



Kunsill Lokali
L-Imsida

The Auditor
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4th October 2021

Re-Management letter for Audit for year ending 31st December, 2020.

We are in receipt of the management letter dated 27th July, 2021, in connection with the annual audit of the L-Imsida Local Council (L.C) financial records for the year ending 31st December, 2020.

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 Income

The L.C took note refer to replies in 2.21

The L.C took note refer to replies in 2.7

1.3 Payroll

The L.C took note refer to replies in 4.1-4.2, 4.3-4.4 and 4.5-4.6.

1.4 Fixed assets

The L.C took note refer to replies in 5.9

& 5.12 -5.14.

1.5 Debtors

The L.C took note refer to replies in 7.5

1.6 Creditors

The L.C took note refer to replies in 9.1

& the replies in 9.3

& the replies in 9.10 - 9.11.

1.7 Bank and cash

The L.C took note refer to 8.1.

1.8 Financial statements

The L.C took note refer to replies in 10.1

1.9 Meetings

The L.C took note refer to replies in 11.1-11.2.

2 Income

2.1 -2.2: The L.C took note of auditor's comments and approved.

2.3 -2.4: The L.C took note of auditor's comments and will abide.

2.5 -2.6: The L.C took note of auditor's comments and will abide.

General Income

2.7 -2.8: The L.C took note of auditor's comments and will abide.

2.9 -2.10: Auditor comments noted . The LC is aware and takes in account security issues however It is not always possible to effect bank deposits due to the very small ammounts. Also in 2020 there were other issues related to Cvd19 precautions as well as changes and other charges imposed by the bank on deposits that required other measures to be considered and taken. To that end the LC has introduced new payment methods and will be further expanding these to minimise as much as possible cash and cheque payments.



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2.11 -2.12: Auditor comments noted however , please note the LC retains all G4 Security receipts and as shown during the audit the LC has a work book for all bank deposits which are reconciled on a weekly basis . This is a standard LC norm to keep track since with the new bank procedures deposits can take more than 3 days to be processed.

Custodial receipts

2.13 -2.14: Auditor comments noted. In addition to LC reply in 2.11-2.12 please note that the LC is also reconciling and effecting transfers to the other entities . Also the LC is acting with some measure of discretion and within the context of (DIRETTIVA 05/2020 - Depożitu ta' Fluss fil-Banek).

LES Administration Fees

2.15 -2.16: Auditor comments noted and the L.C agrees with recommendations.

2.18: Auditor comments noted and the L.C will abide.

Pre-regional LES debtors

2.19 -2.20: Auditor comments noted and the L.C agrees with recommendations.

Accrued Income

2.21-2.22: Auditor comments noted.

Joint Committee

2.23-2.25: Auditor comments noted however the LC has doubts about ever receiving any amounts due from 2010. If there is a possibility & when it is the case that any of the joint committee funds are distributed they will be taken as local enforcement income in the year in which they are received.

3 Expenditure

Petty cash payments

3.1-3.3: Auditor comments noted and the LC has already actioned.

Procurement procedures

3.4-3.6: Auditor comments noted and the LC will comply. In addition please refer to following.

- Planting of shrubs - The LC received an amount of shrubs which had to be planted with an urgency. The LC has discussed and approved to utilise the gardener for this addition please refer to LC minutes dated 16th December 2019 (8.5.03)
- Bowser - The LC requested and received two different quotes such services are now included in the Upkeep of Gardens contract which had to be republished for reasons referred in minutes of meetings 10, 13, 14 & 15 (10.5.13; 14.4.16; 13.6.03; 15.5.02).
- Trenching - These were emergency works please refer to minutes of LC meeting 10 dated 27th Feb 2020 (10.5.04)
- Street sign. LC periodically requests price lists from different suppliers and proceeds to order according to quality or availability. As explained during the audit this depends on the street signs required which could be standard or have to be customized or require to be immediately replaced due to damages caused mainly by heavy construction traffic.
- Fire Alarm system - There were two quotations discussed in LC meeting 10 dated 27th Feb 2020 and approved in LC meeting 12 dated 27th April 2020 please refer to minutes (10.5.03; 12.4.17)
- Wall calendars - Four suppliers were requested to quote and the LC receive from only two
- Paint for works carried out by FZTL - This is a one of and labour service provided by FZTL whereas the LC provides the materials. The group of workers go around various localities and advise at short notice when coming.

Payment approval

3.7-3.8: Auditor comments on cheques 14485 (salaries), 13702 (Bulk service contract certified by CM) noted. The LC will comply.

Tendering procedures

3.9 - 3.10: Auditor comments noted.



Asset insurance policy

3.11-3.14: Auditor comments noted .the insurances will be ammended to reflect net book values however the LC also wants to ensure that the building coverage also reflects the current value of replacement in the event of a major loss. To that end the LC has instructed the architects to submit a report on current actual values .

Personal accident insurance

3.15-3.16: Auditor comments noted . Upon querieng with the Insurance in order to downgrade the cover from Worldwide Cover to Local Maltese Islands cover for 14 persons the revised premium will be from €350.00 to €315.00. That is €3.21p.p , exc: duty and policy fee. The LC views the difference as minimal when the actual premium cost is considered if it is to be paid as a seperate insurance policy per person each time it is required.

4 Payroll

Reconciliation of wages between FS5s and books of account

4.1-4.2: Auditor comments noted however on examinng the contents in Annex 1 of the report the following was also noted

June the accounts correct amount of €13,519.51 was erroneously switched to €13,591.51 by the LC on the form thous showing a difference of (€72) which was imediatle corrected and sent to CR. July the accounts correct amount of €12,946.22 was erroneously switched to €12,496.22 by the audit thus showing a difference of (-496) Both above shown difference when added result to (-€378) + (.06) showing in rounding.

Please also refer to the LC workings that have been added to Annex 1

Reconciliation between FS7 and FS5s

4.3-4.4: Auditor comments noted however on further examinng the contents in Annex 1 of the report , the LC has also noted that the amount of the opening and closing accruals was (0).

In reconcyling wages ,opening accruals for part bonus of 2019 paid out during 2020 needs to be taken in consideration as well as closing accruals for the bonus of 2020 which will be paid out during 2021.

Thus the resulting differences in **4.1-4.2** and the accruals not taken show in the reconciliation as shown in Annex 1 of the report have been compared .

Please refer to the LC workings that have been added to Annex 1

Councillor allowance

4.5-4.6: Auditor comments noted and the L.C agreed with recommendation.

5 Property, plant, and equipment

Reconciliation of financial statements with accounting records

5.2 - 5.4: Auditor comments noted and the L.C agrees with recommendations.

Classification of assets

5.6 - 5.8: Auditor comments noted and the L.C agrees with recommendations.

Fixed asset register

5.9 - 5.11: Auditor comments noted and the L.C agrees with recommendations. With recent and current invoices it is already being done but it is not always possible to do so with the old invoices of 2011/2012

Fixed asset additions

5.12 - 5.15: Auditor comments noted and the L.C agrees with recommendations.

6 Intangible Assets

6.1 - 6.2: Auditor comments noted and the L.C agrees with recommendations.

7 Debtors

7.1 - 7.2: Auditor comments noted and the L.C agrees with recommendations.



LES receivables

7.3 - 7.4: Auditor comments noted. The LC has already considered and discussed this matter and as stated the L.C has taken a provision for doubtful debts for the same amounts which date back to 2011. The probability of receiving payments for the mentioned amounts is very low and if any are made will be recorded accordingly.

Overdue receivables

7.5 - 7.6: Auditor comments noted and the L.C agrees with recommendations.

Confirmation of debtors

7.7 - 7.8: Auditor comments noted and the L.C agrees with recommendations.

Alternative confirmation procedures

7.9 - 7.10: Auditor comments noted and the L.C agrees with recommendations.

Other debtors

7.11-7.13: Auditor comments noted. As stated during the audit the LC provided confirmation that the necessary works will be covered by I.M. and advised that at the time the paper work and amounts due were being processed. The LC also confirms that all indicated amounts due have been approved and all payments received in full.

Prepayments

7.14 - 7.15: Auditor comments noted and the L.C agrees with recommendations

8 Bank and cash

8.1 - 8.2: Auditor comments noted and the L.C agrees with recommendations.

9 Creditors

Supplier statements

9.1 - 9.2: Auditor comments noted and the L.C agrees with recommendations / Whilst the regular requests for statements are made it is not always the case that suppliers comply however the LC will increase the effort on this issue.

Long outstanding trade creditors

9.3 - 9.4: Auditor comments noted. This also relates to section **7.11-7.13** which as explained during the audit are to be processed once the amounts due by Infrastructure Malta are settled. Since as previously stated Infrastructure Malta has settled all amounts due the payments to the contractor were also processed to be settled.

Confirmation of trade creditors

9.5 - 9.7: Auditor comments noted and will comply

Other Creditors

9.8 - 9.9: Auditor comments noted and the L.C agrees with recommendation / This refers to a permit for a Tower crane which is differs from the normal temporary permits for machinery. The norm is an advance payment for 3 months. At the time of the audit the LC was already addressing this issue with the developers to regularize however in such cases it is difficult to enforce and remove such structures unless there are specific regulations that can authorise the LC to impose more adequate guarantees.

Accrued expenditure

9.10 - 9.12: Auditor comments noted and will comply.

10 Financial statements

10.1 - 10.2: Auditor comments noted

Specimen chart of accounts

10.3 - 10.4: Auditor comments noted and the LC is adjusting accordingly.



11 Meetings

Length of meetings

11.1 - 11.2: Auditor comments noted. As can be observed the LC meetings in the norm do not exceed the stipulated time however during meeting L8-10 the present councillors were unanimously in agreement to conclude an important item that was being discussed.

12 Schedules of payments

12.1 - 12.3 Auditor comments noted and indicated cheques verified.

Cheque 13499 dated 31st December was issued following an order of stop payment on the 24th December 2019 due to cheque 13390 as shown in schedule K8-7 dated 6-11-2019 being reported as not received by post and was presumed as lost.

Cheque 13564 dated 31st January 2020 was issued to replace cheque 13562 on Schedule K8-10 that was cancelled due to a written mistake.

13 Uploading of documents on local council's website

13.1 - 13.6: Auditor comments on uploading timeframes have been noted and the LC will comply / Also please note that the LC has uploaded the related docs as it has been doing for the last years. The mentioned documents will be marked as an indication of an approved, true copy of the signed original. However, the L-Imsida Local Council clarifies and confirms that each and every document that has been uploaded is an approved copy of the original signed documents that are bound and well-kept for future reference.

Also, the LC has noted the following auditor comments in 13.1 *"Furthermore the council also failed to present the reports within the required timeframe"*. Please correct us if it is not the case but this comment is being understood that it refers to the "presentation of the quarter financial indicators and the other reports that have to be approved during the Local Council meeting". The LC wants to clarify that according to the approved Local Council minutes here also listed, all "Quarter financial indicator reports have been presented during the first LC meeting following the end of each quarter" along with other reports as shown.

- Presented 20th January 2020 at LC meeting L8-9: "4th Qtr. Financial indicators & Un audited financial 2019 " minute (9.6.01) & "Estimates 2020" minute (9.5.01)
- Presented 27th April 2020 at LC meeting L8-12: "1st Qtr. Financial indicators (minute 12.6.01) & "Annual administrative report " minute (12.6.02) Note Due to Covid 19 outbreak the public meeting could not be held
- Presented 30th July 2020 at LC meeting L8-15:"2nd Qtr. Financial indicators" minute (15.6.01).
- Presented 27th October 2020 at LC meeting L8-18: "3rd Qtr. Financial indicators' minute (18.6.01).
- Presented 15th December 2020 at LC meeting L8-20 following public meeting: "Works program and estimate proposals report for 2021" minute (20.6.01).
- Presented 19th January 2021 at LC meeting L8-21: "4th Qtr. Financial indicators & Un audited financial 2020" minute (20.6.01) & "Estimates 2021" minute (21.6.02).

Uploading of management letter and other documents.

13.5 - 13.7: Auditor comments noted.

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.

FFIRMATA

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.



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Appendix 1

Msida Local Council wages reconciliation

As per FSS's

LC FSS Reconciliation 31.12.2020				According to MGL Annex 1 F55				Difference between reconciliations	
Month	Gross Wages	Honoraria	FSS	Month		Gross (€)	SSC(€)		Notes
01 Jan 2020	11,917.85	1,252.28	13,170.13	January		13,170.13	1,660.40	0.00	
01 Feb 2020	19,499.17	1,252.28	20,751.45	February		20,751.45	1,660.40	0.00	
01 Mar 2020	12,119.34	1,252.28	13,371.62	March		13,371.62	2,075.50	0.00	
01 Apr 2020	11,513.69	1,252.28	12,765.97	April		12,766.00	1,660.40	0.03	rounding
01 May 2020	11,474.77	1,252.28	12,727.05	May		12,727.05	1,660.40	0.00	
01 Jun 2020	12,267.23	1,252.28	13,519.51	June	LC switched (519) with (591)	13,591.51	2,075.50	72.00	Noted in FSS form and adjusted
01 Jul 2020	11,693.94	1,252.28	12,946.22	July	Audit switched (946) with (496)	12,496.22	1,660.40	-450.00	switching (-378)
01 Aug 2020	11,606.69	1,252.28	12,858.97	August		12,859.00	2,075.50	0.03	rounding
01 Sep 2020	12,173.42	1,252.28	13,425.70	September		13,425.70	1,660.40	0.00	
01 Oct 2020	11,618.57	1,252.28	12,870.85	October		12,870.85	1,664.96	0.00	
01 Nov 2020	11,499.60	1,252.28	12,751.88	November		12,752.00	2,081.20	0.12	rounding
01 Dec 2020	12,214.96	1,252.28	13,467.24	December		13,467.00	1,664.96	-0.24	rounding
Gross Salary	149,599.23	15,027.36	164,626.59	Gross Salary		164,248.53	21,600.02	-378.06	
	Add 1/2 of total NI		10,800.01	Add 1/2 of total NI		10,800.01		0.00	
	Total		175,426.60	Total		175,048.54		-378.06	Difference resulting from switch and rounding
According to LC F57									
	Gross Salary		164,626.59	Gross Salary		164,626.00		-0.59	rounding
	Add 1/2 of total NI		10,800.01	Add 1/2 of total NI		10,800.01		0.00	
	Total		175,426.60	Total		175,426.01		-0.59	refer to 4.1 & 4.2
	Difference		0.00	Difference		-377.47		-377.47	(-378.06)
As per Accounts									
L1.1.1	Mayors allowance		15,027.36	L1.1.1	Mayors allowance		15,027.00	-0.36	Accruals not taken (225.92)
L1.1.2	Executive Secretary and allowances		35,899.50	L1.1.2	Executive Secretary and allowances		35,899.00	-0.50	
L1.1.3	Employees Salaries		91,125.17	L1.1.3	Employees Salaries		91,127.00	1.83	
L1.1.4	Social Security contributions		10,800.01	L1.1.4	Social Security contributions		10,800.00	-0.01	
L1.1.5	Councillors allowances		22,799.96	L1.1.5	Councillors allowances		22,800.00	0.04	
			175,652.00				175,653.00	1.00	
	Add opening accruals		8,247.48	Add opening accruals			0.00	-8,247.48	
	Less closing accruals		-8,472.40	Less closing accruals			0.00	8,472.40	
			175,427.08				175,653.00	225.92	(225.92 - 603.98 = -378.06)
	Difference		-0.48	Difference			-604.46	-603.98	refers to 4.1-4.2 & 4.3-4.4