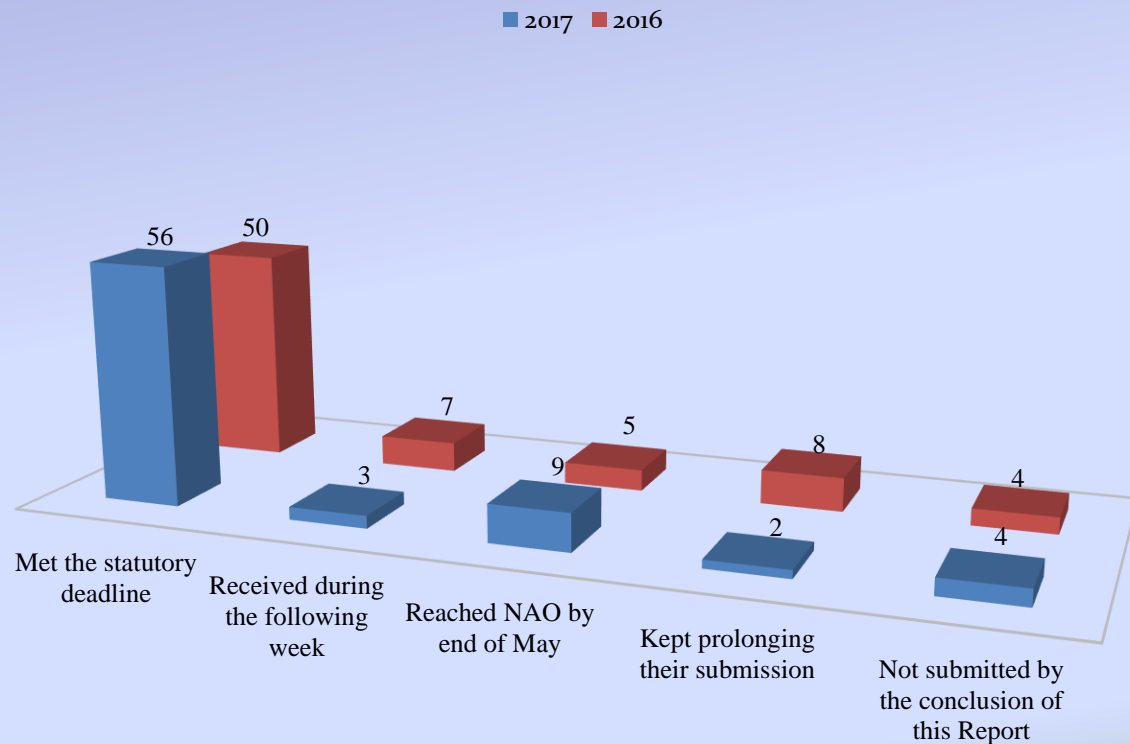


LOCAL COUNCILS



Statistics

Audited Financial Statements



Audit Opinion

	Disclaimer – no audit opinion could be expressed	Except For – auditor was unable to audit certain areas	Clean Audit Opinion
Local Councils	3	39	23
Regional Committees	1	2	1
LCA	-	1	-

Key Issues

➤ Liquidity position – continuous improvement

	Negative Working Capital		Deficit in the Statement of Comprehensive Income	
	2017	2016	2017	2016
Local Councils	10	17	7	11
Regional Committees	n/a	n/a	3	3

Repetitive Weaknesses

- Certain shortcomings are simply ignored, while others are just answered as ‘Noted’
- Concrete actions intended to be taken are not being indicated in Councils’ replies
- A number of irregularities continue to feature every year in the management letters
- It is the responsibility of the Council and the Executive Secretary to implement the Auditors’ recommendations

Fixed Assets

Anomalies in the way Councils insured their assets – this was not in line with specific guidance issued by DLG

Discrepancies between asset cost and/or depreciation as disclosed in FAR and those reported in the nominal ledger/financial statements

Depreciation calculated manually, thus giving rise to overstatement/understatements

FAR either not maintained at all or not compiled in line with best practice

Fixed Assets

- Proper control over assets is only attained through the maintenance of up-to-date FAR
- Tagging of assets is also fundamental to enable physical verification and existence
- Depreciation is to be computed through the accounting software, in line with the Council's depreciation policy
- As from 1 January 2018 depreciation is to be calculated on the straight line method

Accounting

Financial Statements of various Local Councils were not fully compliant with the requirements of IFRSs → Qualification

Transactions were either recorded in the wrong accounting period, posted in the wrong nominal account or completely omitted from the books of account

Incorrect application of cut-off procedures, resulting in over/understated income and expenditure

Expenditure of a capital nature was recorded as revenue expenditure or vice-versa

Accounting

Liabilities were not appropriately apportioned into their long-term and short-term portions

Inventory held by the Council was not accounted for at the lower of cost or net realisable value

- These imply that the unaudited financial statements approved by certain Councils did not present an accurate picture of the financial position
- Financial Statements are to be prepared with more due diligence

Local Enforcement System

The annual financial statements of the Joint Committees for year ended December 2017 not provided to Local Councils → Qualification

Discrepancies in Receivables as disclosed in the Councils' books of account and the reports generated from the 'old' LES system

Income received in the form of administration fees, as recorded in the Councils' records differed from the reports extracted from the system

Invoices with respect to administration fees not raised on time by the respective Councils (first week of the following month)

Procurement

Items procured directly from the open market, despite that the established thresholds for tenders and/or quotations were exceeded

Expenditure not covered by a formal purchase order

Procurement of services executed under expired contract – such as street lighting

Non submission of fiscal receipts

Threshold for petty cash expenditure exceeded

Payments issued prior to them being approved at a Council's meetings

Procurement

With effect from 1 January 2018, a new set of regulations, namely the Local Councils (Procurement) Regulations together with the Procurement Guidelines, have come into force and are to be followed by all Local Councils in the acquisition of their goods and services

Receivables/Payables

Long overdue balances

Regular reconciliations of creditor balances against supplier statements not carried out

Incorrect calculation of the provision for doubtful debts in case of receivables

Negative balances in creditors/debtors lists

Disputes with a number of suppliers have been ongoing for years and still not resolved

Cash and Cash Equivalents

Bank reconciliations not carried out on a monthly basis, if at all

Stale or cancelled cheques not reversed from the books of account

Income not deposited in a timely manner (twice weekly)

Tax withheld on interest received on savings deposit accounts -
Councils are non-taxable entities

Mayors or Executive Secretaries no longer in office still included as representatives of
Council's bank accounts

Personal Emoluments and Allowances

Emoluments as disclosed in the books of account differed from those as per documentation filed with IRD – no reconciliations taking place

Computations of personal emoluments including performance bonus, honoraria and allowances were at times inaccurate

Full allowance paid to Councillors despite that their absence during Council meetings was neither attested by medical certificate nor an excuse letter

Payments to IRD were effected months after the statutory deadline

Accumulated leave carried forward exceeded the maximum threshold

Non-compliance with Pertinent Legislation

Mid-term audits not conducted upon a change in ES

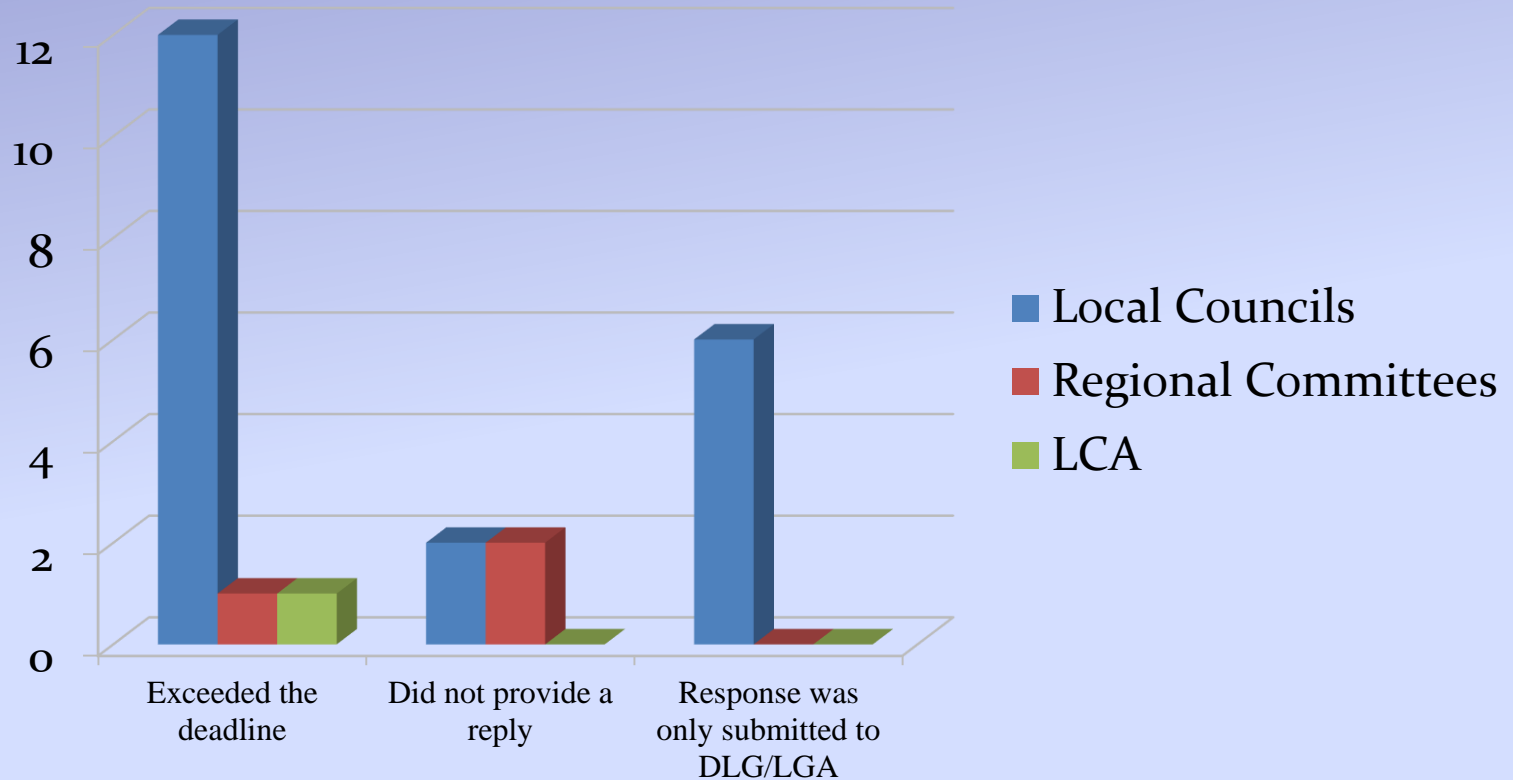
Statutory documents not uploaded on the website

Schedule of Payments lacked important details -
ex: Invoice / Amount / Cheque no. / Account no.

Council's minutes not always properly maintained

Councils participating in Local Action Groups were not provided with a copy of the annual audited financial statements of the latter

Response to the Management Letter



In addition, some of the replies were not signed by both ES and Mayor