



KUNSILL LOKALI TAL-IMQABBA

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

TEL: 2168 0622

E-MAIL: mqabba.lc@gov.mt

 L-Imqabba Local Council

Our Reference : KLM40/128-21

Your Reference :

Director (Monitoring & Support)
Local Government Division
Triq l-Arcisqof
Valletta

Dear Sir,

Please find below our reply to the Management Letter for the financial year ending 31 December 2020.

2. Income

- 2.1. Council takes note of the amount of € 478 for the MITA deduction that was not properly grossed up during the year and will make sure that the procedure as explained is consistently adopted over the years.
- 2.2. Same as 2.1 above.
- 2.3. Council takes note of the comments regarding timely deposits, however it is pertinent to note that in normal circumstances, the amounts deposited do not exceed € 1,000 weekly and therefore the amount in our possession is not much. During 2020, due to the pandemic we faced issues of the bank not accepting coins and other issues which in certain instances resulted in deposits not deposited weekly. As from December 2020, the Council engaged the services of a security company which takes care of our weekly deposits.
- 2.4. Same as 2.3 above.
- 2.5. Council takes note of the suggestion that the Loqus Report 483 is issued regularly, and reconciliations are carried out to the income from LES administration fees as per nominal.
- 2.6. Same as 2.5 above.
- 2.7. Council took note of the recommendations made with regards to allocating organic waste collection receipts to the other government income. With respect to permits, Council notes that these were wrongly presented on the face of the Income & Expenditure Statement and hence there was no need to amend the books as it was solely a presentation issue.

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2.8. Same as 2.7 above.

3. Expenditure

3.1. Matter highlighted has been rectified since the new Executive Secretary took over in September 2020. Payments made through Petty Cash are approved on a monthly basis during the subsequent Council Meeting.

3.2. Same as 3.1 above.

3.3. Same as 3.1 above.

3.4. Council took note of the issues highlighted and is now ensuring that Purchase Orders are issued to all suppliers and when amounts exceed € 50, at least 3 quotations are obtained before purchase takes place. For expenses over € 5,000, a tender will be issued.

3.5. Same as 3.4 above.

3.6. Same as 3.4 above.

3.7. Council took note of the issues highlighted and is now making sure that all documentation required is obtained and filed accordingly.

3.8. Same as 3.7 above.

3.9. Same as 3.7 above.

3.10. Council took note of the issues highlighted and by the end of 2021, all expired contracts would be published. The Executive Secretary is also keeping a schedule of all contracts including the commencement and expiry dates so that there will not be a repeat of this occurrence.

3.11. Same as 3.10.

3.12. Same as 3.10.

3.13. Council took note of the issue highlighted and would like to advise that these 2 instances were items urgently required due to the Covid-19 pandemic to safeguard the safety of our employees and residents. Such payments are not the order of the day and standard procedure is that no payments over € 50 are made without approval during Council Meeting. On a number of occasions, where suppliers demanded payment on delivery for items approved by the Council, the Executive Secretary made such payments himself and then these were reimbursed after approval during a Council meeting.

3.14. Same as 3.13 above.

3.15. Same as 3.13 above.

3.16. Council notes the observation that the Council's insured amounts for office furniture and fittings, all other contents and office equipment, which stood at €




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73,896 as per the insurance cover held by the Council at year end, are much higher than the book value of the same, which stood at € 3,286 at year end. The reason for this was that as from the previous years, the Council netted off all grants received over the years on the same items of capital expenditure, against the historical cost of the same. This led to a substantial decrease in net book values, which do not reflect the actual replacement values of the assets held. Council opines that it would be performing properly its custodial function when it is ensuring that the insured values are more or less close to the replacement values of the assets in question.

- 3.17. Council is of the opinion that the disadvantages of the adoption of IFRS 16 leases in respect of the rent expense in question amounting to € 232.94, would outweigh the benefits derived from such exercise. It feels that the resultant impact would not be material on the performance and affairs of the Council.
- 3.18. Same as 3.17 above.
- 3.19. Council took note of the issue highlighted and with immediate effect will be adopting the system of payment by mileage.
- 3.20. Same as 3.19 above.

4. Wages & Salaries

- 4.1. Council would like to inform that as from 2021, it has changed the preparer of the payroll and is no longer showing the allowances of the four Councillors under Part-Time Gross Emoluments in the monthly FS5.
- 4.2. Same as 4.1 above.
- 4.3. Same as 4.1 above.
- 4.4. Same as 4.1 above.
- 4.5. The Council has noted the discrepancies between the FS%^s and the annual FS7 and would like to inform that the new preparer of the payroll is now using a payroll system that will ensure that data is properly and consistently classified and reported during the year and its annual returns.
- 4.6. Same as 4.5 above.

5. Fixed Assets

- 5.1. The Accountant of the Council has committed himself to properly investigate and take corrective action with regards to the classification of the asset categories in accounting records and the financial statements compiled from time to time by the Council.
- 5.2. Same as 5.1 above.



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- 5.3. The Accountant of the Council has committed himself to properly investigate and take corrective action with regards to the classification of between the nominal ledger and the fixed asset register kept by the Council.
 - 5.4. Same as 5.3 above.
 - 5.5. Same as 5.3 above.
 - 5.6. Council appreciates the recommendation that its fixed asset register is updated with all relevant details. This corrective action will be taken in due course by the Council's Accountants.
 - 5.7. Same as 5.6 above.
 - 5.8. Same as 5.6 above.

6. Trade & other receivables

- 6.1. Council observes that upon providing the necessary reconciliation between the customer account of Wasteserv in the books of the Council and the statement provided by Wasteserv, it was concluded that balance on the nominal ledger of the Council was correct, namely, it stood at € 15,092. However, the Council will ensure that more frequent reconciliations are made so as to ensure that any issues, even if they do not affect our books, are promptly tackled and resolved.
- 6.2. Same as 6.1 above.
- 6.3. Council took note of the recommendation and will ensure that any overdue receivables are adequately chased and escalated as necessary. Any write-offs will be discussed and approved during a Council meeting.
- 6.4. Same as 6.3 above.
- 6.5. Council took note of the recommendation and will be asking Loqus to provide it with an up-to-date statement of account to enable proper accounting.
- 6.6. Same as 6.5 above.
- 6.7. Council takes note of the audit adjustment proposed which was accepted and duly recorded in the books as year-end 2020.
- 6.8. Same as 6.7 above.
- 6.9. Council took note of the recommendation and will be discussing the issue and deciding on the way forward during a Council Meeting as suggested.
- 6.10. Same as 6.9 above.

7. Bank and cash

- 7.1. The new Executive Secretary was not aware that the Accountant had no information about the CBM account which relates to EU Funding related to a



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project which was obtained in 2019. Matter has since been rectified and account updated accordingly.

7.2. Same as 7.1 above.

7.3. Based on Memo 05/2020, the Council used a quasi-dormant account instead of opening a new one and therefore all deposits due to LESA and Lands Authority are deposited in this account and then these amounts are transferred to the respective entity's account. This resolves the issue of the bank not accepting coins as deposits whilst ensuring and the full amount due to the entities is transferred.

7.4. Same as 7.3 above.

8. Trade & other payables

8.1. The Council observes that it is unfortunate that many suppliers do not have a proper system of issuing statement of account thus making the recommended periodic reconciliations quite difficult to identify. However, it has to be noted that the Council is a relatively prompt payer and as such, any problems or discrepancies can be easily identified by the supplier himself upon receipt of payment.

8.2. Same as 8.1 above.

8.3. The Council took the recommendations and is actively working on resolving the issues about these outstanding creditors, some of which date a number of years. Most of these balances are not chased by the respective creditors and the Council together with the Accountant will discuss if these can be considered as prescribed and then will discuss and decide during a Council meeting the way forward.

8.4. Same as 8.3 above.

8.5. Same as 8.3 above.

8.6. Council observes the recommendation regarding the separate disclosure of debit balances in the financial statements. Council is also taking action to investigate and rectify any debit balances on creditors in order to normalise the situation.

8.7. Same as 8.6 above.

8.8. There is a general understanding by the Council that prescription law prevails. This also applies with regards to rent payable. In our case no one is requesting or invoicing the rent for the premises at 29, *Triq il-Parrocca*, Mqabba. However, we are prudently accruing € 20,673 for five years and writing off the sixth year.

8.9. Same as 8.8 above.

8.10. Council took note of the issue highlighted and will be discussing matter with DLG regarding the way forward. Based on the said discussions, the Council will decide and act accordingly.

8.11. Same as 8.10 above.



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- 8.12. The amount of € 4,206.11 were in actual fact received during 2021 and therefore these will feature in the accounts for the said year.
 - 8.13. Council took note of the recommendation highlighted and will be acting accordingly.
 - 8.14. The Council has accepted the audit adjustment proposed in respect of the recording of supplier invoices from John Galea, *Socjeta' Santa Marija* and Denfar Concrete Supplies and has amended the financial statements accordingly.
 - 8.15. Same as 8.14 above.
 - 8.16. Same as 8.14 above.

9. Financial Statements

- 9.1. Council notes that the proposed changes to the financial statements were duly made by the Accountant prior to concluding his work on the Audited Financial Statements for the year in question.
- 9.2. Same as 9.1 above.

10. Council Meetings

- 10.1. Council took note of the recommendation and will ensure that the binding of minutes will take place as per Local Councils (Office) Procedures 1996.
- 10.2. Same as 10.1 above.
- 10.3. Since the new Executive Secretary took over in September 2020, payments were made by Bank Transfer and the number of cheques issues is minimal and only to those suppliers not able to provide the Council with their bank details.
- 10.4. Same as 10.3 above.
- 10.5. Same as 10.3 above.
- 10.6. On the Schedule of Payments presented during the Council Meeting and once approved signed by the Mayor, Executive Secretary and 2 Councillors, it is not possible to insert the transfer reference details (or cheque number) since this would not be known at this stage. With immediate effect, such details are being included in the Schedule of Payments uploaded on the DLG site.
- 10.7. Since the new Executive Secretary took over in September 2020, the relevant Nominal Account is being included in the Schedule of Payments. The practice of including Purchase Orders included in the Schedule of Payments has been omitted since September 2020. The preparation of the Schedule of Payments as from September 2020 is being done by the Executive Secretary to ensure correctness.
- 10.8. Same as 10.7 above.



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11. Electronic Website

- 11.1. Council took note of the issues highlighted and will be ensuring that all documents are uploaded on the DLG website in a timely manner.
- 11.2. Same as 11.1 above.

12. Capital Commitments

- 12.1. Council takes note of the recommendation to adequately disclose its future capital expenditure plans and ensure that these are consistent with the Budget and Business Plan.
- 12.2. Same as 12.1 above.

13. Change in Executive Secretary

- 13.1. On 13 June 2020, the Deputy Executive Secretary requested the DLG to initiate the audit process however the Director replied that this "may only be requested by the new Executive Secretary if so deems fit". At this stage the new Executive Secretary discussed the Council's financial situation with the Council's Accountant based on the Second Quarterly Report (Jan/Jun) and was satisfied with the outcome.
- 13.2. Same as 13.1 above.
- 13.3. Same as 13.1 above.

Regards,

Omar Farrugia
Mayor

Fabian Mizzi
Executive Secretary

c.c Auditor General
NAO
Grant Thornton
