



Ref. NAO 107/2015/17

20th May 2019

The Director,  
Department for Local Government  
26, Archbishop Street,  
Valletta

Dear Sir,

### **Draft Management Letter – Financial Year – 2018**

Reference is made to the above-mentioned letter dated 24th April 2019, received at the Council's Office on the 7th May 2019 concerning the systems and controls used by the Council to safeguard the Council's assets in line with prevailing legislation dealing with local councils.

The contents of the Draft Management Letter were read and discussed, and where it was deemed appropriate, to forward the following comments:

1. FOLLOW-UP: MANAGEMENT REPORT – YEAR ENDED 31 DECEMBER 2016

The Council has addressed to the best of its capabilities all matters which were mentioned in last year's management report, other than those, which are outside the control of the Council. The Council will strive to continue to improve its operations during the coming year.

2. INCOME

Other Government Income

The auditor's comment noted and the reclassification reflected in the updated financial statements.

Other Government Income

The auditor's comments noted and the reclassification reflected in the updated financial statements. The Council is chasing the Contractor of the Finishing Works of the Civic Centre to finish all the pending works to get full certification of the premises.

LES administration fees

Our procedure is to issue invoices from the LES system at the end of the month. It is imperative to note that this is obligatory since the LES system requires that invoices are issued from this system. The invoices issued from LES IT system are then posted into Sage Line 50 by crediting the income account and debiting the respective Region's debtor account. Upon receipt of funds, a receipt is issued and funds deposited in the Council's bank account. Payment is posted in Sage Line 50 and a bank reconciliation is performed at the end of the month and as far as we know, no inconsistencies were noted in the bank reconciliation. This Local Enforcement System is a system run by Datatrak



and the council does not have any control on the running of this system. Immaterial variance noted and issue was discussed with Datatrak who informed us that this rounding difference may be the result of timing difference between the time when the monthly invoices are run and the running of the annual report.

### 3. FIXED ASSETS

In the current year, the Council has embarked on the project to apply Directive 1/2017 as instructed by DLG. This is a laborious project in itself. To add insult to injury, apparently the NAO discussed the matter with the auditors after DLG has explained the practical approach to the Executive Secretaries and their Accountants, during which discussions changed the classification to be applied on the financial statements. These meetings between the NAO and the auditors were apparently held after the financial statements of 2018 were prepared. This approach resulted as well in discrepancies between the FAR and the financial statements. The auditor's recommendation to reconcile the FAR and the financial statements is noted and such discrepancy will be ironed out during 2019.

Comment about the details of the FAR noted. The Council believes that the Fixed Asset Register of the Council is reasonably detailed and that, where relevant, the details requested are included. However, a balance has to be struck between practicality and correct use of information.

During the year under review, the Council moved its operations to the New Civic Centre, which premises as discussed in other parts of this management letter are in the final stages of certification. The financial statements were prepared with the proviso that since the Civic Centre was still not certified as at year end, the cost incurred to date on this project were classified as Assets under Construction. After the auditor's recommendation, reclassifications were processed and the updated financial statements included the auditor's suggestions.

The Council will be liaising with its Architect and Engineer to quantify the separate cost of the Second Floor to be able to adopt the requirements of the IAS40.

### 4. TRADE RECEIVABLES

#### Pre-regional LES debtors

Comment noted. As am sure all persons involved will understand, the Council is not in a position to take this matter with Loqus on its own since the software managed by Loqus is used by all Local Councils of Malta and Gozo and not only by the Fgura Local Council. Furthermore, it is very important to note that any immaterial difference noted does not have any impact of the financial statements and the finances of the Local Council since balances are more than 2 years old and thus fully written off.

#### Trade debtors

Noted and Council is in discussions with Water Services Corporation to receive payment.



### Prepayments

Noted and auditor's suggestion included in the updated financial statements..

### Accrued Income

Noted and auditor's suggestion included in the updated financial statements..

### Insurance

Noted and the Council will be updating the values of the sum assured and investigate the liability of the hired or loaned employed upon next renewal.

## 5. TRADE PAYABLES

### Long Outstanding creditors

Noted. These balances have been analysed prior to the audit and the Council has agreed to leave these balances as outstanding. As explained during the audit, two balances are currently pending legal litigation and the other balance is pending due to service not performed to the Council's satisfaction.

### Trade creditors

The Council regularly asks for creditors' statement. However, it is to be noted that the Council does not have any undisputed long term creditors and thus the creditors as at year end were practically less than 30 days old. The Council cannot be held liable if the creditors does not send statements to the Council.

### Creditor Confirmations

Balance with Enemalta was a human mistake and suggested audit adjustment was included in the updated financial statements. Discrepancy with PC Generation Limited was due to timing difference since apparently contractor has issued the invoice in 2018 while the Council has not received the invoice by the time of preparing the financial statements.

## 6. MEETINGS

### Approval of schedules of payments



Noted and the Council will be changing its internal procedures to be in line with this procedure.

7. FINANCIAL STATEMENTS

The disclosures which were mentioned in the comments to the financial statements/draft management letter were updated in the revised financial statements.

8. ELECTRONIC SITE

Noted and the quarterly financial reports for 2018 were uploaded in the new DLG website as instructed by DLG.

Matter about clarification from DLG noted and the Council will be asking for clarification from DLG about this matter.

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Pierre Dalli  
Mayor

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Beverly Saliba  
Executive Secretary