



KUNSILL LOKALI  
**MOSTA**  
LOCAL COUNCIL

31<sup>st</sup> October 2023

National Audit Office  
Notre Dame Ravelin  
Floriana  
FRN 1600

Your Ref MB/mf/136523

Dear Sir/Madam,

**Re: Financial statement for the year ended 31 December 2022**

We are in receipt of your Management Letter dated 18<sup>th</sup> September 2023 in connection with the Audit of the Council's financial records as at 31<sup>st</sup> December 2022, received at the Council's offices on the 6<sup>th</sup> October 2023. 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, the Financial Procedures, the various Legal Notices and the Local Council's Department Memos.

We, the undersigned, Christopher Grech 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. Previous Management Letter**

**1.1 Income from Joint Committee**

The Council has made persistent representations calling to get such a report. This year, in 2023 the Kunitat Kongunt Tramuntana closed all bank accounts.

**1.2 Other Government Income**

Noted

**1.3 Expired contracts**

After many reminders, at last, the Council in meeting number 66, the evaluating committee asked the Executive Secretary to organise a meeting for the board to evaluate tenders and approve tender documents before issues. In future a deadline will be imposed so that pending tenders are reviewed, if no feedback is received from Councillors, the tender will be published.



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**1.4 IFRS 16 'Leases assessment**

The Council has noted your comment and will do its utmost to assess the IFRS16 Leases.

**1.5 Upkeep of fixed asset register**

We are taking care of the fixed asset register and are keeping it up to date.

**1.6 Additions to fixed assets**

The Council has noted your comment and is rebuilding the fixed asset register during the current year, 2023.

**1.7 Slow moving stock**

The Council selling price is at breakeven so we can't lower the price maybe the stock will move better.

**1.8 Overdue receivables**

We are sending statements at least every quarter and we are also in contact with our legal advisor about this.

**1.9 Credit balances in debtor's list**

This debtor, Department of Local Government paid us in advance so this account must be credit as the expense was not incurred yet so we can't issue any invoice against the credit amount.

**1.10 Debit balances in creditor's list**

This was a mistake and is now settled.

**1.11 Supplier statements**

This is being taken care of and we are doing our utmost we can do.

**1.12 Long outstanding creditors**

We are going to check about these balances.

**1.13 Other creditors**

Note this comment but unfortunately, we don't have any information as these are balances that were entered from accounting contract re late Executive Secretary court case.

**1.14 Refundable deposits**

The council can't solve this issue as these funds are not our and are and can only be refunded when they are claimed to as construction works is ready after checking the pavement and road situation.

**1.15 Deferred Income**

This was mistake, and your points have been taken note of.

**1.16 Accrued Income**



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Funds from Kunitat Kongunt Tramuntana were received as closure of bank accounts, but no updated accounts were given.

**1.17 Personal Emoluments**

We discussed this matter with the auditors and explained to them that the only difference which resulted in our workings was from the non taxable transport fringe benefit. We explained to the auditor that such difference has to show as difference and was in fact a reconciling difference because as tax laws of Malta, a transport allowance of maximum 50%, amounting to Eur1170 can be paid as not taxable.

**1.18 Books of account**

Your points have been taken note of and will be rectified in future accounts.

**1.19 Presentation of Financial Statements**

Your points have been taken note of, and our accountant has been informed. Our utmost is made every single year to present the financial statements as accurate as possible.

**2 Income**

**Joint Committee**

The Council has made persistent representations calling to get such a report. During year 2023 in March transfer of 2,827.02 Euros was received in our bank account as the full settlement of bank account - closure of KKT.

**Other Government Income**

The Council has applied for on a number of grants, some for capital projects and others of a current nature. Such grants had different payment terms, some payment in advance, others reimbursement after the Council pays the contractor, some or most of them have a combination, prefinancing, instalments during the project and the final instalment at the end of the project after final verification. The council does keep excel sheets and report to try to record all these situations but we do apologize for any human error and any error is regretted.

**3 Expenditure**

**Expired Contracts**

**(a) KLM 02 – 2011 Provision for services of a legal consultant for Mosta Local Council**

We no longer issue tenders for legal services, but call for quotations, and quotations for legal services have been issued yearly. We are in the process to issue another call.

**(b) KLM 03 – 2011 Provision for a service of a maintenance hand/messenger for the Mosta Local Council**



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As per last reply in the Management Letter, the members of the Council decided to keep on hold the re-issue of tender for Maintenance Hand /Messenger.

**(c) Construction of footpaths and culverts and various other works**

**IFRS 16 'Lease' assessment**

The Council has noted your comment and will do its utmost to assess the IFRS16 Leases for 2023. However, it is to be noted that such matter was not raised by the auditors during their audit.

**4 Fixed Assets**

**Fixed Asset Register**

This has been tackled in the past in line with the DLG Directives about this matter. Unfortunately, the auditors did pass some audit adjustments which have again messed up the FAR. This is an inundated procedure. This current year, year 2023 we are working on the Fixed Assets Register and doing our utmost to keep it updated.

**Additions to fixed assets and grants**

These will be reflected in the new FAR

**5 Stock**

**Net realisable value of inventory**

The Council is selling the book at breakeven so we can't lower the price otherwise the Council will be at a loss. The problem is not regarding the price but nowadays all information will be found on the web, moreover books can be bought easily online. A decision will be made the Council whether to write off these values.

**6 Trade and other receivables**

**Overdue receivables**

We are sending statements to our debtors every quarter and informed our legal advisor about the situation. This current year during 2023 only 1,542 Euros were settled. Also, a legal case was opened against Shaun Theuma Marshall to settle 2,666 Euros – employment notice.

**Credit balances in debtor's list**

Noted and any suggested reclassifications were recorded in the updated financial statements.

**7 Trade and other payables**

**Supplier statements**



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We sent an e-mail to all suppliers to provide us with monthly statements, including reminders. This year we are trying all to contact suppliers by telephone maybe we can get all statements required. No further actions can be taken, as it is beyond the Council's control. All we can do is send reminders by phone and by e-mail.

**Long outstanding creditors**

One of the creditors mentioned 'Go' - this year we have taken care of and also visited go head office so that we can get an updated statement and we are updating accounts accordingly.

Mica Med Ltd

The long overdue pending amount – The balance is not actually a long overdue pending amount but an invoice and a payment which have to be matched. Transactions matched in 2023

V & C – This year the account was taken care of after asking for activity report with statement.

**Debit balances in creditors' list**

Paul Cushieri is was paid through bank by garnishee order and also paid with a cheque. The cheque was not cashed and has in fact been reversed in 2023 when we noticed that the cheque was stale.

Play Safety was taken care of.

**Other creditors**

As per last year's reply to the Management letter, this is rent due to Lands Department which is an entry being done related to money found in the Ex. Executive Secretary's Office (the late Alphonse Anastasi) way back in 2007. At that time all staff were investigated, and we do not have any documents about this entry. Please note that at that time we had an accountant that did accounting entries outside our offices. Therefore, we are unable to provide such information and we cannot take any further actions.

**Refundable deposits**

As per last reply to the Management letter, refundable deposits are not time barred as contractor can take long to carry out his works and these funds can be transferred from works to other works.

**Other creditors – Land Department and LESA**

This has been rectified and as at 2022 we now have a classified list

**8 Deferred income**

**Realisation of deferred income**

Any suggested audit adjustments were included in the updated financial statements, although sincerely we may have not completely agreed to them. Mentioned grants were not debited from deferred income in the unaudited financial statements because it was probable that some payments will be claimed back from the Ministry and in fact, such claims were received in 2023 and have effectively been refunded to the Ministry which issued the Grant.



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**Accounting for grants**

Ok Noted. This was a mistake from our side.

**9 Accrued Income**

Ok Noted and we made box file for grants as per your advice.

**10 Personal Emoluments**

We discussed this matter with the auditors and explained to them that the only difference which resulted in our workings was from the non taxable transport fringe benefit. We explained to the auditor that such difference has to show as difference and was in fact a reconciling difference because as tax laws of Malta, a transport allowance of maximum 50%, amounting to Eur1170 can be paid as not taxable.

No other difference was identified by the auditors during the audit and in the various meetings which the Council and the Accountant had with the audit staff. It is to be noted that during the year under review, there was a change in Mayor and also the Deputy Mayor and thus, some of the current Mayor's emoluments on the FS3 were Deputy Mayor (Councillor) allowance. Furthermore, there were various instances where the Mosta Local Council did not have the full complement of Councillors due to resignations and couple of days/weeks pass till the post of the New Councillor is filled.

**11 Books of account**

Your points have been taken note of and will be rectified in future accounts. Any queries raised were answered and we have full details and double entries of the accounting entries as at year end

**12 Cash in bank accounts.**

Ok noted. Monthly reconciliations are performed on every bank account as per DLG regulations.

Christopher Grech  
Mayor

Lorraine Templeman  
Executive Secretary

c.c DLG  
c.c Grant Thornton  
c.c NAO  
c.c Compliance Unit – DLG