



HAL GHAXAQ

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Grant Thornton
Fort Business Centre,
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6th December 2021

Dear Sir/Madam,

Reference is being made to the Management Letter dated 26th October 2021. Kindly note the below replies:

1. PREVIOUS MANAGEMENT LETTER

The matters in respect of previous year management letter will be tackled in detailed under their respective sections.

2. FINANCIAL STATEMENTS

The 4 matters identify by the auditors were all tackled in the audited financial statements.

3. FIXED ASSETS

3.1 to 3.4 The local Council is currently drafting the fixed asset registry in order to update its financial statements as per Directive 01/2017. Once this is done the accounts will be adjusted as explained in the directive and any difference will be transferred to the income statement.

3.5 to 3.6 The tagging of fixed assets is being done with the drafting of the FAR.

3.7 to 3.8 The Local Council will ensure that expenses of Capital nature are accounted as such and not expenses to the income statement. This was adjusted in the audited financial statements.

3.9 to 3.10 The difference in categories of PPE between the financial statements and the nominal ledger will be adjusted with the FAR is concluded.

3.11 to 3.12 The Local Council will start to depreciated buildings after ensuring at the cost € 20,832 does not include any land.

3.13 to 3.14 The Local Council in the audited accounts has reclassified the embellishment of the Playing field from assets under construction to Playing field equipment. The equipment was certified

as complete in December 2020 and started to be used in January 2021. For this reason it was accounted for assets under construction in the draft accounts.

3.15 to 3.16 The Local Council is aware than an amount of € 17,559 over the cost of the Tender with Urban Play Solutions was incurred. Please note that this amount includes also architects fees capitlised in relation to the project.

4. RECEIVABLES

4.1 to 4.2 The issue on pre-regional funds was adjusted during the year as stated by the auditors. This did not created any adjustments in the accounts since balances were all provided for.

4.3 to 4.4 The Local Council will chase and check the long-outstanding debtors amounting to € 1,308.94. In need be a provision will be accounted for.

4.5 to 4.6 The Local Council will check the € 708.96 discrepancy found by the auditors in respect of Wasteserv and adjust accordingly.

4.7 to 4.8 The Local Council will clear the debit balance under creditors list amounting to € 2,825.62 after investigating the amounts.

4.9 to 4.10 The Local Council will investigate the difference of € 1,720.50 between the amounts deposited in the accounts and the amounts deposited in the Measure 4.3 bank account.

4.11 to 4.12 The Local Council will chase Transport Malta on the amount due on Triq San Gorg to obtain confirmation of the balance due. Furthermore, the Local Council will prepare a file with all correspondence with Transport Malta.

5. CASH AND BANK

5.1 to 5.3 The Council will clear the HSBC bank in the nominal accounts of € 0.32 since it was closed in 2019.

5.4 to 5.5 The Local Council will check the unpresented cheques Chq No 6921 and adjust accordingly.

5.6 to 5.7 The Local Council has adjusted the difference in the petty cash after an exercise was done to identify the differences. This was adjusted in the audited accounts. The remaining difference of € 66.27 will be adjusted for accordingly in 2021.

6. DEFERRED INCOME

The Local Council has adjusted the amount of € 2,682.55 in respect of the LC Care Project and transferred the amount received to deferred income since expenses in relation to the project will be incurred in 2021.

7. PAYABLES

7.1 to 7.2 The Local Council will chase its supplies to provide regular statements in order for the Council to be able to do reconcialtions as recommend by the auditors.

7.3 to 7.6 The Local Council will investigate the difference found by the auditors in respect of Bonnici Brothers and Wasteserv Malta Ltd and adjust accordingly. In respect of Bonnici Brothers the balance represents the amount due on the PPP. This is because the amounts including in the Local Council nominal ledger are based on a Proforma Invoice originally issued by Bonnici Brothers were the works

were concluded in 2012. Bonnici Brothers is issuing Tax Invoices on each payment done by the Local Council as per PPP agreement.

7.7 to 7.8 The amounts due to Schembri Infrastructure of € 18,221.39 will not be paid by the Local Council since these relate to a dispute in respect of low standard of works done. This issue occurred more than ten years ago. The Local Council will follow the recommendation of the auditors to seek legal action to write-off the balance to the income statement since no request for payment was done from the supplier through the years.

7.9 to 7.10 Out of the € 218,826.27 of long-term creditors identified by the auditors an amount of € 18,221.39 is in respect of Schembri Infrastructure as explained above, while an amount of € 162,005.12 is in respect of Bonnici Bros Limited. Bonnici Bros Limited balance is on the PPP which is under a repayment program agreement and Measure 4.3 project which amounts will be paid once funds are given to the Local Council from ARPA. The amount of € 24,502.14 in respect of Urban Play Solutions in respect of the playing field was paid in 2021.

7.11 to 7.12 The unrecorded liability of € 2,509.24 in relation to repairs and maintenance was adjusted in the audited accounts. The Local Council will ensure that all invoices will be given to the accountants to be recorded in the accounting system.

8. INCOME

8.1 to 8.3 The Local Council will ensure that other government income is included in correct nominal ledger account. The reclassifications were all adjusted in the audited financial statements.

8.4 to 8.6 The Local Council will reconcile LES income to the Loqus system and adjust accordingly.

8.7 to 8.12 The Local Council will ensure that income for the reimbursement of expenses is correctly allocated to Other Government Income, further in respect of deposit of income in the bank accounts of the Local Council, the Council will try to adhere as much as possible to the Local Council (Financial) Procedures that require that income is deposited in the bank twice per week.

9. PAYROLL

9.1 to 9.2 The Local Council will investigate the difference of € 110 between the FS5 and FS7 and adjust accordingly.

9.3 to 9.4 The Local Council will adjust the FS3 of the five councillors and report their honoraria under the Other Emoluments in the FS3 form.

10. EXPENDITURE

10.1 to 10.2 The Local Council will ensure that quotations will be obtained at all times when the amounts are in excess of the € 500 threshold in the law.

10.3 to 10.5 The Local Council will review the Insurance Policy accordingly, however please note that the Local Council have to insure its buildings even if these are not owned by the Local Council as per lease agreement. Furthermore, all other assets must be insured on the replacement value and not the Net book value in the financial statements.

10.6 to 10.7 The Local Council will update the Motor vehicle insurance to one on a comprehensive value and not just 'Third party only'.

10.8 to 10.9 The Local Council will issue a call for a contract manager as required by Directive 03/2019.

10.10 to 10.11 The Local Council did not account for the lease of its building in the accounts because the lease is not on commercial rates. The building is the property of the Lands Authority and was devolved to the Local Council at a very special rate.

10.12 to 10.13 The Local Council will ensure that the petty cash list includes all details required by law.

10.14 to 10.15 The Local Council has noted that the Council should not have done a Christmas dinner due to Covid-19.

11. ELECTRONIC SITE

The Local Council will ensure that all reports are uploaded online and that as much as possible uploaded within the stipulate time frame.

12. MEETINGS

The Local Council will adhere to the meeting regulations and will set Local Council meetings after 5.30pm and not before. Furthermore, for meeting that last for more than three hours a consensus will be obtained.

13. SCHEDULE OF PAYMENTS

The Local Council will ensure that the schedule of payments includes all details required by law including the Nominal Account number and invoice numbers

14. REPORTS

The difference between the audited accounts and the annual budget mainly relates to the depreciation on playing filed equipment of € 156,517.

15. CAPITAL COMMITMENTS

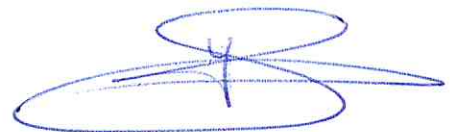
In respect of capital commitments note to the financial statements, from next year the capital commitments will be split between the capital expenditure that is expected to be performed next year and that that will be performed after more than one year.

Whilst thanking you for your attention,



Darren Abela

Mayor



Fiona Cutajar

Executive Secretary