



KUNSILL LOKALI TAL-IMQABBA

29, TRIQ IL-PARROĊĊA, L-IMQABBA MQB 1512

TEL: 2168 0622

E-MAIL: mqabba.lc@gov.mt

WEBSITE: www.mqabba.gov.mt / www.lc.gov.mt

16 August 2020

Dear Sir/Madam

The following is our reply to the Management Letter for year ending 2019.

1.1 Income

2.1 We are very pleased to note that our auditors are aware of our reply of the 2018 management letter, thereby highlighting the costs and inconveniences to adhere to instructions requiring us to deposit cash in other branches of Bank of Valletta. This happened soon after we found out that cash deposits were no longer accepted at the Mqabba Branch, incurring transport costs, time and all safety risks involved. Up to now, this is solely done by the Deputy Executive Secretary. However the Mqabba Local Council is doing its best to deposit income at least twice weekly as stipulated in the local councils' procedures.

1.2 Fixed Assets

2.2 The Mqabba Local Council is pleased to note that during audit testing, auditors deemed immaterial the €260 discrepancy found in the depreciation charge for the year pertaining to two particular classes of assets.

1.3 LES debtors

2.3 Trade Receivables

Auditors are claiming that the LES debtors' balance and the respective provision on such balance, were not showing the actual balance receivable. The amount of €121,348 pre-regional LES was shown in the report generated by Loqus (Datatrak) as at 31 December 2019. However, the Council was very conservative in recording such high amounts due to the past experience of the veracity of data in such

reports generated outside his remit. Nonetheless, we have nothing to add to the proposed two audit adjustments, AA 01/19 and AA 02/19.

1.4 Negative balances in trade payables

2.4 Negative Balance in Trade Payables

2.14 The Mqabba Local Council does not object to the auditor's reclassifications suggestions that were also approved and passed in accounts with respect of the creditors' list that included negative balances shown in RECL A/19. The Council is taking the recommendation of the auditors that debit and credit balances should be reclassified to be presented separately in the financial statements and that the Council asks for the invoice before making a payment.

1.5 Accrued Income

2.5 We are pleased to note that the auditors deemed the difference of €1,000 mostly in the waste tipping fees accrued income is immaterial as per 2.13. As such we have no objection for the amounts indicated to be passed in our accounts

1.6 & 2.6 Trade Payables

The Mqabba Local Council is indeed preparing suppliers reconciliations, however this depends very much on various factors outside our remit, such as the willingness of the supplier to submit a monthly statement. We are really exhausting a lot of our human resources and valuable time in chasing our contractors mostly to furnish this important data to produce correct reconciliations that better reflect the statement of affairs and operations between the two parties.

1.7 Accruals

2.7 Rent due by local council to whoever this is payable to

Up to date we do not know who is the entity responsible for the collection of the council rent. The case was prejudiced once by the local council department some years ago deducted a percentage amount of rent from our government allocation and was contested at law courts by the owner. We are still heeding the recommendation of the Attorney General not to make unnecessary moves as

these will prejudicated further the case and probably legally leads to our eviction from 29, Parish Street, L-Imqabba.

The Mqabba Local Council does not have any difficulties with the Auditor's proposed AA3/19 interest payable of €1,000, the adjustment of which is made in note 2.15

1.8 Attendance at local council meetings

2.8 We do not subscribe to the auditor's conclusions that the attendance of Mr Michel Farrugia was not discussed during local council meetings which were transmitted on-line and also documented in a number of meetings' minutes. A lot of evidence was produced by the Deputy Executive Secretary to the auditors which are after all documented at the local council Municipality archives.

1.9 Financial Budget

We are pleased to note that our auditors noted no issues with respect to financial budget encountered in year ending 2019.

2.9 Budgets

The auditors compared three elements of the budget and actuals with regards to the expenses: Personal Emoluments, Contract Expenses and Depreciation. We note that there was a saving on the personal emoluments of €11,000 due to non engaging of an Executive Secretary as yet and also in the over stated depreciation of €15,000. The only negative difference is in the contract expenses which amount to €10,000. The resultant of these figures is a net positive difference of €16,000 with regards to actuals compared to budget.

1.10 Petty Cash

2.10 Petty Cash Expenditure balance is now €250 divided as explained below



No	Purpose	Keeper	Amount (€)
i	Real Petty Cash float	Anthony Bonello	100.00
ii	Change for cash purposes made by public to be served from our offices	Anthony Bonello	50.00
iii	Change for cash purposes made by public to be served from our offices	Valerie Galea	50.00
iv	Change for cash purposes made by public to be served from our offices	Marouska Zahra	50.00

In conclusion the actual petty cash balance is €100 and thus not exceeding €232.94 balance.

1.11 Wages Reconciliation

2.11 & 2.13 (List of Unadjusted Errors)

We are pleased to note that in 2.11 the difference of €1,000 was deemed as immaterial. On the other hand, there were no difficulties with the Director Revenue with regards to matching the FS7 for year ending 2019 as it was reconciled with the FS3s.

2.12 Adoption of IFRS 9

The introduction of IFRS 9 indeed introduced '*an expected credit loss*' model for the impairment of financial assets. In our case the resultant €237 was deemed immaterial, therefore not affecting much our affairs.

We thank the auditors for pointing out these flaws that will enable us improve our operations in the very future.

Regards

Omar Farrugia
Mayor

Anthony Bonello
Deputy Executive Secretary