

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

25 June 2020

The Mayor and Executive Secretary  
Msida Local Council  
Msida

Dear Sir/Madam,

**AUDIT REPORT and FINANCIAL STATEMENTS  
YEAR ENDING 31 DECEMBER 2019**

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 2019.

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

28 May 2020

## **Financial Statements for the year ended 31 December 2019**

During the course of our audit for the year ended 31 December 2019, 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). On the other hand, we did not come across any issues regarding capitalisation of assets or grants.

#### **1.2 Payables**

Once again, we noted that the Council is not always managing to obtain monthly supplier statements (refer to note 3.1).

Although we did not identify any differences between the supplier statements and ledger, we again noted that the Council has over-due supplier balances (refer to note 3.2).

#### **1.3 Income**

The Council accounted for the additional amount received from the Central Region correctly and we did not identify any issues in relation to this balance in deferred income or related funds in the bank account.

Our testing once again identified errors in the calculation of accrued income (refer to notes 4.4 – 4.5).





#### 1.4 **Receivables**

The Council still has aged receivables in its books (refer to note 5.1) but, on the other hand, we did not identify errors in individual debtors balances

#### 1.5 **Expenditure**

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

For 2019, the Council expenditure on Msida week was within the stipulated capping and we did not identify adjustments passed after we were provided with the TB on the other hand, we again identified errors in the accruals provision (refer to note 6.5).

We also identified differences between the budgeted and actual figures (refer to notes 6.6 – 6.7).

#### 1.6 **Bank and cash**

Once again, we noted weaknesses in the bank reconciliation process (refer to notes 7.1 – 7.2) and we also noted that deposits are still not done at least twice a week (refer to note 7.4).

#### 1.7 **Meetings**

We again came across weaknesses in meetings (refer to note 8.1) and we again noted that 3 Councillors did not attend the minimum required Council meetings between January and June 2019 however, these persons do not occupy their seat anymore.

#### 1.8 **Insurance**

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

#### 1.9 **Payroll**

We are pleased to note that the Council did not incur any payroll related penalties this year.

#### 1.10 **Presentation of Financial Statements**

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



## 1.11 Budget and business plan

The Council has prepared its business plan inclusive of all information.

### 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 per unaudited schedule	Revalued Cost as per FAR	Difference	Depreciation / grants per unaudited schedule	Depreciation as per FAR	Difference	NBV as per unaudited 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	83,821	44,991	38,830	64,754	25,886	38,908	19,027	19,105	(78)
Comp & office equipment	68,292	62,921	5,371	56,886	51,390	5,496	11,406	11,531	(125)
Urban improvements	202,345	202,692	(347)	201,516	194,739	6,777	829	7,953	(7,124)
Plant & machinery	3,198	3,198	-	2,906	2,904	2	292	294	(2)
Motor Vehicles	13,860	13,860	-	13,860	13,860	-	-	-	-
Street signs, mirrors & lights	52,200	51,284	916	51,284	51,284	-	916	-	916
Construction works	1,980,416	1,600,862	379,554	1,870,833	1,522,933	347,900	109,589	77,929	31,654
Building	472,246	350,103	122,143	156,795	34,650	122,145	315,451	315,453	(2)
	2,896,795	2,350,328	546,467	2,425,564	1,904,336	521,228	471,231	445,992	25,239

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

### Additions to Property, Plant and Equipment

- 2.3. From our testing on additions to PPE, we noted that the Council omitted the retention fees amounting to EUR3,064 on invoices in relation to works carried out in Triq il-Bacir and Triq Robert Naudi. We proposed an adjustment to increase the cost of PPE and creditor balances by EUR3,064. The Council approved our proposed adjustment and reflected it in the audited Financial Statements.
- 2.4. We also noted that the Council capitalised an amount of EUR10,000 on works in relation to Rue D’Argens. However, upon discussions with the Executive Secretary, we noted that this project falls under the responsibility of Infrastructure Malta and the Council was only acting as an intermediary. Upon further discussions with the Executive Secretary, we were informed that the total value of works amounted to EUR22,569 of which EUR10,000 was a payment on account and the only element recorded in the Council’s ledger.





We were further informed that works on the same project carried out by the same supplier<sup>1</sup> amounting to EUR9,048 on behalf of the Water Services Corporation were also excluded from the ledger. Based on this information, it was concluded that the project is not a capital expenditure of the Council and hence, we proposed an adjustment to reclassify the EUR10,000 from PPE to receivables. In addition, since the Council is party to the transaction, we proposed a further adjustment to recognise additional receivables and liabilities amounting to EUR21,617 covering the unrecorded invoices and the amounts recoverable on these invoices. The Council approved our proposed adjustments and reflected them in the audited Financial Statements.

- 2.5. We encourage the Council to introduce the necessary controls to ensure that all liabilities and receivables are recorded correctly and completely in a timely manner.

### **3 Payables**

#### **Supplier statements**

- 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.

#### **Overdue balances**

- 3.2 We also noted that the creditors' list includes overdue balances amounting to EUR7,077. The table included in appendix 1 shows balances which are overdue. We understand the Council has reviewed all these balances and apart from a balance of EUR1,097 which is in dispute, the amounts are either due or double booked or subject to a receipt of a credit note.
- 3.3 We recommend that the Council proceeds to clean or settled the balances in accordance with the internal analysis carried out.

#### **Other Payables**

- 3.4 During the 2018 audit, we had noted that the Council had booked transactions after providing us with the trial balance and hence, we recorded those transactions as part of the audit process. In updating its records, the Council re-posted those entries resulting in a double posting of the entry. Hence, we proposed an adjustment to reverse EUR6,815 against from Other Creditors, and reduce telephone expenses by EUR26, reduce street cleaning by

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<sup>1</sup> Joseph Tabone



EUR6,673 and reduce LES expenses by EUR116. The Council approved our proposed adjustment and reflected it in the audited Financial Statements.

#### **4 Income**

##### **Bad debts written-off**

- 4.1 We noted that Council wrote off a bad debt balance of EUR542 against income from LES rather than a separate balance in expenses. We proposed an adjustment to reclassify EUR542 to bad debts. The Council approved our proposed adjustment and reflected it in the audited Financial Statements.

##### **Organic Waste**

- 4.2 From our testing on income earned from refunds on costs incurred on organic waste collection, we noted that the invoice for June 2019 was recorded twice in the ledger. This resulted in income being overstated by EUR4,960 and hence, we proposed an adjustment to reverse this entry. The Council approved our proposed adjustment and reflected it in the audited Financial Statements.
- 4.3 We encourage the Council to adopt the necessary control to ensure that invoices are only recorded once in the ledger and that adequate reviews are made to identify similar errors.

##### **Accrued income**

- 4.4 Our analysis of advertising income for the year indicated that the Council had not invoiced one of its advertising customers<sup>2</sup>. The un-invoiced element was estimated at EUR1,854 and hence, we proposed an adjustment to increase accrued income by this amount. The Council approved our proposed adjustment and reflected it in the audited Financial Statements.
- 4.5 We also noted that the Council was allocated UIF funds to finance works carried out on Triq il-Bacir and Triq Naudi. The Council had recognised EUR18,020 in accrued income in line with the expenditure capitalised on this project. However, the capitalised expenditure was understated by EUR3,064 (refer to note 2.3) and also ignored EUR901 in management fees that were expensed. To this effect, we proposed an adjustment to increase accrued income for the year by EUR3,965. The Council approved our proposed adjustment and reflected it in the audited Financial Statements.

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<sup>2</sup> Sean Fitz



4.6 The Council should adopt the necessary controls to ensure that accrued income is recognised in the period in which it is arising to match the related expenditure or provision of service.

## 5 Receivables

5.1 Whereas the Council has reduced its aged receivables considerably, it still has a balance of EUR1,541 due from LESA which has been due for over 365 days.

5.2 During the year, the Council approved and wrote off debtor balances amounting to EUR7,622 which had been provided for in full in previous years. However, the Council did not reflect this entry in administrative expenses but eliminated the balance in the debtors control account against the balance in the provision for bad debts. We proposed an adjustment to reflect the entry as a reduction in the provision for bad debts and a bad debt write off in administrative expenses. The Council approved our proposed reclassification and reflected it in the audited Financial Statements.

5.3 We also noted that the unaudited Council's debtors control account at 31 December 2019 amounted to EUR84,402 whereas the debtors list provided amounted to EUR86,660. An explanation for the difference of EUR2,258 was not provided.

## 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:

- Cleaning Services (08/02/2018)

6.2 We noted that a call has been made in respect of the tenders of Street Light Maintenance and cleaning services. The cleaning service contract was awarded in 2020 whilst the Council did not receive offers for the street lightning tender and new one will be issued in 2020. The Street Light Maintenance and cleaning service contract were extended through formal extension letters. The expenses incurred in 2019 under these expired contracts were:

<b>Contract</b>	<b>Amount EUR</b>
Street Light Maintenance	5,307
Cleaning services	7,747



- 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:
- Service of an Architect: A new contract was adjudicated at the end of January 2019. The amount invoiced under the extended contract was EUR2,150.
  - Works Contractor: A new contract was adjudicated and signed as from 1 December 2019. The amount invoiced under the extended contract was EUR24,055.
- 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.

#### Accruals

- 6.5 The Council organised a meal for Christmas and this amounted to EUR660 and catered for 22 guests. Whereas the cost incurred was within the permitted limits for such activities, the Council only recognised this cost in 2020. We proposed an adjustment to accrue for the expense of EUR660. The Council approved our proposed adjustment and reflected it in the audited Financial Statements.

#### Budget vs actual

- 6.6 The Council had budgeted a capital expenditure of EUR1,447,987 allocated as tabulated below. However, expenditure only amounted to EUR34,844. 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	21,745	1,403,087	(1,381,342)
Buildings	5,189	-	5,189
Urban improvements	-	4,400	(4,400)
Office Furniture & fittings	2,633	1,000	1,633
Street signs	916	-	916
Computer & office equipment	2,400	3,500	(1,100)
Motor Vehicle	-	36,000	(36,000)
Assets under construction	1,961	-	1,961
	34,844	1,447,987	(1,413,143)

- 6.7 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 higher 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 EUR17,719. We also noted that in various instances expenditure deferred from that budgeted for the respective cost item. The analysis is tabled below after excluding non-cash expenditure such as depreciation, bad debts and provision for bad debts.

	<b>Actual</b>	<b>Budget</b>	<b>Difference</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
<b>Income</b>			
Annual Gov Income	626,196	626,196	-
Supplimentary	6,608	30,315	(23,707)
Other	600	57,111	(56,511)
Bye-laws	53,428	61,680	(8,252)
LES	8,941	10,400	(1,459)
Other income	92,184	20,000	72,184
Bank interest	26	-	26
	<b>787,983</b>	<b>805,702</b>	<b>(17,719)</b>
<b>Expenditure</b>			
<b>Personnel Expenditure</b>			
Mayor's allowance	13,623	11,376	2,247
Employee salary and wages	126,662	150,815	(24,153)
Social security contributions	10,530	12,005	(1,475)
Allowances	15,613	11,200	4,413
	<b>166,428</b>	<b>185,396</b>	<b>(18,968)</b>
<b>Operations and Maintenance</b>			
Operating materials and supplies	5,465	9,050	(3,585)
Patching	2,597		
Road/Street Pavements	(2,530)		
Road signs and markings	12,759		
Council Property	3,338	75,000	(38,619)
Office furniture & equipment	4,699		
Bins	8,163		
Other repairs and upkeep	7,355		
	<b>41,846</b>	<b>84,050</b>	<b>(42,204)</b>



	<b>Actual</b>	<b>Budget</b>	<b>Difference</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
<b>Expenditure</b>			
<b>Contractual services</b>			
Refuse collection	136,943	106,383	30,560
Tipping fees	68,507	76,821	(8,314)
Bulky refuse collection	23,829	25,000	(1,171)
Road and Street cleaning	36,502	46,251	(9,749)
Cleaning and maintenance publ conv	7,914	6,500	1,414
Cleaning and maintenance Parks and gard	24,242	36,500	(12,258)
Cleaning and maintenance Council Prem	16,244	9,118	7,126
LES related expenditure	2,697	6,992	(4,295)
Contract Management Services	3,788	-	3,788
Street Lighting and security	26,610	27,400	(790)
Other expenses	2,424	4,770	(2,346)
	<b>349,700</b>	<b>345,735</b>	<b>3,965</b>
<b>Administrative &amp; other expenses</b>			
Advertising and pub relations	5,979	3,100	2,879
Bank Charges	40	80	(40)
Other office services	254		
Postages	133	11,214	(3,464)
Printing and stationery	7,363		
Community services	18,862	17,500	1,362
Conference and participation expenses	987	700	287
Documentation	25	-	25
Insurance	3,614	4,300	(686)
Engineering services	1,300		
Accountancy services	3,953	22,526	(13,925)
Other support service	3,348		
Rent	116	4,309	(4,193)
Late payment interest	-	-	-
Staff Training and Uniforms	406	600	(194)
Sundry minor expenses	319	1,000	(681)
Telecommunications	2,791	9,000	(1,812)
Water and Electricity	4,397		
Transport expenses	3,683	4,000	(317)
Travel	-	400	(400)
	<b>57,570</b>	<b>78,729</b>	<b>(21,159)</b>
<b>Finance Cost</b>	<b>3,284</b>	<b>4,000</b>	<b>(716)</b>
<b>Total Cost</b>	<b>618,828</b>	<b>697,910</b>	<b>(79,082)</b>
<b>Surplus/(deficit)</b>	<b>169,155</b>	<b>107,792</b>	<b>61,363</b>



6.8 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	Date of Reconciliation
BOV Current - 0011	January	07/03/2019
BOV Current - 0011	March	17/04/2019
BOV Current - 0011	May	20/06/2019
BOV Savings - 4204	January	15/02/2019
BOV Savings - 1938	January	15/02/2019
BOV Loan Account 40015851903	January	15/02/2019
BOV Loan Account 40015851903	May	20/06/2019
BOV Current - 3098	January	15/02/2019
BOV Current - 3098	March	17/04/2019
BOV Current - 3098	May	20/06/2019

7.2 We also noted that we were not provided with a reconciliation for the following months:

Bank Code	Period Covered
BOV Current - 0011	October
BOV Savings - 4204	March - November
BOV Savings - 1938	March - November
BOV Loan Account 40015851903	March
BOV Loan Account 40015851903	June
BOV Current - 3098	June
BOV Current - 3098	August - November

7.3 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

- 7.4 The Council confirmed that deposits are still restricted to once a week as opposed to the twice a week as required by the Local Council Financial Regulations.
- 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 Council Administration and Meetings

- 8.1 The Local Council Act requires that the Council meets at least once a month and such meetings should not be in excess of 5-week intervals. The 5-week interval was exceeded in the following instance:

Meeting no	Meeting date	Meeting no	Meeting date	Weeks
84	20 December 2018	85	31 January 2019	6 weeks

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

### 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 2018 FS EUR	Sum insured EUR	Difference EUR
Buildings	327,667	420,200	(92,533)
Furniture & Fittings	19,702		
Computer & office equipment	9,599	27,952	1,721
Plant & Machinery	372		
	<u>357,340</u>	<u>448,152</u>	<u>(90,812)</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

#### Leave balances

- 10.1 We noted that one of the employees of the Council carried forward 64.75 vacation leave hours from 2019 to 2020. This exceeds the capping of 48 hours





as per Local Government (Human Resources) Regulations. Vacation leave hours carried forward were approved by the Executive Secretary and the Mayor rather than at Council level.

- 10.2 We recommend that the Council ensures that its staff utilise 70% of their leave by September and that staff leave carried forward from 2019 to 2020 does not exceed 48 hours. We also remind the Council that all vacation leave carried forward from one year to the next is to be approved by the Councillors during a Council meeting.

## 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 were 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 all the new standards adopted in 2019 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 and all other standards in issue but not yet adopted.
  - As from 1 January 2018, the Council adopted IFRS 9 however, throughout the audit, we were not provided with an assessment of the impact of the Expected credit Loss model and how this effected the results of the Council. At the Financial Position date, the Council has financial assets amounting to EUR468,586.
  - 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.
  - The Council adopted IFRS 16, Leases effective as from 1 January 2019 however, the unaudited Financial Statements presented lease costs in



line with the old IAS 17. The audited Financial Statements were amended to reflect the impact of adopting IFRS 16 resulting in the following adjustments that were approved by the Council:

- Recognition of a right of use (ROU) assets and lease liabilities amounting to EUR58,814.
- Recognition of depreciation charge on ROU amounting to EUR3,095
- Reclassification of rental costs amounting to EUR4,193 against lease liabilities.

Policies and disclosures relating to leases were updated to reflect the adoption of the standard.

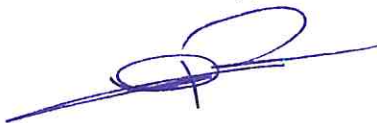
11.3 Our audit opinion has been qualified in respect of the unadjusted shortcomings mentioned above.

### **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

	Over 365 days	Over 2yrs	Total
	EUR	EUR	EUR
WASTESERV MALTA LTD.	4,283	1,000	5,283
Sandro Busuttil	497	-	497
Go plc A/c10085067-21331870/334343/	122		122
ENEMALTA CORPORATION	1,097	-	1,097
Cremona Carl	-	77	77
	6,000	1,077	7,077











Kunsill Lokali  
L-Imnsida

28<sup>th</sup> July, 2020

Mazars Malta  
32, Sovereign Building  
Zaghrfan Road  
Attard  
ATD9012

Dear Sir,

Enclosed please find the Management letter for Audit for year ending 2019 approved during council meeting L8\_014.

Kindly acknowledge receipt by signing below accordingly.

Yours sincerely,

Margaret Baldacchino Cefai  
Mayor

Alan Vella  
Executive Secretary

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Obo Director, Department for Local Government



KUNSILL LOKALI L-IMNSIDA

Pjazza Menqa  
L-Imnsida

KUNSIŁ LOKALI L-IMSDA  
Pjazza Mendra  
L-Imzida





Kunsill Lokali  
L-Imnsida

28<sup>th</sup> July, 2020

The Auditor General  
National Audit Office  
Notre Dame Ravelin  
Floriana FRB 1600  
Malta

Dear Sir,

Enclosed please find the Management letter for Audit for year ending 2019 approved during council meeting L8\_014.

Kindly acknowledge receipt by signing below accordingly.

Yours sincerely,

Margaret Baldacchino Cefai  
Mayor

Alan Vella  
Executive Secretary

Obo Director, Department for Local Government



**KUNSILL LOKALI L-IMNSIDA**  
Pjazza Menqa  
L-Imnsida

KUNSIIL LOKALI F-IMSI  
Piazza Mendra  
F-Imzida



# Acknowledgement

Fenech Caroline at NAO

Tue 28/07/2020 11:08

To: Msida Local Council at Local Councils <msida.lc@gov.mt>;

Msida Local Council

This is to acknowledge receipt of Msida Local Council's Reply to the Management Letter for year end 2019, on 28 July 2020.

Thanks and best regards,

**Caroline Fenech**

Personal Assistant

**National Audit Office**

**Notre Dame Ravelin, Floriana FRN 1601, Malta**



**Email:** [caroline.fenech@gov.mt](mailto:caroline.fenech@gov.mt)

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28<sup>th</sup> July, 2020

The Director  
Department for Local Government  
26, Archbishop street,  
Valletta

Dear Sir,

Enclosed please find the Management letter for Audit for year ending 2019 approved during council meeting L8\_014.

Kindly acknowledge receipt by signing below accordingly.

Yours sincerely,

Margaret Baldacchino Cefai  
Mayor

Alan Vella  
Executive Secretary

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Obo Director, Department for Local Government



KUNSIIL LOKALI L-IMSIJA  
Pjazza Menda  
L-Imzija







## Kunsill Lokali L-Imġida

Pjazza Menġa, Msida

tel:21334343

[www.msidalocalcouncil.com](http://www.msidalocalcouncil.com)

Mr Ernestino Riolo  
Mazars Malta  
32, Sovereign Building  
Zaghfran Road  
Attard  
ATD9012

27th July 2020

Dear Mr Riolo,

### ***Re-Management letter for Audit for year ending 31st December, 2019***

We are in receipt of the management letter dated 28th May, 2020, in connection with the annual audit of the L-Imġida Local Council (L.C) financial records for the year ending 31st December, 2019.

Whilst we would like to take this opportunity to thank your firm for the services and cooperation provided to the L.C during their field work, we would also like to comment as follows:.

## **1 Previous management letter**

### **1.1: Property, plant and equipment**

The L.C took note refer to replies in 2

**7.4-7.5:** The L.C confirms that deposits are not always possible to be done twice a week depending on the workload which is also getting more complex with current changes imposed by the bank. The LC took note of all points and will seek to abide and also align with current changes being imposed by the bank.

## **8 Council Administration and Meetings**

**8.1-8.2:** As noted throughout 2019 The L.C has adhered to the meetings as required at least once a month and within the 5 week interval. However in December 2018 It was realised that due to commitments and other different reasons there would not be a quorum in the first weeks of January 2019.

## **9 Insurance**

**9.1-9.2:** The L.C is reviewing the current insurance policies to adjust accordingly.

## **10 Payroll**

### **Leave balances**

**10.1-10.2:** In General the L.C ensures that all vacation leave is taken in proportion during the year and no hours are carried forward for the following year. The mentioned were an exception for particular reasons and the L.C has taken note of the auditor's comments.

## **11 Financial Statements**

### **Presentation of Financial Statements**

**11.2:** Cash and cash equivalents are demand deposits, a 1-day probability of default has been applied, based on the respective external ratings of the counterparty banks and an adequate loss given default rate to the carrying amount at the measurement date.

The L-Imsida L.C banks only with a local financial institution with a high quality standing or rating. At 31 December 2019, cash and cash equivalents are held with counterparty with a credit rating of BBB and are callable on demand. The L.C considers the probability of default to be close to zero as the counterparty has a strong capacity to meet its contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the L.C.

## Conclusion

The I-Imsida Local Council would like to take this opportunity once again to thank your firm for the services offered and cooperation shown and also for the comments raised in order for the L.C to operate in a smoother and more efficient manner.

Yours faithfully



Margaret Baldacchino Cefai.  
Mayor.



Alan Vella.  
Executive Secretary.

cc. Mr Christopher Galea , Director Monitoring and Support , Local Government Division.  
Auditor General , National Audit Office ,Floriana





## Kunsill Lokali L-Imsida

Pjazza Menqa, Msida

tel:21334343

[www.msidalocalcouncil.com](http://www.msidalocalcouncil.com)

Mr Ernestino Riolo  
Mazars Malta  
32, Sovereign Building  
Zaghfran Road  
Attard  
ATD9012

27th July 2020

Dear Mr Riolo,

### ***Re-Management letter for Audit for year ending 31st December, 2019***

We are in receipt of the management letter dated 28th May, 2020, in connection with the annual audit of the L-Imsida Local Council <sup>(L.C)</sup> financial records for the year ending 31st December, 2019.

Whilst we would like to take this opportunity to thank your firm for the services and cooperation provided to the L.C during their field work, we would also like to comment as follows:.

## **1 Previous management letter**

### **1.1: Property, plant and equipment**

The L.C took note refer to replies in 2

**1.2: Payables**

The L.C took note, please refer to replies in 3.

**1.3: Income**

The L.C took note, please refer to replies in 4.

**1.4: Receivables**

The L.C took note, please refer to replies in 5.

**1.5: Expenditure**

The L.C took note, please refer to replies in 6.

**1.6: Bank and cash**

The L.C took note, please refer to replies in 7.

**1.7: Meetings**

The L.C took note, please refer to replies in 8.

**1.8: Insurance**

The L.C took note, please refer to replies in 9.

**1.9: Payroll**

The L.C took note.

**1.10: Presentation of Financial Statements**

The L.C took note, please refer to replies in 11.

**1.11: Budget and business plan**

The L.C took note.

**Current year issues****2 Property, plant and equipment****Fixed asset register**

**2.1-2.5:** For all new fixed assets purchases, the L.C is recording information such as supplier details, date of purchase and system reference of the accounting entry. For the old items in the FA register, records are in the process of being labelled and any obsolete items to be disposed of, and the accounting entry to be carried out during 2020. While points 2.3 & 2.4 were noted and approved remarks on 2.5 were noted and the L.C will abide.

### **3 Payables**

#### **Supplier statements**

**3.1:** As correctly observed the L.C regularly requests statements from its suppliers. Indeed memos issued from by the DLG specifically state that the L.C should obtain monthly statements. However this ultimately depends on the ability of suppliers to comply with the L.C request

#### **Overdue balances**

**3.2-3.3:** The overdue payable with Wasteserv Malta Ltd. was subsequently paid directly by DLG however a payment of 1000 euros is in dispute as the L.C cannot consent for a deposit related to skips which are no longer in use for a number of years and which should in effect have been refunded back to the L.C. While on the other items the L.C will proceed as recommended.

#### **Other Payables**

**3.4:** The L.C took note of auditor's comments.

### **4 Income**

#### **Bad debts written-off**

**4.1:** The L.C took note of auditor's recommendations for future reference.

#### **Organic Waste**

7.4-7.5: The L.C confirms that deposits are not always possible to be done twice a week depending on the workload which is also getting more complex with current changes imposed by the bank. The LC took note of all points and will seek to abide and also align with current changes being imposed by the bank.

## **8 Council Administration and Meetings**

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### **Presentation of Financial Statements**

11.2: Cash and cash equivalents are demand deposits, a 1-day probability of default has been applied, based on the respective external ratings of the counterparty banks and an adequate loss given default rate to the carrying amount at the measurement date.



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