



Our Ref: ILC 6/95

The Director
National Audit Office
Notre Dame Ravelin,
Floriana FRN 1600

31 July 2020

Re: Management letter for audit for the period ended 31st of December 2019

Dear Sir,

We are in receipt of the management letter dated 25th of June 2020 and received on the 26th of June 2020 in relation to the annual audit of the Council's financial statements for the year ended 31st of December 2019. Whilst we would like to take this opportunity to thank your firm for the professional services and co-operation provided to the Local Council during their fieldwork, we would also like to comment as follows:

1. Previous management letter

The issues in respect of previous years management letter will be tackled in detail under their respective section.

2. Property, Plant and equipment

2.1 & 2.2 The Local Council has reconciled the costs in the Nominal Ledger to the Fixed Asset Registry both in 2018 and in 2019. In 2020 the Local Council will also reconcile the Net Book Value and adjust any difference in depreciation accordingly.

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2.3 & 2.4 The re-imbursements costs on Wilson Garage were not expensed as stated by the auditors, but were capitalised. The € 6,600 refund of expenses was deducted from the additions in the financial statements after discussing with the auditors, because the auditors explained that this is not technically a grant.

2.5 & 2.6 When closing the accounts in February 2020, the final costs on Measure 4.3 were still being determined in view of additional works done. These costs were determined at time of the audit and these were reflected in the final accounts.

3. Grants

3.1 & 3.2 Apart from the € 11, 800 identified, there were other expenses incurred on the Football Ground project. These were incurred prior to the year 2010 and were expensed in the income statement. As explained, no adjustment was passed on the football ground grant since the Council is still awaiting the outcome from the Lands Authority. The Council has long been waiting for the outcome from the Land Authority to unfreeze the status quo. As per Local Council's records, funds were utilized to pay for the expenses incurred for the application with MEPA amounting to Eur8,001 dated 11/02/2005; a fee of Eur35 was also paid to MEPA way back on the 19/01/2009; a fee amounting to Eur81.47 was paid to MEPA on the 24/02/2009; the architect's fees paid on the 15/10/2010 amounted to Eur11,800. Meetings were held with different government Parliamentary Secretaries over the last years to push forward the proposed project but nothing materialized so far. Last meeting was held with Parliamentary Secretary for Planning and Property Market Hon. Chris Agius on the 31st of December 2017 in a way forward for the proposed project to succeed. At the same time, the Council has learnt that the Planning Authority had granted development permission to a third party on same site to be used as a temporary parking area provided that the parking area shall be adequately surfaced and drained, notwithstanding the objections submitted by Council to the Planning Authority.

The Council's objection was made because of the possibility that granting permission could jeopardize the creation of the recreational Park with underlying parking that the site is committed for.

Considering the fact that a new legislature has started on the 1st of July 2019, a change in the Mayorship and other new Council members, having discussed the proposed project at length and revised the Business Plan according to today's scenario, for the time being, the Council has unanimously agreed to temporarily shelve the proposed project.



4. Income

- 4.1 & 4.2 As already explained to our auditors, the Birkirkara Joint Committee was dissolved in the year 2016. The Council has no say on the activity of the Birkirkara Joint Committee. The Joint Committee has been put into liquidation years back and no further traces could be done from the Council's end.
- 4.3 to 4.7 The Local Council will ensure that income receivable in respect of grants and refunds of expenses will be accounted for in the same period when the costs are incurred. In this respect the Local Council has accepted the adjustments proposed by the auditors and the financial statements have been revised accordingly.

5. Expenditure

Budget vs actual expenditure

- 5.1 to 5.3 The Council noted the difference in budget and actual capital expenditure. Due to various factors, not all expenditure planned during 2019 was affected during the year. The Difference between budgeted income and expenditure to actual income earned and expenses incurred is mainly to an increase of permits income. In respect of expenses, the increase in wages is due to the changes in the law regulating Major and Councilor allowances issued after the approval of the budget for 2019. The decrease in other costs relates to better cost control by the Local Council.

Procurement procedures – Tenders

- 5.4 to 5.6 The Council highlight the fact that the tender process was abided to in full and at no point was any bidder favored over the others.
- The Local Council will issue call for tenders well prior to the expiration dates of current tender in view of the process required in the awarding of tenders. The tender process has been revamped by the Department of Contracts.
- Furthermore, the Council managed to maintain this contract which was highly efficient and cost effective to the benefit of the Council. The new tender in place increased by almost 63%.
- However, Local Government Auditors' recommendation was taken.



6. Cash and cash equivalents

6.1 The Council will do its utmost to prepare bank reconciliation within 10 working days.

6.2 & 6.3 The Bank accounts identified are fixed bank accounts that are operative only once per year. The savings accounts have few transactions in relation to a specific project.

6.4 & 6.5 The Local Council will review the four stale cheques identified and pass any adjustment accordingly.

6.6 & 6.7 The agreement for the collection of cash of once weekly is appropriate for the Local Council. For the time being, though very much aware of the Financial Procedures and the Financial Regulations, the Local Council is saving an expense in relation to the collection of valuables. In the Council's opinion, a once weekly deposit is enough. Should the need arise to carry out more than one deposit per week, the Council will raise the issue on the Council's agenda for consideration and approval.

7. Trade and other payables

7.1 to 7.3 The amount of € 3,334 identified by the auditors was accounted as non-current payables in the unaudited financial statements. Further the unaudited financial statements identified as non-current liabilities the long-term portion on the finance obligations under finance leases. However, the Local Council has approved the recommendation by the auditors and passed the adjustment accordingly.

8. Payroll

8.1 to 8.2 The Local Council will ensure that payroll costs are allocated correctly between its different components.

8.3 The difference in respect of performance bonuses was adjusted for in the financial statements.

8.4 to 8.5 The Local Council will ensure that the carry forward of leave is within the law and approved by the Local Council.

9. Financial Statements

9.1 The Financial statements included a list of new and amended Standards that are not yet effective at the balance sheet date. In respect of standards that the Local Council adopted during the year, no such list was included since there were no standards effective from 1 January 2019 that had an impact on the financial statements of the Local Council.



In respect of the PPP, it is to be noted that the amount due on PPP is interest free and could not be computed on amortized cost.

The Council has noted that auditors' comment and has amended the accounting policies on leases.

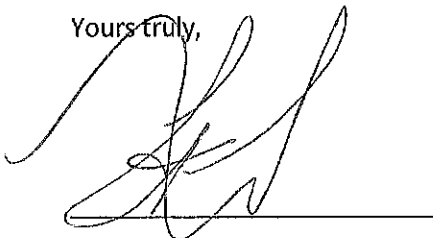
9.2 The shortcomings identified by the auditors have all been tackled and adjusted in the financial statements.

10. Budget and Business plan

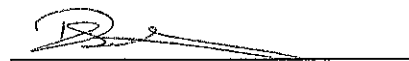
10.1 & 10.2 The Local Council will prepare the five-year plan accordingly. Being that a new legislature started back on the 1st of July, the new Council made up of a new Mayor and almost new Councillors had discussed the Business Plan at length during the last quarter of the year. A review to the existing one was carried out followed with changes that reflects today's needs.

We would like to take this opportunity once again to thank your firm for the services offered and co-operation shown and also for the comments raised in order for the Council to operate in a smooth and more efficient manner.

Yours truly,



Etienne Montfort
Executive Secretary



Dr. Dorian Sciberras
Mayor