



Isla
Città Invicta

Kunsill Lokali Isla

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29.05.2022

National Audit Office
Notre Dame Revelin
Floriana

Dear Sir/Madam,

RE- Management Letter for audit for the period ended 31st December 2021

We are in receipt of the management letter dated 26th March 2019 in connection with the annual audit of the Council's financial records for the period ended 31st December 2021. 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 2021, 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

Deffered Income and accrued Income write - offs

Following various requests, these income for grants did not materialize and therefore they were reversed. However, in future these will be noted down in the minutes.

2 Income

Supplementary Government Income

Online Streaming Grant, Library Support and Special Initiative Scheme Income posted in Other Government Income as suggested by Auditors.

With regards to the Accrued Income of €10,743 re WasteServ Malta excess tipping fees over government allocation for 2018, the amount was reversed as suggested by the auditors, however after the audit process was completed, Isla Local Council were informed that the amount to be covered by DLG was in effect €10,349. The latter amount will be included as Supplementary Government Income for the financial statements as at 31/12/2019.

Pre-Regional LES debtors

During 2019 as recommended by the auditors, the local council will discuss the discrepancy with the LOQUS.

Same as last year

Accrued Income

In future, before adjusting the books of account, a formal approval from council members will be obtained and minuted.

Organic Waste Collection

The Isla Local Council will contact Waste Serv Malta Ltd to sign the agreement re reimbursement of organic waste collection.

3 Expenditure

Petty Cash Payments

The local council acknowledges that all cash payments are supported by the appropriate petty cash voucher made through petty cash template which was introduced by the department for local government, while some cash payments which the supplier is unable to issue an itemised bill the council did not include all details pertaining to the goods being purchased. As from January 2019 all petty cash vouchers are being signed also by the purchaser and where the bill is not itemised the local council will include details pertaining the goods being purchased.

Procurement Procedures

The Local Council took note of the auditor's recommendation and will do everything possible that such situations do not recur in 2019

Expired Contracts

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

Insurance Policy

The Auditor's Comparative NBV as at 31/12/2017 should have been taken after adjusting for grants using the Capital Approach and not before such an adjustment, as in fact the NBV would be much lower than the amounts stated.

Personal accident insurance

The Local Council took note of the recommendation of the auditors and will update the insurance policy accordingly to include only current councillors and employee to limit coverage to the

Maltese Islands and if a council member require to go overseas on council business a separate policy should be taken out for the specific trip.

Rent Agreement

The Local council obtained contracts for the office the Football Ground being rented for the local council's purposes. This will ensure that the rights and obligations of each party are clear.

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.

Tendering procedures

Auditors recommendation taken note of by the Local Council.

4 Fixed Assets

Reconciliation of fixed assets asset register to financial statements

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

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.

Depreciation of fixed assets

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

Disposal of Fixed Assesst

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

Disposal / write off of fixed assets

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.

5 Trade and other receivables

Overdue receivables

During 2019, the local council will send statements of account to LESA and the Regional Committees to collect the long overdue amounts.

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

Unpresented Cheques

The Cheques which have been paid out to suppliers, but never encashed, will be reversed and deducted from expenses.

Cash in hand

The Local Council will take up the auditors recommendation and regular cash counts and reconciliation to the books of account will be done.

7 Trade and other payables

Supplier Statements

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.

Debit balances in creditors' list

Suggestion by auditors noted.

Long-outstanding creditors

The Local council is reviewing these amounts to be settled.

Alternative procedures on creditors

The Balance in Nexos account will be reversed as per confirmation from the creditor.

Accruals

The Local Council is making its utmost for these documentation - Revival of Old Towns and Cities to be filed and stored properly.

Other Creditors

This was approved by Council and properly reflected in the Audited Financial Statements.

8 Books of Accounts

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

9 Electronic site

Auditors recommendation taken note of, and documents will in future be uploaded within the specified time frame.

Presentation of financial statements

The recommendation of the auditors is noted

10 Schedule of Payments

The recommendation of the auditors is noted and the Local Council is taking the necessary measures in order to avoid these irregularities.

11 Capital commitments

€192,930 are included as Capital Expenditure in Budget 2019, but the cash budget is less than this amount since a grant is expected against such Capital Expenditure.