

Our Ref: NAO 107/2015/41
Your Ref:

14 June 2019

The Mayor and Executive Secretary
Msida Local Council
Msida

Dear Sir/Madam,

**AUDIT REPORT and FINANCIAL STATEMENTS
YEAR ENDING 31 DECEMBER 2018**

In terms of Section P2.06 (c.02) of the Local Councils (Audit) Procedures 2006, I am forwarding a copy of the Audit Report and Financial Statements, together with the Management Letter for the financial year ending 31 December 2018.

After seeking the Council's approval, you are kindly requested to submit your response to the Director (Local Government), the Local Government Auditor, and to this Office as stipulated in Section P2.06 (d) of the same Procedures, by not later than six weeks following receipt of this letter.

Yours faithfully,



Tanya Mercieca
Asst. Auditor General

Encls.

The Mayor,
Msida Local Council,
Msida Civic Centre,
Pjazza Menqa
Msida



17 May 2019

Financial Statements for the year ended 31 December 2018

During the course of our audit for the year ended 31 December 2018, we have reviewed the accounting system and procedures operated by the Council. We have also reviewed the operations of the Council and how they conform to the Local Council 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 Property, plant and equipment

Once again, we identified certain limitations in the fixed asset register (refer to note 2.1).

The Council did not dispose of any assets and we did not come across any issues with depreciation.

1.2 Income

Once again, we noted errors in accounting for funds from the Central Regional Committee (refer to note 4.1) and an error in accounting for accrued income (refer to note 4.7).

1.3 Receivables

The Council still has aged receivables in its books (refer to note 5.1).

1.4 Expenditure

The Council issued new tenders, however, it still operated with expired/extended contracts (refer to notes 6.1 and 6.2) and we also identified weaknesses in the procurement process (refer to notes 6.5 and 6.7). On the other hand, we did not identify weaknesses in the accruals provision.

Once again, we identified differences between the budgeted and actual figures (refer to notes 6.14 – 6.15).

1.5 **Bank and cash**

Once again, we noted weaknesses with the bank reconciliation process (refer to note 7.1) and we also noted that deposits are still not done at least twice a week (refer to note 7.3).

The Council has instructed the bank not to deduct withholding tax on interest.

1.6 **Minutes of meetings and attendance**

We again came across weaknesses in minutes of Council meetings (refer to note 8.1).

We are pleased to note that the Council effected the correct deductions from Councillors based on their attendance.

1.7 **Insurance**

We again noted that the insurance cover is not in line with the requirements of Circular 33/2016 (refer to note 9).

1.8 **Payroll**

We are pleased to note that the salaries were all recognised as part of payroll costs.

1.9 **Presentation of Financial Statements**

We again identified departures from IFRS requirements (refer to note 11).

Current year issues

2 **Property, plant and equipment**

Fixed asset register

- 2.1. The fixed asset register provided by the Council still lacks information such as supplier details and invoice number. We also identified generic terms such as "pavements", "lampposts" and tarmac. A reconciliation between the unaudited fixed asset schedule and the register identified the following differences:

Asset class	Cost as per schedule	Revalued Cost as per FAR	Difference	Depreciation / grants as per schedule	Depreciation as per FAR	Difference	NBV as per schedule	NBV as per FAR	Difference
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Trees	20,417	20,417	-	6,690	6,690	-	13,727	13,727	-
Office furniture & fittings	81,188	70,768	10,420	61,486	50,988	10,498	19,702	19,780	(78)
Comp & office equipment	55,206	49,835	5,371	46,066	38,943	7,123	9,140	10,892	(1,752)
Urban Improvements	195,345	190,150	5,195	184,016	180,557	3,459	11,329	9,593	1,736
Plant & machinery	3,198	3,198	-	2,826	2,824	2	372	374	(2)
Motor Vehicles	13,860	13,860	-	13,860	13,860	-	-	-	-
Street signs, mirrors & lights	51,284	51,284	-	51,284	51,284	-	-	-	-
Construction works	1,939,085	1,572,451	366,634	1,852,947	1,463,980	388,967	86,138	108,471	(22,333)
Building	467,057	344,914	122,143	139,390	17,246	122,144	327,667	327,668	(1)
	2,826,640	2,316,877	509,763	2,358,565	1,826,372	532,193	468,075	490,505	(22,430)

- 2.2. We reiterate the recommendation that the Council should ensure that it maintains adequate records to be able to track back specific assets and that the differences highlighted above are explained and cleared as necessary.

Capitalisation of Gym equipment

- 2.3. Our testing on repairs and maintenance identified the works carried out in the Swatar Playing Field that included the acquisition and installation of new outdoor gym equipment at a cost of EUR7,000. Such cost was included as part of maintenance cost rather than capitalised and recognised with PPE. We proposed an adjustment to reclassify this amount to Urban Improvements. The Council approved our adjustment and reflected it in the audited Financial Statements.
- 2.4. We recommend that the Council adopts the necessary controls to ensure that the capital expenditure is identified and classified appropriately in the books of the Council.

Adoption of the capital approach to grants

- 2.5. We reconciled the adoption of the capital approach to grants as at 1 January 2017 and noted that unallocated deferred income as at 31 December 2017, amounting to EUR54,890 was allocated to grants under construction/special needs although it had not yet been allocated accordingly. We also recalculated the impact on accumulated depreciation as a result of adopting this approach and identified a number of errors. To this effect we proposed an adjustment to re-instate unallocated funds received from Central Region of EUR54,890 as deferred income and reduce grants recognised in PPE by EUR41,715 and reduce accumulated depreciation by EUR13,175. The Council approved our adjustment and reflected it in the audited Financial Statements.

3 Payables

Supplier statement reconciliations

- 3.1 From our review on payables, we noted that whereas the Council is regularly requesting statements from its suppliers, these are not being effectively received on a monthly basis from all of its suppliers. Memos issued from time to time by the DLG specifically state that the Council should obtain monthly statements.
- 3.2 From our testing on payables, we noted that the balance due to a supplier¹ at 31 December 2018 amounted to EUR2,667 whereas the supplier statement indicated that the Council owed only EUR1,021. The Council suggested that this balance should be written off, however, we proposed that the Council effectively investigates the nature of the difference to ensure and determine that it is effectively not due prior to adopting such measures.
- 3.3 The above instance highlights the importance of regular reconciliations to supplier statements to be able to identify, investigate and correct differences in a timely manner.

Overdue balances

- 3.4 We also noted that the creditors' list includes overdue balances amounting to EUR6,788. The table included in appendix 1 shows balances which are overdue after eliminating PPP payables (which are due over a number of years) and the balance due to WasteServ.
- 3.5 We recommend that the Council investigates the nature of these balances and ensures that all valid liabilities are settled in a timely manner whereas other balances are investigated and written off as necessary.

4 Income

Central Region Committee Surplus funds

- 4.1 During the year, the Council received an additional amount of EUR1,104 from the Central Region. As noted in previous periods, the Council should allocate these funds to approved projects, however, the Council recognised the amount as income rather than deferred income. We proposed an adjustment to reclassify the amount to deferred income. The Council approved our adjustment and reflected it in the audited Financial Statements.

¹ Alfred Galea

- 4.2 During the year, the Council utilised EUR23,500, from surplus funds distributed by the Central Regional Committee, to finance works on the Swatar playing field including a new outdoor gym (refer to note 2.3). The Council did not reflect this allocation in the accounting records and hence we proposed an adjustment to transfer EUR23,500 from unallocated deferred income to grants recognised in PPE during 2018 (EUR7,000) and other income (EUR16,500) since this amount was recognised as a maintenance cost. The Council approved our adjustment and reflected it in the audited Financial Statements.
- 4.3 During the year, the Council also used Central Region Surplus funds amounting to EUR34,297 to finance works incurred on the Indri Grima Belveder. The Council did not reflect this allocation and we also noted that the balance of available funds was limited to EUR32,494. Hence, we proposed an adjustment to re-allocate the balance of EUR32,494 from unallocated deferred income to PPE grants. The Council approved our adjustment and reflected it in the audited Financial Statements.
- 4.4 We recommend that the Council sets up the necessary controls to ensure that similar funding is captured in the financial records. We also recommend that the above approved adjustments are reflected in the asset register to ensure that future depreciation provisions are correctly calculated.

Central Region surplus funds bank account

- 4.5 We noted that the Council had adhered to the requirement to allocate funds received from Central Region to a separate account since their use was limited to approved projects. At 31 December 2018, the Council had effectively used all the funds allocated to the Council, however, the Council's bank account allocated for these funds still showed a balance of EUR66,394. This includes the amounts utilised during 2018 and the misallocation of EUR11,467 in the previous year.
- 4.6 We recommend that the Council uses the funds in this account to settle any possible balances still due on the approved projects and hence transfer the balance to its operational account.

Accrued income

- 4.7 From analysis of accrued income, we noted that the Council over accrued for Live Streaming income of EUR1,000. We proposed an adjustment to reverse the over accrual. The Council approved our proposed adjustment and reflected it in the audited Financial Statements.



5 Receivables

- 5.1 Once again, we noted that the Council has receivables that are aged over 365 days and amount to EUR16,080 as tabulated in appendix 2.
- 5.2 From a review of the balances, we noted that at 31 December 2017 the Council had receivables amounting to EUR8,750 from one entity² which was fully provided for. However, we noted that during 2018, the Council recovered EUR3,000 and a further EUR2,750 were recovered in 2019. The Council did not reflect this recovery in the provision for bad debts. Hence, we proposed an adjustment to decrease the bad debts provision by EUR5,750. The Council approved our proposed adjustment and reflected it in the audited Financial Statements.
- 5.3 We also concluded that a further receivable amounting to EUR2,258 in relation to LES balances were effectively deductions for management fees and bank charges and are hence irrecoverable. At 31 December 2017, the Council had recognised a provision of EUR2,018 on this amount. We proposed an adjustment to decrease provisions for bad debts by a further EUR2,018 and write off the entire receivable balance of EUR2,258. The Council approved our proposed adjustment and reflected it in the audited Financial Statements.
- 5.4 As indicated in the schedule in appendix 2, balances aged over 2 years amounted to EUR12,390. After considering the adjustments documented in the previous paragraphs, receivables aged over 2 years were reduced to EUR7,622. On the other hand, the adjusted provision for bad debts amounted to EUR8,008. Hence, we proposed an adjustment to reduce the provision for bad debts by EUR386. The Council approved our proposed adjustment and reflected it in the audited Financial Statements.

6 Expenditure

Expired tenders

- 6.1 We noted that the Council is still making use of the following contractors' services despite the fact that their contract period expired:
- Works contractor (16/03/2018)
 - Architect (14/07/2018)
 - Cleaning Services (08/02/2018)

² Green MT

- 6.2 We noted that tenders for works contractor and architect have been issued and are being evaluated whereas a call has been made in respect of the tenders of Street Light Maintenance and cleaning services. The architect's contract and cleaning service contract were extended through a formal extension letter. The expenses incurred in 2018 under these expired contracts were:

Contract	Amount EUR
Works contractor	4,330
Architect	9,150
Cleaning services	6,412

- 6.3 As reported in the previous year's management letter, the Council had extended the following contracts whilst new tenders were issued and adjudicated:
- Refuse collection: A new contractor was adjudicated in June 2018. The amount invoiced under the extended contract was EUR39,962.
 - Street Sweeping: A new contractor was adjudicated in September 2018. The amount invoiced under the extended contract was EUR23,502.
- 6.4 In accordance with the provisions of the Local Councils (Tendering) Procedures, we recommend that the Council issues a call for tenders prior to their expiration rather than extending them for a period beyond the agreed term.

Procurement

- 6.5 We reviewed the process utilised for the issue of the tenders for refuse collection and for street sweeping. These tenders were correctly issued through the ePPS system and the Council appointed an Evaluation Committee to review the tenders. The Evaluation Committee provided a report to the Council that included the Declaration of Impartiality and Confidentiality, however, it did not include a copy of the CV of each Committee Member as required by Directive 1/2016.
- 6.6 We recommend that the Council introduces the necessary controls to ensure that all requirements emanating from Directive 1/2016 are adhered to.
- 6.7 The testing carried out on the invoicing value under the new tender for refuse collection, indicated that the supplier³ was not deducting the 5% management fee and was hence over-charging the Council. The over-charged amount up to 31 December 2018 was estimated at EUR3,047.

³ SRF & Veladrians JV

- 6.8 During our audit, we highlighted the issue with the Council and the Executive Secretary proceeded to clarify the matter with the supplier. We understand that credit notes were received and the new invoices are now being issued net of management fees deductions.

Jum il-Lokal

- 6.9 Instead of a locality day, the Council organised a locality week and expenses incurred on this activity amounted to EUR5,240. However, expenses incurred on such activities organised by Councils is capped at the higher of 0.5% of the total allocation (EUR2,968) and EUR3,500 as per memo 122/2010.
- 6.10 We remind the Council of the limitations imposed on activities organised for Locality Day and to adhere to such limits.

Entries passed after TB was provided

- 6.11 At the commencement of our audit, we compared the trial balance provided, to the unaudited Financial Statements and the latest nominal ledger issued from the accounting system. Whereas the trial balance agreed to the unaudited Financial Statements, we identified discrepancies with the nominal ledger. The discrepancies arose from transactions booked into the system after the trial balance was issued and, as a result, we proposed amendments to the trial balance to increase 'telephone expenses' by EUR13, 'Street sweeping' by EUR6,673, reclassify an expense of EUR120 from 'Attivita Sajf fil-pjazza' to 'sundry minor expenses', increase 'LES summons processing' by EUR58 and increase creditors by EUR6,744. The Council approved our proposed adjustment and reflected it in the audited Financial Statements
- 6.12 We recommend that the Council ensures that all the necessary entries to the Financial Year are made prior to issuing the unaudited Financial Statements.

Accruals

- 6.13 The Council organised a meal for Christmas and this amounted to EUR600 and catered for 22 guests. Whereas the cost incurred was within the permitted limits for such activities, the Council only recognised this cost in 2019. We proposed an adjustment to accrue for the expense of EUR600. The Council approved our proposed adjustment and reflected it in the audited Financial Statements.

Budget vs actual

- 6.14 The Council had budgeted a capital expenditure of EUR470,349 allocated as tabulated below. However, expenditure only amounted to EUR94,799. On the other hand, the Council incurred capital expenditure in excess of the amount budgeted on four specific categories:

	Actual EUR	Budget EUR	Difference EUR
Construction	46,945	-	46,945
Plant and machinery	400	-	400
Urban improvements	16,018	449,889	(433,871)
Office Furniture & fittings	9,019	10,509	(1,490)
Street signs	779	-	779
Computer & office equipment	8,949	9,951	(1,002)
Assets under construction	12,689	-	12,689
	94,799	470,349	(375,550)

- 6.15 A comparison between the Council's budgeted and actual income and expenditure identified discrepancies between the actual results and the forecasted items. Discrepancies were noted in income as well as expenditure. The Council registered an overall lower surplus, and we noted that in various instances income was lower than that budgeted for the respective category. Budgeted income exceeded the actual amount by EUR375,260. We also noted that in various instances expenditure was higher than that budgeted for the respective cost item. The analysis is tabled below after excluding non-cash expenditure such as depreciation, loss on disposal, bad debts and provision for bad debts.

	Actual EUR	Budget EUR	Difference EUR
Income			
Annual Gov Income	593,666	593,666	-
Supplimentary	41,543	471,324	(429,781)
Other	-	10,800	(10,800)
Bye-laws	74,451	50,256	24,195
LES	12,665	11,000	1,665
Other income	39,916	480	39,436
Bank interest	40	15	25
	762,281	1,137,541	(375,260)

	Actual EUR	Budget EUR	Difference EUR
Expenditure			
Personnel Expenditure			
Mayor's allowance	11,196	11,196	-
Employee salary and wages	135,092	143,858	(8,766)
Social security contributions	12,514	11,325	1,189
Allowances	10,943	11,200	(257)
	169,745	177,579	(7,834)

	Actual EUR	Budget EUR	Difference EUR
Operations and Maintenance			
Operating materials and supplies	5,237	7,449	(2,212)
Patching	1,634		
Road/Street Pavements	10,344		
Road signs and markings	11,513		
Council Property	18,619	19,500	31,017
Office furniture & equipment	1,363		
Bins	3,391		
Other repairs and upkeep	3,653		
	<u>55,754</u>	<u>26,949</u>	<u>28,805</u>
Contractual services			
Refuse collection	112,550	106,383	6,167
Tipping fees	72,224	74,181	(1,957)
Bulky refuse collection	21,657	18,000	3,657
Road and Street cleaning	57,301	51,241	6,060
Cleaning and maintenance publ conv	7,858	6,000	1,858
Cleaning and maintenance Parks and gard	19,011	36,500	(17,489)
Cleaning and maintenance Council Prem	6,914	6,060	854
LES related expenditure	4,366	480	3,886
Contract Management Services	5,272	4,596	676
Street Lighting and security	18,844	24,500	(5,656)
Other expenses	120	1,800	(1,680)
	<u>326,117</u>	<u>329,741</u>	<u>(3,624)</u>
Administrative & other expenses			
Advertising and pub relations	2,502	4,700	(2,198)
Bank Charges	34	100	(66)
Other office services	2,394		
Postages	126	13,343	(5,282)
Printing and stationery	5,541		
Community services	19,327	12,500	6,827
Conference and participation expenses	812	-	812
Documentation	225	-	225
Insurance	3,454	4,375	(921)
Engineering services	2,678		
Accountancy services	3,540	15,947	(2,990)
Other support service	6,739		
Rent	4,309	4,309	-
Late payment interest	1,883	-	1,883
Staff Training and Uniforms	83	600	(517)
Sundry minor expenses	1,023	1,000	23
Telecommunications	3,392		
Water and Electricity	4,829	9,200	(979)
Transport expenses	4,652	3,400	1,252
Travel	195	-	195
	<u>67,738</u>	<u>69,474</u>	<u>(1,736)</u>
Finance Cost	4,394	4,196	198
Total Cost	<u>623,748</u>	<u>607,939</u>	<u>15,809</u>
Surplus/(deficit)	<u>138,533</u>	<u>529,602</u>	<u>(391,069)</u>

- 6.16 We re-iterate that the Council should compile the annual budget with due care and diligence to use it as a guideline to control its expenditure during the year. Any projected variances should be adjusted at least on a quarterly basis to ensure that the Council would either have sufficient funds available to justify the increase in expenditure, or else reallocate excess funds where there are decreases in expenditure or increases in income received.

7 Bank and cash

Bank reconciliations

- 7.1 We requested copies of monthly bank reconciliations and noted that the following reconciliations were not prepared within 10 working days:

Bank Code	Period Covered by Reconciliation	Date of Reconciliation
BOV Current -0011	January	08/03/2018
BOV Current -0011	February	13/04/2018
BOV Current -0011	July	25/09/2018
BOV Current -0011	August	01/10/2018
BOV Loan Account 40015851903	August	22/09/2018

- 7.2 We remind the Council that monthly bank reconciliations need to be prepared for all bank accounts held by the Council within 10 working days from the end of the month. We also remind the Council that bank reconciliations need to be verified, approved and signed by the Executive Secretary. We recommend that approved bank reconciliations are filed with the respective bank statement.

Cash Deposits

- 7.3 We tested deposits made during the months of May and September and we noted that deposits were made at an average of once per week rather than twice per week as required by the Financial Regulations. Deposits made during these two months were:

May	
Date as per statement	Amount
02/05/2018	5,950.36
04/05/2018	3,225.47
09/05/2018	776.96
18/05/2018	874.90
23/05/2018	1,597.02
30/05/2018	2,645.78

September	
Date as per statement	Amount
07/09/2018	1,292.91
17/09/2018	5,348.00
24/09/2018	595.09
26/09/2018	5,576.44
28/09/2018	555.50

7.4 We also noted that at 31 December 2018, the Council had EUR4,098 in cash balances pending deposit. These mainly related to collections from permits and were eventually deposited on 9 January 2019.

7.5 We remind the Council that it is required to carry out 2 deposits per week and to ensure that cash does not accumulate within the Council premises.

8 Minutes of meetings

8.1 Whilst reviewing the minutes of Council meetings, we noted that 5 weeks and 1 day elapsed between meeting number 65 dated 18/12/2017 and meeting number 66 dated 23/01/2018.

8.2 We remind the Council that Council meetings are to be held at least on a monthly basis and the interval between each meeting cannot exceed 5 weeks.

Attendance

8.3 From a review of the attendance of Councillors at Local Council meetings we identified instances in which Councillors were absent for more than a third of the meetings held during a six-month period or for 4 meetings in a row. All excused absences were adequately supported, and absenteeism was subject to deductions from the respective allowances.

- One Councillor was excused for all meetings held during 2018.
- Another Councillor was excused for 5 out of 10 meetings held between January and June 2018. The Councillor also missed 6 out of 7 meetings held during the second half of the year of which 5 were in a row.
- A third Councillor was excused for 4 out of 10 meetings held between January and June 2018 and also missed 3 out of 7 meetings held during the second half of the year of which he was excused from 2.

8.4 In a meeting held in April 2019, the Council discussed the absences of the first two Councillors during the period July to December 2018 and agreed that the absence was justified. The Executive Secretary reported this to the

Minister. However, the Council did not discuss and report on the absences recorded during the first 6 months and those of the third Councillor.

- 8.5 We remind the Council of its requirement to discuss repeated absence of fellow Councillors and determine whether such absence is justified or not. Hence, the Council is to report such absence to the Minister to determine whether the seat of the Councillor should be declared vacant.

9 Insurance

- 9.1 We have also reviewed the Council's insurance policies and noted the following discrepancies between the insurance cover and book value as per last audited Financial Statements.

Category	NBV as per 2017 FS	Sum insured	Difference	
	EUR	EUR		EUR
Buildings	344,913	420,200	-	75,287
Furniture & Fittings	18,073			
Computer & office equipment	8,654	27,952	-	1,225
	<u>371,640</u>	<u>448,152</u>	-	<u>76,512</u>

- 9.2 The above illustrates that the assets are being over-insured. The Council should adhere to Circular 33/2016 that requires an insurance cover of its buildings and contents including fire, theft and damage. The Circular also clarifies that community assets do not need to be insured.

10 Payroll

Payroll reconciliation

- 10.1 We noted that there was an amount of EUR3,879 included in payroll costs. However, upon further investigation we noted that this amount related partly to old unsettled NI and PAYEE deductions and the balance of EUR1,883 were fines and penalties on late filing and payment of FS5s during the period 1999 – 2015. We proposed a reclassification of the amount of EUR1,883 out of payroll to penalties. The Council approved our proposed reclassification and reflected it in the audited Financial Statements.
- 10.2 We recommend that similar claims for old outstanding balances and fines are investigated to ensure that they are correctly claimed. The Council should also identify the reason for such underpayment and penalties to ensure that similar claims are avoided in the future.

11 Financial Statements

Presentation of Financial Statements

- 11.1 In line with the Department's requirements, the Council is obliged to prepare the Financial Statements in accordance with International Financial Reporting Standards (IFRSs).
- 11.2 The Council's Financial Statements are not compliant with IFRSs in the following instances:
- IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors* regarding disclosures of new and amended IFRSs that have been adopted by the Council did not cover new standards adopted in 2018 and all other new standards that were issued but not yet effective. The Council amended the disclosure note but it still did not include all newly adopted standards, their impact on adoption (if any) and all other standards in issue but not yet adopted.
 - As from 1 January 2018, the Council adopted IFRS 9 however, the disclosure made in relation to the new standard is limited to the classification of financial assets and no reference is made to the new Expected Credit loss model to calculate impairment on all financial assets. Throughout the audit, we were not provided with an assessment of the impact of this model and how this effected the results of the Council. At the Financial Position date, the Council has financial assets amounting to EUR336,137.
 - IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors* regarding the adoption of Directive 1/2017 that resulted in a change in accounting policy for recognition of grants. The Council did not disclose the nature and reason for the change and the impact of this change on each Financial Statement line item. After our notification, the Council included the information in note 27, but the note does not include the impact of the change on the Statement of Cash flow.
 - The Council has a non-current, interest free creditor arising on the PPP project. Such financial liabilities should be accounted for using the amortised cost approach. This approach is required by IAS 39 *Financial Instruments: recognition and measurement* but is not applied by the Council.

- The Statement of Cash Flows did not recognise fairly cash movements arising from receipt of grants and payment for capital goods as required by IAS 7, *Statement of Cash Flows*. This was amended upon our notification and corrected in the audited Financial Statements.

11.3 Our audit opinion has been qualified in respect of the unadjusted shortcomings mentioned above.

Other observations

11.4 The change in accounting policy paragraph on page 10 indicates that the change to straight line method was a change in policy rather than a change in estimate and that the net book value of PPE as at 1 January and 31 December 2017 were amended. Whereas the figures as at 31 December 2017 were effectively changed, the change was due to the change in the method to account for grants.

12 Budget and business plan


12.1 The Council prepared its 2019 – 2021 business plan, however, the Council did not complete the respective “Overview and Summary” section.

12.2 We recommend that the Council presents a complete business plan inclusive of the overview and summary that would assist users in understanding the plans of the Council.

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 Mr. Alan Vella and his staff for their co-operation and assistance during the course of the audit.

Yours faithfully,



Ernestino Riolo
Partner
for and on behalf of
Mazars Malta

Appendix

Appendix 1: Overdue payables

Supplier	Over 365 days	Over 2yrs	Total
	EUR	EUR	EUR
Alfred Galea	1,610	35	1,645
Arms	-	1,324	1,324
Enemalta	-	1,097	1,097
Valerio schembri	-	2,332	2,332
Other suppliers	337	53	390
	1,947	4,841	6,788

Appendix 2: Overdue receivables

	365+ days	2 years +
	EUR	EUR
Active Ent	-	580
Central Region	-	301
GR - Gozo Region	-	311
Greent MT	-	5,750
LESARC - LESA Regjun Centru	-	9
LESONL - LES Online	226	2,018
LTD - Licensing and Trade Department	78	27
Sean - Sean Fitz	1,980	-
SER - South Eastern Region	-	358
SMC - St Martin's College	826	-
SR - South Region	-	136
Water Services Corporation	-	2,900
	3,110	12,390