



**KUNSILL LOKALI L-IKLIN**  
L-IKLIN LOCAL COUNCIL

11, "Three Villages" <sup>6/95</sup>  
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**Our Ref: ILC 6/95**

The Director  
National Audit Office  
Notre Dame Ravelin  
Floriana FRN 1600

30 September 2021

**Re: Management letter for audit for the period ended 31<sup>st</sup> of December 2020**

Dear Sir,

We are in receipt of the management letter received on the 10 September 2021 in relation to the annual audit of the Council's financial statements for the year ended 31<sup>st</sup> of December 2020. 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. Opening balances**

The difference in opening balances in the Sage Evolution accounting software have all been readdressed.

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Sindku (Mayor): Dott. Dorian Sciberras LL.D, Viçi Sindku (Vice Mayor): Yvonne Bartolo,  
Kunsillieri (Councillors): Bernice Farrugia, Emanuel Zammit, Godwin Catania

1809/21

### **3. Books of account**

All transactions are included in the accounting software individually. The Local Council is not aware of any group postings in the general income and bank accounts as identified by the auditors.

If the auditors are referring to the accounting of Permits income, these are included in the accounts as a group when deposited in the bank, however an individual breakdown of each permit is available.

### **4. Financial statements**

4.1 to 4.3 The shortcomings identified by the auditors were all arranged in the audited financial statements.

4.4 & 4.5 The Council will ensure that groups of expenses is consistent from year to year.

4.6 & 4.7 The Council Chart of accounts agrees to the specimen set out in the Local Councils (Financial) Procedures Act.

### **5. Fixed Asset Registry**

5.1 to 5.3 The Local Council will include the missing details in the Fixed Asset registry when possible.

5.4 & 5.5 The Local Council will tag furniture, fittings, office and computer equipment.

5.6 to 5.8 The difference of € 966 relates to a grant. This was adjusted for accordingly.

5.9 to 5.10 The difference identified by the auditors of € 25,217 mainly relates to Assets under construction not yet included in the Fixed Assets Registry since the assets are not yet in operation. The Local Council is aware that there is a difference of € 2,807 between the FAR and Financial statements as per Reconciliation statement.

5.11 to 5.14 The works at Triq San Mikiel consisted of major patching works, however the Local Council agrees that these should be considered of an expense nature. In relation to Joseph Gili invoice in relation to Measure 4.4 the Local Council agreed to accounts should invoice as a payment in advance instead than Assets under construction.

5.15 to 5.16 The Council has accounted for ROU assets. It is difficult to measure the ROU assets as required by IFRS 16. As noted by the auditors the amounts are not material.

### **6. Receivables**

6.1 & 6.2 The Local Council will report the Loqus debtor and related Provision for Bad debts in the accounting system.

6.3 to 6.6 The Local Council will investigate the difference on Wasteserv balance and account accordingly.

6.7 to 6.10 From the € 5,603.92 accrued income an amount of € 4,612.92 relates to Accrued income to be received on Triq il Wied expenses and only € 787 relates to old balances brought forward from previous accountants dated before 2015. In respect of the € 24,867.95 paid directly by ARPA to Asfaltar Limited the Council was only informed of the payment by ARPA after the draft accounts were issued.



The Local Council has agreed to the adjustment proposed by the auditor to record such payment.

6.11 to 6.14 All adjustments proposed by the auditors in relation to insurance and prepayments were accounted for.

#### **7. Bank and cash**

7.1 to 7.3 The Local Council will account for bank charges of € 30 and € 40 on BOV bank accounts.

7.4 to 7.7 The Stale cheques identified by the auditors were all adjusted as proposed by the auditors.

7.8 to 7.9 The Local Council has opened a new Bank account to deposit other entities income in 2021 to be in line with Directive 05/2020.

7.10 to 7.11 The Local Council will physically separate amounts collected on behalf of LESA and Land Authority from the petty cash balance.

#### **8. Deferred income**

The Local Council will obtain guidance from the Local Government Department on the unused funds of € 6,870 on the football ground project and € 3,200 on the Accessibility fund. As proposed by the auditors, the Local Council will see if such funds can be used on other projects that the Local Council intends to perform.

#### **9. Payables**

9.1 & 9.2 The Council will request creditors statements ongoingly during the year. The Council had in hand the main creditors statements as at 31 December 2020.

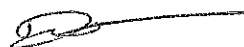
9.3 to 9.6 The Local Council is liaising with Sage Evolution supplier in order to rectify the difference between the creditors list and creditors control account since the creditors list and reports are incorporating double invoices or payments on certain creditors.

9.7 to 9.8 In respect of Long-outstanding creditors identified by the auditors amounting to € 5,950.25, an amount of € 3,334.41 represents the balance on the PPP which was paid in full in July 2021. The Local Council will investigate the other creditors balance and adjust accordingly.

9.9 to 9.10 The debit balances identified by the auditors were all adjusted. In some instances the debit balance was reclassified against another creditor account since two creditors accounts were set for the same balance. In other instances the were just errors in the Sage system (Refer to 9.3 to 9.6 above).

9.11 to 9.14 As explained under Note 6.7 to 6.10 the € 24,868 was paid directly by ARPA to the creditor Asfaltar Limited bypassing the bank accounts of the Local Council. Further the interest charged by the creditor amounting to € 16,866 was reversed in 2021 after the Local Council contested the amounts.

9.15 & 9.16 The difference found on creditors reconciliations were adjusted for since were in relation to the reversal of stale cheques.



## **10. Income**

10.1 to 10.3 The Local Council will follow the recommendation of the auditors and liaise with the Local Government Department in order to liquidate the Birkirkara Joint Committee.

10.4 & 10.5 The Local Council will ensure that payments by DLG to Wastserv will be recorded in Other Supplementary Government Income and not in Other Government Income.

10.6 to 10.9 The Local Council will ensure that Income from Schemes applied for will be accounted for in the year to which they relate.

10.10 & 10.11 The Local Council will investigate the difference of € 30 in the LES fees as identified by Loqus reports.

10.12 & 10.13 The council will try to adhere to the Procedure and deposit such custodial receipt at least twice weekly.

## **11. Payroll**

11.1 & 11.4 The Local Council will investigate the difference of € 885 between FS 5 and FS 7.

11.5 & 11.6 The Local Council will record performance bonus in a separate account in the books of accounts.

## **12. Expenses**

12.1 & 12.2 The Local Council will ensure that petty cash summaries will include all detailed including petty cash voucher reference numbers and nominal codes.

12.3 & 12.4 The Local Council will ensure that a petty cash voucher is issued each time, and that such voucher is signed by the executive secretary and the supplier.

12.5 & 12.6 The Local Council will ensure that three quotations are always obtained for items exceeding the threshold.

12.7 & 12.8 The Local Council will ensure that payment vouchers are also signed by the Mayor.

12.9 & 12.11 The difference in the Insurance Value and the Net Book Value in the accounts related to the value of the buildings. The Buildings are not owned by the Local Councils, but as per rental contract insurance is to borne by the Local Council.

12.12 to 12.15 The Local Council will ensure that all evaluators will sign the evaluation report of tenders issued. Furthermore, in relation to Tender ILC/T/1/2019 the Local Council has chased the Contractor to provide the performance guarantee which was given one month after the signing of the contract.

12.16 & 12.19. With regards to Tender ILC/T/15, Traffic signs and road markings, the Council managed to maintain this contract which is highly efficient and cost effective to the benefit of the Council. Tendering procedure shall be initiated shortly for these services. However note of LGA recommendation was taken.



With regards to Tender ILC/T/13 for the services of a Contracts Manager, the Council has issued a new tender ILC/T/6/2018 and the contract agreement has been signed on the 8th of October 2019 and valid for (48) months.

Also note that the former contractor is duty bound to monitor the entire projects which commenced during the term of the former contract and had to reassure certification works until completion of project.

12.20 to 12.25 The Local Council will ensure that expenses are allocated correctly to their respective expense accounts.

12.26 & 12.27 The Local Council took note that it was not allowed to spend public funds on food and drinks for Christmas Lunch in 2020 to conform with OPM Circular 23/2020. The lunch was specifically organized for the administration (working in a bubble) of the Council who despite the risks exposed to the employees worked hard during the COVID-19 outbreak and left the doors open to the public in order to offer the best possible service to our community. It was a small treat that all the staff deserved.

### **13. Electronic Site**

13.1 & 13.2 This note seems to be more of a generic one applied to all Local Councils as in our case, the Council minutes and the schedule of payments were always uploaded on time i.e. following the Council meetings. However the Local Council has noted the shortcomings re the uploading of the Quarterly Financial Report 2019 and will upload the missing document shortly.

13.2 Following checks on the electronic site, it transpires that the Quarterly Financial Reports were all uploaded but not within the stipulated time frame. However note of LGA recommendation was taken.

13.3 & 13.4 The Local Council will obtain guidelines in respect of GDPR issues and the uploading of management letters that may contains personal data in contravention to SP17/2018.

### **14. Schedule of Payments**

14.1 & 14.2 The Council will follow LGA's instructions on this matter.

### **15. Capital Commitments**

The Local Council will start to distinguish in the Note to the Financial statements which capital commitments are expected to occur with next year and which will occurred after more than one year.

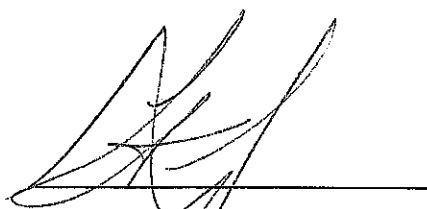
### **16. Reports**

The main reason while actual expenditure exceeded budgeted expenditure is the result of major patching works in Triq San Mikiel to the value of € 48,940 on which a grant of € 34,000 was received.

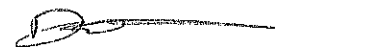


We would like to take this opportunity once again to thank your firm for the services offered and co-operation shown and also for the comments raised in order for the Council to operate in a smooth and more efficient manner.

Yours truly,

A handwritten signature in black ink, appearing to be 'Etienne Montfort', written over a horizontal line.

Etienne Montfort  
Executive Secretary

A handwritten signature in black ink, appearing to be 'Dr. Dorian Sciberras', written over a horizontal line.

Dr. Dorian Sciberras  
Mayor