be made available on our website and we will take note for future accounting reports.

Income from organic waste

Noted. Any reclassifications as suggested by the auditor were included in the updated financial statements.

General income

Noted.

Income from LES administration fees

Noted. We will contact Loqus to check the reporting.

Income from LESA and regional committees

Noted.

3. PERSONAL EMOLUMENTS

Mayor Honoraria

This matter was never raised during the audit. The gross emoluments of the previous Mayor was calculated as €1,264 x 4 + €1,611.60 x 2 + €57.93 arrears for April. This in line with the DLG Circulars governing the honoraria of Mayors due to the Local Councils Reform. Furthermore, the previous Mayor received €800 as Councillor allowance for the period between January and June and €1,200 as Councillor allowance for the period between July and December 2019.



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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. Quote from Faro Group was available. EJ Mangion has a fixed price and thus there is no need to ask for a quote. Fiscal receipts are requested for all payments. As for Bitmac, this was made up of 3 invoices.

Expired contracts

Regarding Tenders, we are aware that we have expired tenders. We are making our utmost to be in line with the Local Council Procedures with regards to tenders but we have a back log of expired tenders when a new system was set in place.

Tendering procedure

Noted.

Tender and quotation exceeding budget amount

Noted.

Insurance policy

Noted. We will inform our insurance company as soon as we receive audited financial statements so that we adjust the sum insured.

Rent agreements

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

IFRS 16 leases assessment

Noted.

Classification of expenditure

Noted. Any reclassification required was posted in the updated financial statements.

Contract Manager

Noted. This delay was due since we were awaiting on feedback from Regional meetings regarding collective decisions, to issue this tender regional.



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5. FIXED ASSETS

Tagging of Fixed Assets

Noted. We are doing our utmost to remedy our situation during this current year.

Upkeep of fixed assets

Noted. However, kindly note that the prior year under review, we made our utmost to arrange the Fixed Asset Register according to the new Directive 1/2017. This was a very laborious job in itself. In fact, the FAR as prepared in excel was matching with the financial statements. After this exercise, the information was imported in Sage Evolution by the IT consultants of the Council. Moreover, It is important to note that during the term of the previous accountant, there are some unreconciled differences between the Fixed Asset Register and the Nominal Ledger in Sage Pastel. We will work upon your recommendations and make out additions in the Fixed Asset Register where possible.

Reconciliation of financial statements to fixed asset register

Noted. We are working on this and hope to arrange our situation during this current year.

Reconciliation of additions in financial statements and asset register.

Noted. We are working on this and hope to arrange our situation during this current year.

Assets not yet capitalised

Noted. We are working on this and hope to arrange our situation during this current year.

Accounting for grants

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

6. 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.

Confirmation of trade receivables

Regarding WSC the debtor which you have highlighted, they had sent us an e-mail to send an invoice for €2.33 re trenching permit. Till now we have not received any payments but we are frequently chasing them. Attached is the email as proof for your info.



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7. BANK AND CASH

Bank statements

Regarding bank statements we have printed these till 31st December 2019 from Internet Banking. Statements till 31st December arrived in March. When we contacted the bank they informed us that they are changing their system.

Final withholding tax

Comments have been noted.

8. TRADE AND OTHER PAYABLES

Supplier statements

Comments have been noted.

Long outstanding creditors

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

Confirmation of trade creditor

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

Alternative procedures on creditors

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

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. Please note that this time we have an accountant to do all the entry not in house. Therefore, we are unable to provide such information, yet the Department of Local Government was kept informed about this case.

Refundable deposits

Comments have been noted regarding €232.94.

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. There are contractors who for example leave a deposit to lift a washing machine with a high-up to a top floor, but there are contractors who will have to construct a whole plot and will take years to finish.

Deferred Income

Comments have been noted.



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9. BOOKS OF ACCOUNT

Noted. This transaction was part of the year adjustment and any requested clarification was provided during the audit. It is important to clarify that this year's audit was performed in mid of a Covid19 pandemic.

10. FINANCIAL STATEMENTS

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

11. 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 consensus to continue with the Council Meeting for more than 3hours.

12. 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.

13. SCHEDULE OF PAYMENTS

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

14. COMPARISON WITH ANNUAL BUDGET

The overspending in personnel emoluments was as a result of an additional employee employed by the Council. Furthermore, it is important to note that during the year, due to the Local Councils reform, the Council increased the Honoraria and the Allowances of the Councillors, which increase was not included in the budget.

The Council invested more money in operations and maintenance in the locality. Such increase was required to keep the Mosta Locality cleaner, safer and up to the required standards.



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The Budget as approved by the Local Council for administrative expenses was €61,500 and the actual cost as per approved Quarterly report of December 2019 was €60,840, thus the Council cost was less than the approved budget.

15. SPECIMEN CHART OF ACCOUNTS

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 Baldacchino Zarb
Mayor



Lorraine Templeman
Executive Secretary

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