



Isla
Città Invicta

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15.04.2020

National Audit Office
Notre Dame Revelin
Floriana

Dear Sir/Madam,

RE- Management Letter for audit for the period ended 31st December 2019

We are in receipt of the management letter dated 16th March 2019 in connection with the annual audit of the Council's financial records for the period ended 31st December 2019. Whilst we would like to take this opportunity to thank your firm for the services and co-operation provided to the council during their fieldwork, we would also like to comment as follows:

With reference to the report made by the government auditors regarding the deficiencies that were noted for the year ended 31st December 2019, hereunder you have the answer of the Isla Local Council for the actions that they should take so that these deficiencies will no longer occur.

1. Previous Management letter

1.1 Supplementary Government income

During the year under review the council has again recorded other government income in the incorrect account (refer to note 2.1). This has been noted.

1.2 Pre-regional LES Debtors.

Debtors in the Loqus IT system are more than LES debtors recorded in the council's books of accounts (refer to note 2.10). This has been noted.

In our testing on LES debtors, we obtained report 622 generated from version 1 of the Loqus system and found that tribunal pending payments as at 31 December 2019 were €115,840.89. The council had passed an entry of €3,569.35 against LES debtors to agree the books with the LES report. We have reversed the entry passed as there is uncertainty as to whether the LES reports are correct. The council has included this adjustment in the final set of financial statements.

We would like to remind the council that it is the council's responsibility to investigate these differences and refer them to Loqus.

2. Income

2.8 Reversal of 'stale' cheques

May we remind the council that it is important that the council investigates any 'stale' cheques to determine why they were not cashed. If the cheque is unlikely to be cashed or has been replaced, the amount should be reversed against the respective expense or creditor account after approval by the council. Prior to adjusting the books of account the council should obtain approval from the council.

This has been noted for next audit.

3. Expenditure

3.1 Petty cash payments

We still encountered shortcomings in the petty cash purchases (refer to note 3.1). We recommend that the council includes a detailed description of items being purchased in the petty cash vouchers and monthly summary. This will ensure that all purchases are allocated to the correct account in the books.

For future reference the local council will ensure that all purchases are allocated to the correct account in the books and try to include a detailed description.

3.8 Procurement procedures

We again noted instances where the council is not adhering to the procurement procedures (refer to note 3.8).

In accordance with the Procurement Guidelines 2017 issued by the Department for Local Government the council should obtain at least three signed quotations for purchases exceeding €50 up to €5,000 unless, for purchases exceeding €50 but not €500, a direct order approved by the Executive.

The Local Council took note of the auditor's recommendation and will do everything possible that such situations do not recur in 2020.

3.10 Expired contract

During the year under review we noted that the council is still utilising expired contracts. To date of the audit fieldwork no tenders have been issued.

Kindly note that tender for Mixed Household Waste tender was issued on Feb 2020, the Isla Local Council decided that since a new council will be elected tenders will be issued when the new councillors will be elected. The Council also issued the tender for Street Sweeping and Bulky respectively.

The Local Council is still waiting for the Region to issue a tender re Street Lighting.

3.14 Insurance Policy

We noted that council did not address the issue (refer to note 3.14).

During our audit we identified the below discrepancies between the asset insurance cover and net book value of assets included in the prior year audited financial statements:

3.18 Rent agreements

The council still failed to provide the full rental agreement.

The Local Council took note of the auditor's recommendation and will do everything possible to acquire full rental agreements from Land's Authority to ensure that the rights and obligations of each party are clear.

3.20 Travel

The Local Council took note of the government auditor's recommendation and will start ensures that whenever traveling occurs the respective travel documents will be sent to the department for local government. The Council will submit a report to the Department for Local Government giving details of the conference attended.

3.22 Tendering procedures

We have again noted a shortcoming in the tendering procedures (refer to note 3.22).

Auditors recommendation taken note of by the Local Council.

4. Fixed Assets

4.1 Reconciliation of fixed assets asset register to financial statements

We noted that the council had differences of €13,557, €2,965 and €141 in urban improvements, office equipment and office furniture and fittings respectively as stated in the fixed asset register when compared to the financial statements.

The fixed asset register does not agree to the financial statements (refer to note 4.1).

The Local Council is going to continue the exercise started last year to maintain the standard as required by the Local Council Procedures.

4.4 Tagging of fixed assets

The Local council will provide to tag the fixed assets where possible to be identified and their physical existence can be verified with the plant register.

4.6 On 14 February 2019 the council has signed an agreement with the Planning Authority to provide a total grant of €56,610.30 for the Refurbishment of Gardjola garden, replacement of lighting poles and benches. During the year under review the council received €16,983 (i.e. 30% of the grant) in its bank account in connection with this grant. The remaining balance will be received upon completion of the project. We have also noted that the council has completed and certified all the works by the end of 2019. We have proposed an adjustment to account for the grant in full and include the receivable balance of €39,627.30 (i.e. the remaining 70%) as accrued income. The council has included this adjustment in the final set of financial statements.

4.6 The grant of €16,983 for the lamp posts and benches at the Gardjola Gardens has now been included in the Fixed Assets Register.

4.11 Obsolete assets and disposals

4.11 The council still has various fixed assets which are not in good working order or no longer exist. An example of this is the aquarium equipment which was disposed of in previous years.

Once approval by Council is obtained, disposal of assets will be effected in the General Ledger and Fixed Assets register as suggested by the auditors.

Depreciation of fixed assets

The plant register will be updated to agree to the Nominal Ledger as suggested by the auditors.

Disposal of Fixed Assets

The Local Council passed an audit adjustment to reflect the disposal of the fixed assets items.

5. Trade and other receivables

5.1 Overdue receivables

5.1 The council's debtors' list includes overdue balances receivable from the Local Enforcement Systems Agency amounting to €838.48 and from the South East Regional Committee amounting to €328.15. These balances have been outstanding since late 2015 and early 2016.

During 2020, the local council will send statements of accounts to LESA and the Regional Committees to collect the long overdue amounts.

We have again noted instances where debtors are taking long to pay. These were taken long to be paid because debtors took long to send their invoices to be paid.

5.3 Confirmation of debtors

The Council will check with the South East Region the pending invoices in order to reconcile the books of account as suggested by the Auditors.

6. Bank and Cash

6.1 Cash in hand

The council did not rectify the issue during the year under review (refer to note 6.1). We remind the council that regular cash counts and reconciliation to the books of account assist the council in identifying differences and resolving them immediately. To this end, we recommend that the council performs this exercise on a frequent basis.

During 2020 as recommended by the auditors, the local council will make regular cash counts and reconciliation to the books of account assist the council in identifying differences and resolving them immediately and reconciles the bank balance to bank statements using Sage at least on a monthly basis or more frequently depending on the volume of transactions to detect accounting and bank errors in a timely manner.

7. Trade and other Payables

7.1 Supplier statements

The council did not obtain supplier statements during the year (refer to note 7.1). The Local Council requests statements from suppliers, but since payments are being made promptly and settled within 30 days credit, most suppliers do not send any statements of outstanding balance, since their invoices would have been paid.

7.3 Debit balances in creditors' list

Suggestion by auditors noted.

7.6 Long-outstanding creditors

The Local council is reviewing these amounts to be settled.

7.14 Accruals.

We still identified shortcomings in the list of accruals (refer to note 7.14).

The amount to be deducted by DLG for MITA was given after the Accounts for the year end 31/12/2019. The accrual was taken, the same as 2018 but it transpired that MITA expenditure was eventually less for 2019.

7.16 Other creditors

The council did not rectify the issue during the year under review (refer to note

7.16 This point was noted.

8. Books of account

We have again noted a number of transactions passed in the books which consisted of grouped transactions (refer to note 8.1).

All sales invoices, purchases invoices, cheque payments and petty cash transactions are posted individually in the books of account. Journal entries will be substantiated by a detailed narrative explaining their purpose as suggested by the auditors

This point was also noted.

9. Financial Statements

We recommend that the council gives more attention to the preparation of the financial statements. The above shortcomings have been amended in the audited financial statements.

The recommendation of the auditors is noted

10. Electronic site

Auditors recommendation has been noted, and documents will in future be uploaded within the specified time frame.

11. Schedule of payments

The council did not rectify the issue during the year under review (refer to note 11.1).

11.1 The recommendation of the auditors is noted and the Executive Secretary is taking the necessary measures in order to ensure the correctness of documentation prior to each council meeting in this case cancelled cheques were listed in schedule of payments.

12. Meetings

Binding of minutes

Suggestion for binding minutes for next audit is noted.

13. Comparison with annual budget

We recommend that the council compares budgeted figures to actual figures at least on a quarterly basis to ensure expenditure is in line with budgeted amounts. The council should apply due care and diligence when compiling the budget figures as required by the Financial Regulations.

The council compares budgeted figures to actual figures on a quarterly basis when the Financial Indicator reports are presented.

Regards

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Graziella Gellel

Executive Secretary

