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26 October 2021

Dear Sir,

Financial statements for the year ended 31 December 2020

During the course of our audit for the year ended 31 December 2020 we have reviewed the accounting system and procedures operated by your council. We have also reviewed the operations of the council and how they conform to the Local Councils Act, 1993, the Financial Regulations issued in terms of this Act, and the supplementary Financial Procedures. We set out in this report the more important points that arose as a result of our review.

1 Previous management letter

1.1 Organic waste income

We are pleased to note that the council has recorded income from Wasteserv Malta Ltd correctly during the year.

1.2 Fixed asset register

We noted that the council has still not compiled a fixed asset register (refer to note 3.1).

1.3 Tagging of fixed assets

The council failed to address the issue during the current year (refer to note 3.5).

1.4 Asset insurance

We noted that the council did not address this issue (refer to note 10.3).

1.5 Depreciation

The depreciation expense was again calculated manually due to the lack of a compiled fixed asset register.

1.6 Accrued income

We noted discrepancies between the bank records and the accrued income in the books of account (refer to note 4.9).

1.7 Bank and cash

We again noted stale cheques in the list of unrepresented cheques which includes a cheque issued to the commission for revenue which was still not cashed after six months of issue (refer to note 5.4).

1.8 Trade payables

We again noted that the council still did not obtain supplier statements as at year end and perform the required reconciliations (refer to note 7.1).

1.9 Payables confirmation

During the year under review, we identified a discrepancy between the amounts per creditor confirmation and the amount per payables list for the balance owed to Bonnici Bros Limited (refer to note 7.4).

1.10 Accruals

We are pleased to note that the council has rectified the issue during the year under review.

1.11 Leave

We noted that the council has rectified the issue during the year.

1.12 Financial Situation Indicator

We noted that the FSI was kept above 10%.

2 Financial statements**Presentation of financial statements**

2.1 In line with the Department's requirements, the council is obliged to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs). The council's financial statements diverge from this requirement in the instances noted below:

- i. The Statement of changes in equity is not casting.
- ii. The amount receivable in note 4 does not agree to the trial balance.
- iii. The council failed to include the 'Events after reporting date' disclosure.
- iv. Note 8 'Funds received from central government' is not casting.

2.2 We recommend that the council gives more attention to the preparation of the financial statements and includes all the disclosures required by accounting standards.

3 Fixed assets**Fixed asset register**

3.1 To date, the council has not yet compiled a fixed asset register. This contravenes the Local Councils (Financial) Procedures, 1996 which state that every council is to create, maintain and control an accurate and up-to-date fixed asset register. This is strengthened by Directive 01/2017 stating that councils must have a fixed asset register which agrees to the nominal ledger. Furthermore, the same directive stated that councils who previously did not have a fixed asset register could start preparing one by including the total net book values of the previous assets purchased. The above was not provided to us.

3.2 We strongly recommend that the council prepares a fixed asset register comprising at least the following details:

- Description of asset
- Date of purchase
- Supplier details
- Invoice number
- Asset tag code (where applicable)
- Cost
- Depreciation rate
- Location of the asset
- Grants received

3.3 During our audit, we were only provided with the cost, accumulated depreciation and net book values for past years on excel and their depreciation workings. Due to the lack of a fixed asset register, the depreciation is also being calculated on excel.

3.4 A fixed asset register is essential to maintain proper control over the assets in the council's custody. It provides a checklist to enable periodic physical inspection of assets to verify existence and condition. Furthermore, the information contained above allows any disposals to be correctly accounted for.

Tagging of fixed assets

3.5 We would also like to point out that furniture, fittings, office and computer equipment are not tagged.

3.6 The Local Councils (Financial) Procedures, 1996 required assets to be tagged (where applicable) and referenced to the fixed asset register.

Additions to fixed assets

3.7 While performing audit procedures we noted that an amount of €8,555 for various repairs and maintenance services were capitalised rather than expensed. To this end, we proposed an audit adjustment to the council in order to account properly for the cost of the service as an expense.

3.8 The council should not capitalise costs which are of an expense nature. IAS 16 states that the asset purchased should provide future service potential. In these cases, the expenses were incurred to maintain their use rather than to add economic benefits or service potential.

Reconciliation of financial statements with accounting records

3.9 We identified some differences between the net book value of assets in the financial statements and the net book value in the nominal ledger. These are summarised below:

Asset category	NBV in unaudited financial statements €	NBV in nominal ledger €	Difference €
Plant and machinery	1,381	2,911	(1,530)
Computer equipment	1,433	1,086	347
Office equipment	2,766	3,113	(347)
Urban improvements	16,429	46,563	(30,134)
Construction	198,074	198,518	(444)
Special programmes Projects under construction	17,873	(19,857)	37,730
	225,895	231,517	(5,622)
	463,851	463,851	-

- 3.10 We remind the council that any variances between the assets disclosed in the financial statements and the nominal ledger need to be investigated and reclassified accordingly before closing the year end.

Reconciliation of financial statements with fixed asset register

- 3.11 Whilst reviewing the fixed asset register in excel we noted that the net book value of the property amounting to €20,832 is not included. To this end the council is not depreciating this amount.
- 3.12 We remind the council that any variances between the assets disclosed in the financial statements and the plant register need to be investigated and addressed accordingly. We recommend that the council reviews the financial statements and compares the figures for fixed assets to the fixed asset register to ensure proper preparation of the financial statements.

Assets under construction

- 3.13 While performing audit procedures we noted that assets under construction which related to the embellishment of the playing field was certified to be completed in 2020, however, this was still shown as assets under construction in the accounts. To this end we have proposed an audit adjustment to reclassify this asset under the appropriate category. Furthermore, due to the asset being completed during the year, this had to be depreciated in full and thus we have proposed another adjustment of €231,517 to depreciate the asset.
- 3.14 We remind the council that when completed 'assets under construction' are reclassified to the correct classification and that these are depreciated according to the council's accounting policy.

GHLC 05/2018 'Embellishment of playing field in Triq il-Gudja C/W Triq ic-Ceppun, Hal Ghaxaq'

- 3.15 On 1 March 2019 the council entered into an agreement with Urban Play Solutions under the tender GHLC 05/2018 'Embellishment of playing field in triq il-Gudja C/W triq ic-Ceppun, Hal Ghaxaq'. The contracted amount was €278,766 including VAT. Between the tender date of award and 31 December 2020 a total of €296,325 had been spent in relation to the above tender. This resulted in a difference of €17,559 between the tender awarded and the actual amount spent.

- 3.16 We recommend that the council always adheres to the clauses of the signed agreements and does not exceed contracted amounts established during the tendering process. Furthermore, may we also remind the council that if it establishes that the initial contract value of works will be exceeded by 15%, the council is to adhere to S.L. 174.04 Public Procurement Regulations, 2016 article 247 which states that in such a case the council shall seek the approval of the Director.

4 Receivables

Pre-regional LES debtors

- 4.1 According to report 622 generated from the Loqus system, the tribunal payments as at 31 December 2020 were €122,172, compared to the amount of €2,369 reported in the financial statements. This results in a difference of €119,803 for which the council did not provide us with any explanation. We did not propose an audit adjustment to account for these LES debtors because it has no effect on the financial statements since LES debtors are carried at nil value following a provision for doubtful debts for the same amount.
- 4.2 We recommend that the council should obtain plausible explanation and evidence from Loqus supporting the increase in tribunal pending payments.

Overdue receivables

- 4.3 We have noted some long-term receivables in the books of account for trade receivables. The council failed to provide for specific overdue balances. These are summarised below:

Debtor	€
ARMS Ltd	541.80
Regjun Ghawdex	43.10
Regjun Centru	15.08
Wasteserv Malta Ltd	708.96
	<u>1,308.94</u>

- 4.4 We recommend that the council regularly reviews overdue receivables for recoverability. If their recoverability is doubtful, the council should consider making a provision for all amounts after obtaining the approval of the council in meetings. Furthermore, the council should send continuous reminders/statements to its debtors to ensure that the council still has the right to collect the amounts due.

Trade receivables

- 4.5 During our audit fieldwork we identified a difference between a third party confirmation and the debtors' list provided by the council namely:

Debtors	Balance in books of accounts €	Balance confirmed by debtor €	Difference €
Wasteserv Malta Ltd	19,166.88	18,457.92	708.96

- 4.6 We recommend the council to perform regular reconciliations with all debtors to promptly highlight the differences.



Debit balances in creditors' list

4.7 The council's creditors' list included debit balances amounting to €2,825.62 which have arisen in 2020. Details of the debit balances are presented below:

Debtor	€
Prior year audit adjustments	1,323.00
Planning Authority	1,500.00
Kawwar	2.62
	<u>2,825.62</u>

4.8 We recommend that the council investigates all debit balances in the creditors' list since they may arise from overpayments or omitted invoices. In addition, these balances should also be disclosed separately with other receivables rather than set off against trade creditors.

Accrued income

4.9 During the audit we noted that the council had accrued income of €102,584 in relation to Measure 4.3. According to the bank records the council was awarded an amount of €104,304.50 which results in a difference of €1,720.50.

4.10 We remind the council that the books of account should reflect the actual amounts received or still to be received.

Transport Malta Grant

4.11 During the audit we noted that included with accrued income is an amount of €90,832 for Triq San Gorg. The works were carried out in 2013 however to date the council has not received the funds from Transport Malta. The council failed to provide us with an agreement signed with Transport Malta. Furthermore, we were informed by the council that this grant was only approved through verbal agreements. As a result, our audit report has been qualified.

4.12 We advise the council that obtaining and retaining signed copies of all the contracts is of vital importance.

5 Bank and cash

Bank accounts

5.1 The council's trial balance includes the below bank account:

Account	Account description	€
5011	HSBC Current Account	<u>(0.32)</u>
		<u>(0.32)</u>

5.2 The council informed us that in August 2019 the council had closed its bank account with HSBC, which however is still showing a balance to date.

5.3 We recommend the council to ensure that the trial balance shows the correct amounts for all open bank accounts.

Unpresented cheques

5.4 During the audit we were presented with the list of unpresented cheques for the BOV Current account. Included in the list is cheque 6921 issued to the

issued a receipt. However, this cheque was still included as part of the unrepresented cheques. The council failed to provide us with an explanation for the above. No audit adjustment was proposed due to the lack of information.

- 5.5 It is important that the council prepares an accurate monthly bank reconciliation and any cashed cheques should be appropriately cleared.

Petty cash reconciliation

- 5.6 During our audit fieldwork we performed a cash count as at 6 July 2021 and reconciled it back to 31 December 2020. This procedure highlighted an excess of €1,414.13 in the accounting records. Upon investigating the difference identified, the council remarked that petty cash expenditure incurred in 2018 amounting to €297.86 was not recorded in the books. To this end, we have proposed an adjustment to record this. Furthermore, an expense of €1,050 incurred in 2020 was erroneously posted to the petty cash account. We have proposed another adjustment to show this under an appropriate account. The council failed to provide us with an explanation for the remaining difference of €66.27.
- 5.7 We would like to remind the council that petty cash should be counted and reconciled to the books on a monthly basis as required in the Financial Procedures. In this manner differences are immediately identified and adjusted.

6 Deferred income

LC Care Project

- 6.1 We noted that during the year the council received an amount of €2,682.55 in relation to the 'LC Care Project'. The council confirmed that no expenses related to this project were incurred during the current year. To this end, we proposed an adjustment to defer the income received in 2020.
- 6.2 We recommend that grants received by the local council are accounted for in the correct accounting period.

7 Payables

Supplier statements

- 7.1 We again noted that the council did not obtain statements at or near year-end from all suppliers to confirm the year-end balances and to ensure the completeness of the books of account. Memos and circulars issued from time to time by the Department specifically emphasise that the council should acquire monthly statements from all its suppliers.
- 7.2 We understand that the council does make every effort to obtain statements from its suppliers and that sometimes it is difficult to obtain monthly statements due to suppliers' inefficiency. However, we recommend the council keeps on chasing its suppliers for regular statements. This will ensure that the council's creditors are properly recorded in the accounts and that any differences or disputes are highlighted promptly.

Trade creditors

- 7.3 While reviewing creditors' balances we noted that the creditors' list included an amount of €4,770 due to Alistair Avallone. However, we have obtained

confirmation that this amount was paid during the year by Regjun Nofsinar. To this end, we have proposed an adjustment to show the above amount as income earned.

- 7.4 A creditor statement was obtained from Bonnici Brothers as at 31 December 2020 confirming a balance of €182,819.37. The amount included in the creditors' list was of €162,005.12 resulting in a difference of €24,250.62. The council failed to provide a reconciliation of the difference identified. To this respect our audit report is qualified.
- 7.5 We have obtained the creditor statement from Wasteserv Malta Ltd as at 31 December 2020 which showed a balance of €12,419.80. The amount included in the creditors' list of the council was of €26,248.35 resulting in a difference of €13,828.55. After further investigation it was noted that Department had paid an amount of €17,095.47 on behalf of the local council which transaction was not recorded by the council. To this end, we have proposed an adjustment to show the amount paid by Department as supplementary government income. Furthermore, the council had not recorded waste disposal costs amounting to €3,267.20. Therefore, we have proposed another adjustment to record the above cost in the books of account.
- 7.6 We reiterate our recommendation that the council should reconcile creditors' balances on a regular basis. We refer to the Procedures and circular 1/2021 which state that councils should obtain monthly statements in order to reconcile balances with the accounts.

Amounts in dispute

- 7.7 We have also identified a balance due to Schembri Infrastructure of €18,221.39. This relates to a very old balance brought forward from over 10 years ago which was disputed by the council due to works performed being of low standard. The council remarked that there has been no request for payment from the supplier throughout the years and the council will seek legal action on whether to write off the balance to profit and loss.
- 7.8 We recommend that the council does its utmost to protect its interests and reflects the outcome of any negotiations or agreements in the books of account. It is not prudent to pay for invoices in advance unless there is a contract in writing. Also the council should not have posted the invoice prior to the receipt of services.

Long-outstanding creditors

- 7.9 The council's creditors' list includes the following balances which have been outstanding for more than one year:

Creditor	€
Andrew Vassallo General Trading	203.20
Bonnici Bros	162,005.12
Homes by BDI	283.77
ICT Solutions	1,399.48
M G Pulis	120.00
MEPA	1,220.00
Ronald Bezzina	300.00
Schembri Infrastructure (note 6.7)	18,221.39
SJF Consultancy	115.00
Urban Play Solutions	24,502.14
Wasteserv Malta Ltd	10,456.17
	218 826 27

- 7.10 We recommend that the council reviews these amounts and, either settles them if still due, or else reverses them after having obtained approval from the council. Furthermore, decisions and discussions regarding these balances should be minuted during the council meetings. With respect to outstanding amount due to creditors which are in dispute, council should ensure that the books are updated accordingly once the final decision is given.

Unrecorded liabilities

- 7.11 Whilst performing audit testing, it came to our attention that the council has omitted an invoice of €2,509.24 in relation to repairs and maintenance. To this end, we have proposed an audit adjustment to rectify the issue
- 7.12 We recommend that the council records expenditure when it is incurred such that expenses and liabilities are recorded in the correct financial year.

8 Income

Other Government income

- 8.1 In 2020, the council received €1,066 from the Department of Local Government for the 2019 adjustment fund. The council has included this amount with the annual allocation. We have proposed an audit adjustment to include this amount with other Government income.
- 8.2 In the unaudited financial statements the council classified income received from Regjun Nofsinhar amounting to €4,848.76 in 'general income' instead of allocating it to 'other Government income'. We proposed an audit adjustment to reallocate this amount to 'other Government income'.
- 8.3 We recommend the council discloses all income received from Government, which is not part of the annual allocation, as other Government income, unless otherwise directed by the Department for Local Government.

LES administration fees

- 8.4 Whilst reviewing LES administration fees for December 2020, we noted that an amount of €521.63 was erroneously recorded with income from permits. To this end, we have proposed an adjustment to reclassify amounts to LES income.
- 8.5 We also noted that the LES administration fees after our proposed adjustment included in note 7.4, when checked against the Loqus reports 483, are overstated by €720. The council failed to provide an explanation for this.
- 8.6 We recommend that the council ensures that invoices have been issued correctly to the regional committees and LESA and that there are no mispostings.

General income

- 8.7 During the year the council received a refund of expenses of €2,389.63 from LESA in relation to cultural activities which took place in the locality. These funds were recorded by the council in the permits account rather than general income. To this end, we have proposed an adjustment to show this income as 'general income'.
- 8.8 The council should ensure that transactions are properly allocated to the correct account.

- 8.9 We came across numerous instances where the council failed to deposit receipts on a timely basis. Examples are:

Description	Receipt number	Receipt date	Deposit date	€
Skip permit	5609	05.03.20	12.03.20	1.16
High-up permit	5663	09.06.20	17.06.20	40.00
Crane permit	5708	07.07.20	16.07.20	40.00
Crane permit	5755	30.07.20	06.08.20	20.00
Lifter permit	5804	31.08.20	12.09.20	10.00

- 8.10 We recommend that the council deposits cash twice weekly, primarily to comply with the Local Council (Financial) Procedures but also for security purposes.

Custodial receipts

- 8.11 The same shortcomings were noted during the course of our audit work on the council's custodial receipts of Lands Department and LES fines:

Description	Receipt number	Receipt date	Deposit date	€
Lands Department	904788	10.01.20	16.01.20	48.33
Lands Department	916711	12.03.20	19.03.20	177.03
Lands Department	941237	21.08.20	28.08.20	43.86
Lands Department	943366	28.08.20	12.09.20	9.19
Lands Department	950996	14.09.20	25.09.20	24.04
LES income	4546688	06.07.20	27.08.20	23.29
LES income	4484186	28.08.20	17.09.20	23.29
LES income	4596726	12.09.20	24.09.20	23.29
LES income	4620771	08.10.20	15.10.20	23.29

- 8.12 We remind the council that the Financial Procedures and LN 28/2000 require the council to deposit its cash collected from general income and custodial receipts at least twice weekly. We advise the council not to leave cash and cheques on the premises for a prolonged period of time since, apart from contravening the Procedures, it can give rise to security concerns.

9 Payroll

Wages' reconciliation

- 9.1 Whilst reconciling the FSS tax declared in FS5 forms to that declared in the FS7 form of the council, we came across the following differences:

Description	Declared in FS5s €	Declared in FS7 €	Difference €
FSS full time	9,701	9,591	110
Total	9,701	9,591	110

- 9.2 It is important that FSS forms are filled in properly to ensure that all amounts paid are correctly declared to the Commissioner of Revenue.

Declaration of councillors' allowances and mayor honorarium

- 9.3 When reviewing the FS3s for councillors and mayor, we noted that the council has incorrectly reported the allowances of five councillors under 'Part-Time Gross Emoluments'.
- 9.4 We would like to remind the council that councillors' allowances do not qualify for the Part-Time Work Regulations (1996) and as such should be declared under 'Gross Emoluments' (FSS Rules). We recommend that the council adheres to these regulations.

10 Expenditure

Procurement procedures

- 10.1 Testing on cheque payments revealed the following irregularities for the below listed purchases:

Details	Supplier	€
Purchase of library books	BDL	698.76
Supply of 4 dog bins	Gokker Ltd	927.48

The council failed to obtain quotations for the purchases noted above.

- 10.2 In accordance with the Procurement Guidelines 2017 issued by the Department for Local Government the council should obtain at least three signed quotations for purchases exceeding €50 up to €5,000 unless, for purchases exceeding €50 but not €500, a direct order approved by the Executive Secretary is issued.

Insurance policy

- 10.3 During our audit we identified the following discrepancies between the asset insurance cover and the net book value as stated in the previous year audited financial statements:

Asset	Sum insured €	NBV in accounts €
Buildings	67,000	-
Furniture, fixtures & fittings	33,500	6,811
Office equipment	12,200	3,745
Electronic equipment	7,000	985
Plant and machinery	-	2,194
	119,700	13,735

- 10.4 It is evident that some of the fixed assets are over insured. May we advise the council to perform at least an annual review of its insurance policy in order to ensure that the council's insurance coverage is in line with current legislation.
- 10.5 Directive 3/2017 and Legal Notice 269 of 2017 state that the council must ensure that administrative offices, including all the furniture and office machinery are insured by a 'buildings and content' insurance. The insurance shall cover fire, theft and damage due to natural events. Circular 33/2016 also states that the insurance policy should be based on the net book value of assets included in the last audited

financial statements. We recommend that the insurance at least covers the replacement cost of the assets.

Motor vehicle insurance

- 10.6 We noted that the council has its motor vehicle insured as 'Third party only'.
- 10.7 We remind the council that motor vehicle should be covered by a comprehensive policy and it should ensure that the vehicle's policy covers its intended use.

Contracts manager

- 10.8 We noted that during the year under review the council did not issue a call for quotations/tender in accordance with the Procurement Guidelines 2017 to appoint a contract manager. This is not in line with Directive 03/2019.
- 10.9 Directive 03/2019 states that the council had to appoint a contract manager by 31 December 2019.

IFRS 16 'Leases' assessment

- 10.10 Whilst performing audit procedures we noted that the council recorded a rent expense amounting to €520.41 in the books of account. We noted that the council did not account this amount in accordance with IFRS 16 'Leases'. The council also failed to provide us with an assessment of leases in line with the new standard. However, given that the effect on the financial statements was not deemed to be material, no adjustments were proposed from our end.
- 10.11 We recommend the council to perform IFRS 16 assessment to establish whether the council has to account for the rent expense in accordance with IFRS 16 accounting treatment.

Petty cash expenditure

- 10.12 During our audit fieldwork we noted that the petty cash lists prepared by the council do not include details of the nominal account to which the expenses were allocated.
- 10.13 To this end, it is suggested that the council facilitates approval of petty cash expenditure by providing an analysis of all petty cash expenses and allocating the monthly total of each category of expense to the correct account.

Christmas dinner

- 10.14 We noted that an amount of €461.20 was spent on Christmas dinner held during 2020. OPM Circular 23/202 states that government entities were specifically required not to pay out, in total or in part, any expenses related to Christmas staff parties through government funds. This was done to conform with directives issued by the health authorities.
- 10.15 We emphasise the importance of following Government issued circulars, and it is the full responsibility of the executive secretary to ensure compliance with amendments issued from time to time.

11 Electronic site

Uploading of meeting minutes and schedules of payments on website

- 11.1 During our audit fieldwork, we noted the following shortcomings in relation to the electronic site:
- i. The council failed to upload the quarterly reports for January to March, April to June, July to September and October to December within the stipulated time frame.
 - ii. Meeting minutes 11-20, 12-20, 13-20, 14-20, 15-20, 16-20, 17-20, 18-20, 19-20, 20-20, 22-20 were not uploaded on the website within the required time frame.
 - iii. Schedules of payments 11-20, 13-20, 16-20, 17-20, 18-20, 20-20 were not uploaded on the electronic site of local councils within three working days from their approval.
 - iv. The financial statements 2019, Management letter 2019, reply to the management letter and annual budget 2020 was not uploaded on the website within the stipulated time frame.
- 11.2 We reiterate our recommendation that the council should abide by memo 02/2014 wherein it is stated that all meeting minutes and schedules of payments must be uploaded in pdf format on the electronic site of local councils within three days of approval in council meeting.

12 Meetings

Length of meetings

- 12.1 We noted that council meetings 16 and 17 took place at three o'clock in the afternoon. We would like to remind you of memo 68/2009 wherein it is stated that council meetings should take place after half past five in the afternoon and not later than half past seven. However, we have noted that most councillors attend most meetings.
- 12.2 We suggest that the council includes the time the meeting ended to ensure that meetings do not exceed three hours and comply with memo 68/2009 and section 43(3) of the Act.
- 12.3 During the year under review we noted that meetings 13, 18, 20, 21 and 22 lasted more than three hours without obtaining the required consensus.
- 12.4 We suggest that the council includes the time the meeting ended to ensure that meetings do not exceed three hours and comply with memo 68/2009 and section 43(3) of the Act.

13 Schedules of payments

Schedules of payments

- 13.1 During our review of the schedules of payments, we noted various deficiencies relating to the amount of detail shown in the schedules. Some instances include:
- i. Account numbers are not included on the schedules of payments.

This is not in accordance with the template schedule of payment issued by the Department for Local Government.

- 13.2 The council should fill in all details in the schedule of payments as required by memo 37/2011. The required details allow easy cross-referencing between the schedule of payments and the expenses included in Sage.

14 Reports

Comparison with the annual budget

- 14.1 We noted that the expenditure incurred in 2020 exceeded the budgeted amounts as follows:

	Budget €	Actual €	Difference €
Expenses			
Operations and maintenance	223,180	159,905	63,275
Administrative expenses	54,830	167,630	(112,800)

- 14.2 We recommend that the council compares budgeted figures to actual figures at least on a quarterly basis to ensure expenditure is in line with budgeted amounts. The council should apply due care and diligence when compiling the budget figures as required by the Financial Regulations.

15 Capital commitments

- 15.1 During the year under review we noted that the council has €86,750 in capital commitments included in the 2021 budget. The financial statements include capital commitments of €291,321. The council should disclose capital commitments required within the coming year and future years separately informing users of the council's future intentions.
- 15.2 We recommend that the financial statements should adequately disclose the council's future capital expenditure plans, if any, as agreed to the budget and business plan. Where appropriate it is advisable to explain how such capital expenditure is to be funded.

Conclusion

We would like to point out that the matters dealt with in this report came to our notice during the conduct of our normal audit procedures which are primarily designed for the purpose of expressing an opinion on the financial statements of the council. In consequence our work did not encompass a detailed review of all aspects of the system and cannot be relied upon necessarily to disclose defalcation or other irregularities or to include all possible improvements in internal control that a more extensive special examination might develop.

We would like to take this opportunity to thank Ms Fiona Cutajar and her staff for their co-operation and assistance during the course of the audit.

Yours faithfully,