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Xghajra Local Council
Delle Grazie Battery
Ix-Xghajra XJR 1360

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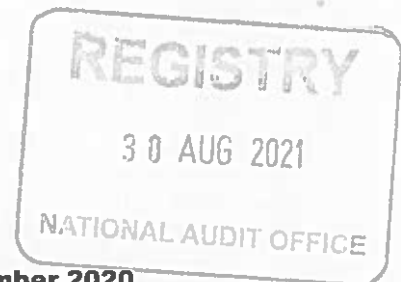
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28 July 2021

Dear Sir,



Financial statements for the year ended 31 December 2020

During the course of our audit for the year ended 31 December 2020 we have reviewed the accounting system and procedures operated by your council. We have also reviewed the operations of the council and how they conform to the Local Councils 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 Other Government income

We again identified shortcomings in other Government income (refer to notes 2.3, 2.4 and 2.6).

1.2 General income

The council failed to deposit income on a regular basis (refer to note 2.8).

1.3 Custodial receipts

The council is not depositing custodial receipts as required by the Procedures (refer to note 2.10).

1.4 Petty cash expenditure

We again noted shortcomings in petty cash expenditure (refer to note 3.1).

1.5 Petty cash summary

We again noted that the petty cash summaries are not signed (refer to note 3.3).

1.6 Procurement procedures

We were not provided with all purchase orders and quotations supporting council purchases (refer to note 3.5).



1.7 Insurance policy

We again noted assets which are over insured (refer to notes 3.8 and 3.9).

1.8 Motor vehicle insurance policy

The council failed to insure its motor vehicle by a 'fully comprehensive' insurance policy (refer to note 3.12).

1.9 Personal accident insurance

We again noted that the personal accident insurance policy is extended on a worldwide basis instead of limited to the Maltese territories (refer to note 3.14).

1.10 Rent agreements

We were not provided with all of the rent agreements (refer to note 3.16).

1.11 Expired contracts

The council is still utilising expired agreements for certain services (refer to notes 3.20 and 3.21).

1.12 Tenders exceeding budget amount

The council did not issue tenders during the year under review.

1.13 Tenders exceeding contract value

We did not identify any tenders exceeding contract value.

1.14 Declaration of councillors' allowances

We are pleased to inform that the council has correctly reported councillors' allowances in FS3 forms.

1.15 Councillors' allowances

We did not identify any shortcomings in relation to councillors' allowances.

1.16 Fixed asset register

The council maintains the fixed asset register on Excel workbooks and not on the council's accounting software (refer to note 4.1).

1.17 Upkeep of fixed asset register

We again noted vague descriptions of the assets in the fixed asset register (refer to note 4.3).

1.18 Tagging of fixed assets

The council has again failed to tag fixed assets in accordance with the Local Councils (Financial) Procedures, 1996 (refer to note 4.6).

1.19 Additions to fixed assets

We again noted various shortcomings in fixed assets additions (refer to note 4.10).



1.20 Registration of motor van

The van purchased from London Services Limited is still registered with Transport Malta in the name of the executive secretary (refer to note 4.16).

1.21 Assets under construction

The council's books of account still include assets under construction for which no breakdown was available (refer to note 4.18).

1.22 Grants

The grants were properly released to the '*Property, Plant and Equipment*' schedule.

1.23 Grants in 'Property, plant and equipment' schedule

We again noted discrepancies between the grants in the books of account in each category and the grants included in the '*Property, Plant and Equipment*' schedule (refer to note 4.28).

1.24 Long-overdue receivable balances

The council still has long-overdue receivable balances (refer to note 5.1).

1.25 Confirmation of debtors

We again noted a discrepancy between amounts confirmed by third parties and amounts included in the books of account (refer to note 5.3).

1.26 Accrued income

We identified a shortcoming with respect to accrued income (refer to note 2.3).

1.27 Petty cash balance

The council failed to reconcile the petty cash in hand with the amount included in the books of account (refer to note 6.1).

1.28 Cheque payments

We again noted a shortcoming in cheque payments (refer to note 6.3).

1.29 Supplier statements

The council did not obtain supplier statements during the year (refer to note 7.1).

1.30 Debit balances in creditors' list

The council's books of account still include debit balances in creditors list (refer to note 7.3).

1.31 Long-outstanding creditors

We again noted creditor balances which have been outstanding for more than one year (refer to note 7.7).

1.32 Amounts in dispute

We noted that the council's books of account still include amounts in dispute (refer to notes 7.9 and 7.10).

1.33 Confirmation of trade creditor

We noted an instance where the council failed to reconcile creditor balances to the council's books of account (refer to note 7.12).

1.34 Alternative procedures on creditors

We encountered instances where the council did not reconcile creditor balances (refer to note 7.14).

1.35 Unrecorded liabilities

Whilst reviewing subsequent year end payments, we again identified unrecorded liabilities (refer to notes 7.18 and 7.19)

1.36 Accruals

We again noted shortcomings in accruals (refer to notes 7.21 and 7.22).

1.37 Grants received

We are pleased to inform that the council has returned the amounts received in relation to the Rural Development Programme Rubble Wall and Measure 4 Leader Programme with Gal Xlokk.

1.38 Books of account

During the audit fieldwork we were provided with the breakdown of grouped transactions recorded in the books of account.

1.39 Presentation of financial statements

We again noted shortcomings in the presentation of financial statements (refer to note 9.1).

1.40 Groupings

We are pleased to note that the council has rectified the issue with regards to groupings.

1.41 Specimen chart of accounts

The council did not rectify the issue during the year under review (refer to note 9.3).

1.42 Administration

The council did not include the account numbers and invoice numbers on the schedule of payments (refer to note 10.1).

1.43 Payment approval

We again noted instances where cheque payments were issued prior obtaining approval by the council (refer to note 10.8).

1.44 Electronic site

The council's electronic site is not updated with documents required by the Local Council Procedures (refer to note 11.1).

1.45 Uploading of management letter and other documents

The council uploaded the management letter on its website (refer to note 11.3).

1.46 Binding of minutes

The minutes of the council are not hard bound (refer to note 12.1).

1.47 Length of minutes

We were able to establish the length of meetings as the minutes stated the time at which the meeting ended.

1.48 Meeting regulations

We identified shortcomings in relation to meeting regulations (refer to note 12.3).

1.49 Capital commitments

We again noted shortcomings in capital commitments (refer to note 14.1).

2 Income**Income from Central Government**

2.1 The council received an amount of €1,013 in relation to 'adjustment fund for decrease in allocation from 2019'. This was incorrectly recorded with Government allocation account rather than with other Government income account. We have proposed an audit adjustment to rectify the issue. This has been reflected in the final set of financial statements.

2.2 We recommend that the council discloses all income received from Government, which is not part of the annual allocation, as other Government income, unless otherwise directed by the Department.

Other Government income

2.3 The council classified the amount of €12,438.48 from Wasteserv Malta Limited with respect to refunds from organic waste collections with general income rather than other Government income. We have proposed an audit adjustment to reclassify the amount with other Government income. This was not reflected in the final set of financial statements. Furthermore, we noted that the invoices for November and December 2020, amounting in total to €1,448, were issued to Wasteserv Malta Limited after year end. However, the council recorded accrued income amounting to €2,080. To this end we have proposed an audit adjustment of €632 to reverse the overstated accrued income. The council has amended the financial statements to include our audit adjustment.

2.4 We noted that the council has also classified the amount of €1,791 received from Regjun Xlokk in relation to the reimbursement of cigarette bins as general income rather than other Government income. We have proposed an audit adjustment to rectify the issue. This was not reflected in the final set of financial statements.

2.5 We recommend the council to allocate income receivable to the appropriate accounts so that income is adequately recorded. Furthermore, we recommend that the council accurately establishes accrued income and therefore ensures that income is not misstated.

- 2.6 We noted that in the unaudited financial statements, other Government income amounted to €8,000. This was in relation to the 'LC Care Project Grant Support Scheme 2019' and 'LC Care Project Grant Support Scheme 2020' amounting to €4,000 each. During our audit fieldwork we were provided with the LC Care Project Support Scheme 2019 agreement which was not signed by the mayor. However, we were not provided with the agreement for the 2020 scheme. The council informed us that these schemes are still ongoing, and no expenditure was incurred during the year under review in relation to these schemes. To this end, we have proposed an audit adjustment amounting €8,000 to record the amount as advanced payment. The council has amended the financial statements to include our audit adjustments.
- 2.7 We recommend that the council records income in the correct period as required by International Financial Reporting Standards. Furthermore, the council should always retain the signed documentation on the premises.

General income

- 2.8 We came across numerous instances where the council failed to deposit receipts on a timely basis. The following are examples which we encountered during the audit:

Description	Receipt number	Receipt date	Deposit date	€
Cherry picker permit	2464	31.01.2020	15.02.2020	20.00
Crane permit	2607	17.06.2020	26.06.2020	10.00
Lifter permit	2630	30.06.2020	13.07.2020	2.33
Pompa permit	2667	10.08.2020	26.08.2020	15.00
Crane permit	2681	28.08.2020	02.10.2020	15.00
Crane permit	2708	28.09.2020	02.10.2020	15.00
Crane permit	2756	06.11.2020	27.11.2020	10.00
High-up permit	2809	18.12.2020	31.12.2020	10.00

- 2.9 We recommend that the council deposits cash twice weekly, primarily to comply with the Local Council (Financial) Procedures but also for security purposes.

Custodial receipts

- 2.10 The following shortcomings were noted during our audit work on the council's custodial receipts of LES fines:

Receipt number	Receipt date	Deposit date	€
4435556	06.01.2020	14.01.2020	23.29
4467530	12.02.2020	17.02.2020	23.29
4490732	23.02.2020	12.03.2020	23.29
4491786	12.03.2020	03.04.2020	69.88
4519618	19.05.2020	27.05.2002	139.75
4584130	19.08.2020	28.08.2020	34.94

- 2.11 We remind the council that the Financial Procedures and LN 28/2000 require the council to deposit its cash collected from custodial receipts at least twice weekly. We advise the council not to leave cash and cheques on the premises for a prolonged period of time since, apart from contravening the Procedures, it can give rise to security concerns.

**LESA Invoices**

- 2.12 The following invoice was not sent to LESA in the first week of the following month:

Invoice month	Invoice date
December 2020	28.01.2021

- 2.13 In accordance with memo 91/2011 councils are required to issue Regional Committee and LESA invoices in the first week of the following month.

3 Expenditure**Petty cash expenditure**

- 3.1 We noted the following irregularities whilst testing petty cash expenditure:

Details	Supplier	Date	€	Note
Cleaning of public area	A Grima	17.04.2020	20.00	(a)
Material/supplies	APE	14.02.2020	8.86	(b)
Supplies	Dolceria Bonta	07.05.2020	8.18	(b)
Supplies	Fresh Daily	30.10.2020	7.65	(b)
Supplies	Corner Store	17.11.2020	6.82	(b)
Supplies	Photoline	11.12.2020	4.00	(b)

- (a) The council did not provide us with a copy of the tax invoice/fiscal receipt.
 (b) The petty cash voucher was not signed by the executive secretary.

- 3.2 May we remind the council that Directive 3/2017 and LN 269 of 2017 state that all petty cash vouchers should be signed by the purchaser and the executive secretary. Furthermore, the council must obtain a tax invoice/ VAT receipt for all payments issued by the council.

Petty cash summary

- 3.3 The council provided us with a copy of the petty cash sheets, and we again noted that these were not signed by the executive secretary.
- 3.4 We recommend the council to ensure that all petty cash sheets are signed and dated by the executive secretary.

Procurement procedures

- 3.5 Our testing on cheque payments revealed the following irregularities for the purchases which are listed below:

Details	Supplier	€	Note
Printing of calendar	Sunland Printers Limited	1,050.00	(a, b)
Materials & supplies	Banju Boutique	725.00	(c)
Installation of video on demand	Correct Termination	1,534.00	(a, b)
Grass cutting	Aaron Micallef	4,800.00	(b)
Grass cutting	Gordon Joseph	4,800.00	(b)
Maintenance of palm trees	Noel Dalli	1,190.00	(a, b)



- (a) The council did not obtain any quotations.
- (b) The council did not raise a purchase order.
- (c) The council obtained only two quotations.

3.6 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 secretary is issued.

3.7 May we remind the council that the purpose of a purchase order is to confirm in writing the order for goods or services from third parties. The purchase order is the evidence of the council's approval for a proposed purchase or service. Upon receipt of the invoice, this should be checked and matched to the purchase order, with any discrepancies referred to the supplier.

Insurance policy

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

Asset	Sum insured €	NBV 2019 €
Plant and machinery	8,500	3,170
Office, furniture and fittings	24,400	3,582
Office and computer equipment	18,800	3,363
	51,700	10,115

3.9 We also noted that the council is insuring property in the open amounting to €30,000. This is in breach of Directive 3/2017 which states that community assets should not be insured.

3.10 It is evident that some of the fixed assets are over insured. May we advise the council to perform at least an annual review of its insurance policy to ensure that the council's insurance coverage is in line with current legislation.

3.11 Directive 3/2017 and Legal Notice 269 of 2017 state that the council must ensure that administrative offices, including all the furniture and office machinery are insured by a 'buildings and content' insurance. The insurance shall cover fire, theft, and damage due to natural events. Circular 33/2016 also states that the insurance policy should be based on the net book value of assets included in the last audited financial statements. However, since last year a significant number of assets had a nil net book value, we recommend that insurance at least covers the replacement cost of assets.

Motor vehicle insurance policy

3.12 We again noted that the council's motor vehicle insurance covers 'third party fire and theft'. May we remind the council that as from 1 January 2018, motor vehicles should be insured as 'fully comprehensive'. The council must also ensure that drivers are aged 25 and over as included in the insurance policy.

3.13 We recommend that the council amends its insurance policy and ensures that the motor vehicle insurance is 'fully comprehensive' to be in line with LN 269 of 2017.



Personal accident insurance

- 3.14 We again noted that the personal accident insurance was extended on a worldwide basis instead of limited to the Maltese territories. Should a council member require to go overseas on council business, a separate policy should be taken out for the specific trip. Worldwide coverage for all personnel travelling abroad on personal rather than business activities may be construed as a benefit in kind.
- 3.15 We recommend that the council updates the insurance policy accordingly to include only current councillors and employees and limit coverage to the Maltese islands.

Rent Agreements

- 3.16 The council did not provide us with the contract agreements for the rent of the garage rented out from Salvu Sciberras, rent site A and rent site B at Triq il-Fortizza which are being rented out from the Lands Authority. The council is paying €3,600, €1,700, and €250 in rent, respectively. Furthermore, we noted that the council did not provide us with IFRS 16 'Leases' assessment for the rent.
- 3.17 We recommend that the council ensures that the rental premises are always covered by a contract covering the current year period, specifying the rights and obligations of each party.
- 3.18 During the audit fieldwork we were provided with a contract agreement between the council and Xghajra Tornados for the rent of a football ground for the period covering September 2019 to August 2021. We noted that an amount of €8,000 was recorded in the council's books of account for the period covering September 2019 to December 2020. The council failed to assess and account for the leases in accordance with IFRS 16 'Leases'.
- 3.19 We recommend that the council reviews all lease contracts in place and considers the impact of IFRS 16 'Leases' on the council's financial statements and adjust if the need arises.

Expired contracts

- 3.20 During the year under review we noted that the council was using services provided by Nexos Street Lighting for street lighting in the locality of Xghajra even though the contract has expired. We were also notified by the council that the tender will be issued at regional level. To date of the audit fieldwork no tender has been issued.
- 3.21 Furthermore, in 2020 the council was utilising accounting services provided by Paul Bugeja. In prior years, the provision of this service was covered by XJR 01/2015, which expired in 2018. As noted in our previous management letter, the council has retained the provision of the same service provider. It was further noted that the cost of this service does not exceed €5,000. The council failed to obtain three quotations prior to the engagement of the service provider.
- 3.22 The council should not make use of expired contracts, since this is prohibited by the Procurement Guidelines 2017 which states that councils should issue a new call for tenders before the expiry date of existing contracts. Moreover, we reiterate our recommendation that 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 secretary is issued.

Tendering procedures

- 3.23 In previous year the council issued a tender for street sweeping which was not adjudicated. During the year under review the council has incurred a total expenditure of €17,763.68 in relation to street sweeping. We noted that for the period covering January to June 2020, the service was provided by Kevin Farrugia for the total amount of €6,584.40. For the remaining period the council obtained 3 quotations whereby the cheapest supplier was selected. The total expenditure incurred for the period June to December 2020 amounts to €11,179.28. We noted that the council issued another tender XJR01/2020 'Street sweeping services in the locality of Xghajra'. However as at date of audit fieldwork the tender is still in evaluation process.
- 3.24 We recommend the council adheres to Procurement Guidelines, 2017 which states that councils are required to make a public call for quotations for expenditures in the range of €5,000 to €10,000. Furthermore, the council is specifically required to issue a call for tenders for expenditures above €10,000.

Classification of expenditure

- 3.25 During audit testing on expenditure, we noted that the council erroneously classified expenses in the incorrect expense accounts. These consist of the following:
- (a) The amount of €2,112.02 relating to the refurbishment of hall was classified in the 'cultural events' account rather than 'public property' expense account;
 - (b) The amount of €4,800 in relation to grass cutting was allocated in the 'cleaning services' expense account rather than 'cleaning and maintenance in parks and gardens' expense account;
 - (c) Another amount of €4,800 pertaining to grass cutting was classified in 'road and street cleaning' expense account rather than 'cleaning and maintenance in parks and gardens' expense account and
 - (d) The council failed to account for gross wages and salaries paid to the councillors and mayor of €4,920 and €1,980 in the trial balance. However, we noted that these were reclassified in the financial statements.

To this end, we have proposed audit adjustments to allocate the expenditures to the appropriate accounts. These adjustments have been incorporated in the financial statements.

- 3.26 We recommend that the council should allocate its expenditure to the appropriate accounts so that the expenses of the council are properly reported.

4 Property, plant and equipment**Fixed asset register**

- 4.1 In accordance with circular 01/2021 the council must prepare a fixed asset register which reconciles with the nominal ledger. It was noted that the council keeps a fixed asset register on Excel workbooks and not on the council's accounting software and therefore the depreciation is being calculated using Excel and not through the council's accounting software.
- 4.2 On the other hand it was also identified that the fixed asset register does not contain complete details such as reference numbers, invoice numbers, suppliers' details or location of all assets thus posing difficulty in the identification of specific assets.



Upkeep of fixed asset register

- 4.3 During the audit fieldwork we noted that the fixed asset register includes descriptions such as shelving, parquet, aluminium, Beta Centre, Schembri Barbros and others. Therefore individual assets could not be traced from the register to the councils' premises and locality.
- 4.4 As pointed out in our prior years' management letters, the fixed asset register must at least include the following details:
 - i. Description of asset
 - ii. Date of purchase
 - iii. Supplier details
 - iv. Invoice number
 - v. Invoice date
 - vi. Asset tag code (where applicable)
 - vii. Cost
 - viii. Depreciation rate
 - ix. Location of asset
 - x. Grants received
- 4.5 We suggest that the council updates its fixed asset register with full details and categorises assets appropriately. This will ensure that assets can be easily identified and further ensure that the depreciation calculated is correct.

Tagging of fixed assets

- 4.6 We again noted that the council's assets have not yet been tagged (where applicable). This is in breach of the Local Councils (Financial) Procedures, 1996.
- 4.7 We recommend that the council tags its fixed assets, where applicable. This would enable individual assets to be identified and their physical existence verified once the plant register is compiled.

Reconciliation of financial statements with fixed asset register

- 4.8 We identified the following discrepancies between the net book value of assets in the unaudited financial statements and the net book value in the fixed asset register:

Asset category	NBV in unaudited financial statements €	NBV in fixed asset register €	Difference €
Urban improvements	52,057	56,057	(4,000)
Construction	5,312	1,312	4,000
	57,369	57,369	-

- 4.9 We remind the council that any variances between the assets disclosed in the financial statements and the plant register need to be investigated and reclassified accordingly.

Additions to fixed assets

- 4.10 Our testing on fixed asset additions revealed the following irregularities for the below listed purchases:

Details	Supplier	€	Note
New energy lamp posts	Nexos Street Lighting	4,980.00	(a)
CCTV	Alarmtech	1,215.40	(b)
Aluminium works at toilet	ICS Aluminium	2,250.00	(c)
Toilet and shower mixers	Avante Bathrooms	2,485.00	(a)
Camera	Melvyn Meli	2,214.68	(c)
Tiles	Banju boutique	2,500.00	(a)
Gypsum boards	National Gypsum Ltd	2,242.00	(a)
Tiles layering	Dore Brahimia	5,000.00	(d)
Plastering public toilet	Gwen Tigan	4,000.00	(d)
CCTV	Robet Zammit	1,378.00	(b, d)
Olive trees	Manuel Attard	500.00	(c, e)
Palm trees	Malcolm Pullicino	4,939.79	(d)
Excavation works	Sam Delia	4,679.93	(d)
Olives trees	Manuel Attard	2,400.00	(c, d, e)
Trees and pots	Piscopo Gardens	4,591.61	(c)

- (a) No quotations were obtained by the council.
 (b) The council obtained only two quotations.
 (c) Only one quotation was obtained by the council.
 (d) No invoice was provided, and amount was traced to receipt.
 (e) No invoice was provided, and receipt was not addressed to the council.

- 4.11 As previously noted, 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 secretary is issued. Furthermore, we would like to remind the council that it is obliged to obtain a valid tax invoice and receipt addressed to the council for all purchases and services. Payments should only be made upon receipt of invoices.

- 4.12 Whilst performing audit procedures on fixed assets additions we noted that the following additions relate to the refurbishment of public toilets and the purchases of various trees in relation to the urban greening grant. The purchased items exceeded the €10,000 threshold. The council failed to issue a tender in both cases.

Details	Supplier	€
Aluminium works at toilet	ICS Aluminium	2,250.00
Toilet and shower mixers	Avante Bathrooms	2,485.00
Tiles	Banju boutique	2,500.00
Gypsum boards	National Gypsum Ltd	2,242.00
Tiles layering	Dore Brahimia	5,000.00
Plastering public toilet	Gwen Tigan	4,000.00
		18,477.00

Details	Supplier	€
Olive trees	Manuel Attard	500.00
Palm trees	Malcolm Pullicino	4,939.79
Excavation works	Sam Delia	4,679.93
Olives trees	Manuel Attard	2,400.00
Trees and pots	Piscopo Gardens	4,591.61
		<u>17,111.33</u>

- 4.13 We recommend the council adheres to Procurement Guidelines, 2017 which states that councils are required to make a public call for quotations for expenditures in the range of €5,000 to €10,000. Furthermore, the council is specifically required to issue a call for tenders for expenditures above €10,000.
- 4.14 We also noted that the council recorded various fixed assets additions amounting to €16,023.80 in relation to the repairs and maintenance of various public properties. These should have been expensed rather than capitalised due to their nature. We have proposed an audit adjustment amounting to €16,023.80 to expense the amount and to reverse its respective depreciation charge of €902.97. The council approved our audit adjustments and included it in the final set of financial statements.
- 4.15 The council should not capitalise costs which are of an expense nature. IAS 16 states that the asset purchased should provide future service potential. In these cases the expenses were incurred to maintain their use rather than to add economic benefits or service potential

Registration of motor van

- 4.16 We again noted that, the van registered with Transport Malta is in the name of the executive secretary only.
- 4.17 May we remind the council that all motor vehicles should be registered in the name of the council. The logbook should state that the van is registered in the name of the executive secretary on behalf of the local council.

Assets under construction

- 4.18 In our previous management letters we noted that the assets under construction are all in relation to the Belvedere Recreational and Sports Centre which is still under construction. This project has a cost of €410,731.88 at year-end and the project is still not completed. Works requiring certification amount to €364,176.85 whereas works not certified are €41,327.03.

In previous year we have obtained the architect's valuations as presented below:



Job reference	Description	Date	Value €
20263-03	Valuation No 1	30.03.2011	41,243.34
20263-03	Valuation No 2	12.07.2011	80,770.45
20263-03	Valuation No 3	09.12.2011	37,437.18
20263-03	Valuation No 4	05.03.2012	48,081.48
20263-03	Valuation No 5	27.03.2013	47,033.95
20263-03	Valuation No 6	27.05.2013	1,752.60
20263-03	No reference	08.04.2019	75,491.56
20263-03	Valuation No 7	13.11.2019	27,429.06
20263-03	No reference	03.12.2019	4,937.23
Assets under construction			<u>364,176.85</u>

- 4.19 Furthermore, in 2019 the council had incurred other capital expenditure in relation to tiles and aluminium works for which no certification was required. Details have been provided below:

Supplier	Details	Date	Value €
Ideal Bathrooms	Supply and laying of tiles	07.01.2019	30,479.40
Borg Aluminium	Aluminium works for hall	04.01.2019	1,580.00
Charles Tanti	Electrical installation	02.01.2019	3,600.00
Vincent Azzopardi	Aluminium works for hall	07.02.2019	5,667.63
Assets under construction			<u>41,327.03</u>

To this end total certified works amount to €364,176.85, whereas uncertified works amount to €41,327.03. In total works supported by documentation amount to €405,503.88. The financial statements include a total cost of €410,731.88. Thus resulting in a difference of €5,228.

Included in the cost of assets under construction are also other assets amounting to €5,837 which as at the date of the audit fieldwork had not yet been installed or are ready for use.

- 4.20 We recommend that the council prepares a list of additions to this asset and ensures that it agrees to the trial balance and financial statements.
- 4.21 The Belvedere project has been carried forward from previous years. However the council did not complete it during the year under review. The project started in 2011 when the council benefitted from €198,000 in Government grants and also received €39,498 from MEPA. In 2016 the council received another grant of €60,000 for the completion of the project but no further work was carried out. In 2018 the council received a further €160,000 from the Department for the completion of the project.
- 4.22 We recommend that the total cost of the project is capitalised and transferred to the appropriate fixed asset account upon final certification by the contract manager and when it is completed in the manner intended by the council.
- 4.23 We would also like to recommend that capital grants received should be deposited in a separate bank account. This will ensure that these funds are set aside for specific projects and are not inadvertently used for recurrent expenditure.

Depreciation

- 4.24 During our audit we were provided with depreciation workings computed on Microsoft Excel. This contravenes the Local Council (Procedures) Regulations, 1996.
- 4.25 We reiterate our recommendation from our previous management letter stating that the council should combine and maintain a fixed asset register which will allow the council to depreciate its assets by means of the month-end facility in the council's accounting package.
- 4.26 Whilst performing the recalculation of depreciation, we noted that the council has incorrectly charged depreciation on two fixed asset categories namely the office furniture and urban improvements amounting to €330.53 and €607.67, respectively. We have passed an audit adjustment to correct the depreciation charge for the year. The council approved our audit adjustment and included it in the final set of financial statements.
- 4.27 We recommend the council to correctly calculate the depreciation charge for the year.

Grants in 'Property, plant and equipment' schedule

- 4.28 Whilst reviewing grants we noted that amounts included in the books of account in each category do not agree to grants as included in the 'property, plant and equipment' schedule in the financial statements. To this end, we have passed an audit adjustment to reclassify grants to agree to the financial statements.
- 4.29 We recommend the council to correctly classify grants in the appropriate asset category. Furthermore, amounts included in the books of account should agree to the financial statements.

5 Debtors

Overdue receivables

- 5.1 During the year under review we noted the following overdue receivables for which no provision was made in the books of account:

Debtor	€
Central Regional Committee	35.00
LESA	20.96
WasteServ Malta Limited	4,310.62
	4,366.58

- 5.2 We would like to recommend once again that the council pursues these debtors by sending reminders for the long overdue amounts and establish whether the amounts recorded in the council's books of account are correct. Otherwise, if the council believes that amounts are unrecoverable, it should evaluate the possibility of writing them off in the books of account after obtaining approval in a council meeting.



Confirmation of debtors

- 5.3 As part of our audit procedures we circularised confirmation letters to selected debtors. We noted the following discrepancy between the council’s books of account and a confirmation letter which was received:

Debtor	Amount in council’s books of account €	Amount in confirmation reply €	Difference €
Wasteserv Malta Ltd	16,801.19	14,354.75	2,446.44

The discrepancy relates mainly to invoices issued for the months of September and October 2020 amounting to €1,107.54 each which were not recorded in Wasteserv Malta Ltd statement. As for the remaining difference we were not provided with an explanation.

- 5.4 We recommend that the council contacts Wasteserv Malta Ltd and ensures that all invoices are approved and recorded in their books. The council should also chase for payment.

6 Bank and cash

Petty cash balance

- 6.1 During our audit fieldwork we performed a cash count on 28 April 2021 and reconciled it back to 31 December 2020. We identified a difference of €102.57 between the cash count and petty cash balance recorded in the council’s books of account. No adjustment was proposed from our end since no explanation was provided.
- 6.2 We recommend that the council investigates any differences in its petty cash balance and passes appropriate adjustments in the books of account to agree to actual cash in hand. We also advise the council to reconcile petty cash monthly.

Unpresented cheque

- 6.3 Whilst testing unpresented cheques, we noted that cheque 8866 amounting to €2,300.29 payable to Mr Rocco Mifsud was cancelled but was still included in the list of unpresented cheques in the bank reconciliation. In view of the above we have proposed an audit adjustment to reverse the cheque. This has been incorporated in the financial statements.
- 6.4 We recommend that the council reconciles the bank balance to bank statements using the council’s accounting software at the least on a monthly basis or more frequently, depending on the volume of transactions to detect accounting and bank errors in a timely manner. The council should ensure that transactions in the council’s accounting software are only marked as reconciled when matched to the bank statement. Discrepancies should be flagged immediately for investigation.

**7 Trade and other payables****Supplier statements**

7.1 We again noted that the council did not obtain statements as at or near year-end from all suppliers to confirm the year-end balances and to ensure the completeness of the books of account. Circulars issued from time to time by the Department of Local Government specifically emphasise that the council should acquire monthly statements from all its suppliers.

7.2 We understand that the council does make every effort to obtain statements from its suppliers and that sometimes it is difficult to obtain monthly statements due to suppliers' inefficiency. However we recommend the council keeps on chasing its suppliers for regular statements. This will ensure that the council's creditors are properly recorded in the accounts and that any differences or disputes are highlighted promptly.

Debit balances in creditors' list

7.3 We identified debit balances in the creditors' list amounting to € 13,646.65. These consist of the following:

Supplier	€	Notes
Liston Bongailas	2,112.02	(a)
Aaron Cordina	472.00	(a)
Gordon Joseph Borg	1,840.00	(a)
NRGY Concept Limited	300.00	(a)
Taddeo Barun	115.18	(a)
R Pulis	425.95	(a)
Malta Post	50.00	(a)
Local Council Association	486.00	(b)
Lawrence Cassar	3,100.00	(c)
Kevin Farrugia	4,088.70	(d)
Arms Limited	85.27	
Grazio Borg	153.40	
Community Work Scheme Enterprise	10.00	
Enemalta Corporation	0.10	
Go plc	172.00	
L Bongailas	120.00	
Melita Cable plc	15.73	
MEPA	0.30	
Willy Saliba	100.00	
Total	13,646.65	

Initially we have passed an audit reclassification amounting to €13,646.65 to record debit balances in creditors' list as other debtors which has been incorporated in the unaudited financial statements. However, whilst testing the debit balances in creditors' list we have identified the following shortcomings:

- (a) We noted that these amounts were paid during the year under review and recorded against debit balance in creditors' list. We also noted that there was another entry to record the expense against accruals. During the audit fieldwork we were provided with the invoices or VAT receipts as supporting documentation for these amounts. To this end, we have proposed an audit adjustment amounting to €5,315.15 to allocate the amount against the debit balance in creditors list. This has been incorporated in the financial statements.

- (b) During the year under review the council paid the amount of €650 to Local Council Association for the health insurance covering period January to December 2021. This was recorded as debit balance in creditors' list against bank. The council failed to record a prepayment against creditor. Furthermore, the Local Council Association creditor balance had a brought forward balance of €164 and as a result due to the payment made of €650 the closing balance was a debit balance in creditors' list amounting to €486. Subsequently the council recorded an expense against accrual of €486. This was incorrectly recorded and thus we have proposed an audit adjustment to rectify the matter. The council has included this adjustment in the final set of financial statements.
- (c) Whilst reviewing the debit balances in creditors' list, we noted that the council issued a payment in 2018 to Lawrence Cassar before the council received the respective invoice. To date of the management letter the council has not yet received the invoice from Lawrence Cassar for the Christmas lighting.
- (d) We noted that the council paid the supplier the amount of €4,088.70 in relation to street sweeping for the period October to December 2019. However, we noted that these were still recorded in accruals. We have proposed an audit adjustment amounting to €4,088.70 to reverse accruals against the debit balance in creditors' list. The council approved our audit adjustment and included it in the final set of financial statements.

As a result of the above proposed audit adjustments made against debit balances in creditors' list, the amounts which are resulting in debit balance subsequent to the proposed audit adjustments in the creditors' list consists of the following:

Supplier	€
Arms Limited	85.27
Grazio Borg	153.40
Community Work Scheme Enterprise	10.00
Enemalta Corporation	0.10
Go plc	172.00
L Bongailas	120.00
Melita Cable plc	15.73
MEPA	0.30
Willy Saliba	100.00
Lawrence Cassar	3,100.00
Total	<u>3,756.80</u>

- 7.4 The council should issue and allocate payments against specific invoices. We also recommend that the council investigates the debit balances in creditors as these can indicate a possible overpayment or omitted purchases or expenses.

Payments on account

- 7.5 Whilst reviewing the supplier activity we again noted that the council is making payments on account rather than on specific invoices. This was noted on the following suppliers: Med Design, Melita, Rocco Mifsud, NRGY Concept Ltd, R Pulis, Smart Office Supplies, Taddeo Barun, A.P.E Centre Ltd, Arms Limited and others.

- 7.6 We again emphasise the importance that the council should issue payments against specific invoices. Thus the council will be able to reconcile creditor balances and promptly identify any differences.

Long-outstanding creditors

- 7.7 The council's creditors' list includes the following balances which have been outstanding for more than one year:

Creditor	€	Note
A.P.E Centre Ltd	13.32	
Avante Bathrooms	2,485.00	7.14
Environmental Landscaping Cons	63.00	
Frida Farrugia	25.00	
Gauci Borda & Co. Ltd	48.40	
Angelo Grech	33.53	
Kenneth Hardware Store	103.34	
Koperattiva Tabelli u Sinjali	1,651.16	
Janice Mangion	130.00	
Med Design	7,836.51	7.9
Med Developers Designers & Consultants Ltd	2,496.39	
Melvyn Meli	2,011.90	
Roccu Mifsud	85.20	
Christian Scerri	153.40	
Schembri Barbros Limited	13,389.14	7.10
Showshapping Ltd	27.70	
Waste Serv Malta Ltd	3,218.46	
Xghajra Tornados	22.11	
	<u>33,793.56</u>	

- 7.8 We recommend that the council reviews these amounts and, either settles them if still due, or else reverses them after having obtained approval from the council. Furthermore, decisions and discussions regarding these balances should be minuted during the council meetings.

Amounts in dispute

- 7.9 Whilst reviewing the council's creditors' list we noted a long overdue balance amounting to €7,836.51 due to Med Design Associates which is in dispute. The council maintains that this balance should be settled by Transport Malta. During the year under review, we were provided with a supplier statement as at year end with a balance of €1,207.36 which relates to an invoice dated 16 October 2020. However, we noted that such invoice is not recorded in the council's books of account. We did not propose an audit adjustment since no explanation was provided.
- 7.10 We again noted that the council has a balance of €13,389.14 with Schembri Bros Ltd for the finishing works of the multi-purpose hall. To date, the supplier has not provided the services required. As mentioned in last year's management letter, we were informed that the council will be seeking legal advice since in 2018 the council appointed another supplier to provide these services.

- 7.11 We recommend that the council does its utmost to protect its interests and reflects the outcome of any negotiations or agreements in the books of account. It is not prudent to pay for invoices in advance unless there is a contract in writing. Also the council should not have posted the invoice prior to the receipt of services.

Confirmation of trade creditor

- 7.12 We were provided with supplier statement of the following creditor and noted the following discrepancy:

Supplier	Amount in council's books of account €	Amount in supplier statement €	Difference €
Koperattiva Tabelli u Sinjali	1,651.16	1,037.08	614.08

We were not provided with an explanation for the discrepancy.

- 7.13 Circular 1/2021 points out that the council should reconcile creditors' balances on a regular basis, thus highlighting any differences as soon as possible.

Alternative procedures on creditors

- 7.14 Whilst performing alternative procedures on the balance due to Avante Bathrooms amounting to €2,485 in the books of account by verifying payments made after year end, we noted that cheque 8750 was issued during the year to Avante Bathrooms. This cheque was cancelled and subsequently the council re-issued another cheque 8752 to settle the amount. We noted that the amount of €2,485 was posted twice against the urban improvement fixed asset category. Thus, we have proposed and audit adjustment to reverse the creditor against fixed assets and its respective depreciation of €124.26. This has been correctly incorporated in the audited financial statements.

- 7.15 Whilst performing alternative procedures on Med Developers Designers & Consultants Ltd creditor balance amounting to €2,496.39 in the council's books of account, we noted that subsequent to year end the council paid the amount of €2,177.10 resulting in a difference of €319.29 which was paid by cheque 8618 during 2020. We noted that cheque 8618 amounting to €319.29 was included in schedule of payments 91 and 96. Also, this was recorded twice in the council's books of account. Therefore, the creditor was overstated by €319.29. To this end we have proposed an audit adjustment to reverse the double posting. The council approved our audit adjustment and included it in the final set of financial statements.

- 7.16 We have performed alternative procedures on the creditor balance amounting to €4,209.90 due to David Grech. We noted that after year end the council paid an amount of €4,702.18. Upon further investigation we noted that the difference of €491.47 was in relation to an omitted invoice for bulky refuse services for the month of November 2020. To this end we have proposed an audit adjustment to record omitted invoice in relation to bulky refuse. This adjustment has been correctly incorporated in the audited financial statements.

- 7.17 The above situations highlight the importance of reconciling creditors' balances to suppliers' statements and thus once again, we recommend obtaining suppliers' statements monthly and reconciling immediately.

Unrecorded liabilities

7.18 Whilst reviewing subsequent year end payments, it came to our attention that the council has omitted an invoice amounting to €790.60 from Med Design Associates dated 23 December 2020. The council paid a total amount of €840.60 to Med Design Associates. However we were not provided with the receipt for the discrepancy. Therefore, we have proposed an audit adjustment amounting to €790.60 to record the omitted invoice. This adjustment has been correctly incorporated in the audited financial statements. We also noted that this invoice was not listed in the supplier statement provided (refer to note 7.9). We were not provided with an explanation for this matter.

7.19 We also noted that the council omitted the following invoices from its books of account:

Supplier	Details	Amount €	Notes
MM G Skip Serv	Hiring of open skips	1,028.00	(a)
Joseph Grech	Xmas streetlights	2,450.00	(b)
Med Developers, Designers and Consultants Ltd	Architect professional fees	4,012.00	(c)

(a) This payment was in relation to various invoices dated July, August, September, October, November 2020 which were settled subsequent to year end by cheque 8945. To this end we have proposed an audit adjustment amounting to €1,028 to record the omitted invoices against creditors. The council has amended the financial statements to include our audit adjustment.

(b) The invoice was dated after year end and thus we have proposed an audit adjustment amounting to €2,450 to include the invoice with accruals. This adjustment has been correctly incorporated in the audited financial statements.

(c) This consists of various invoices dated March, September, November 2020 amounting to €885, €619.50 and €2,507.50, respectively. The payment was approved in schedule of payments 102. To this end, we have proposed an audit adjustment to rectify the matter. The council approved our audit adjustment and included it in the final set of financial statements.

7.20 We recommend that the council records expenditure when it is incurred such that expenses and liabilities are recorded in the correct financial year. Furthermore, we recommend the council to obtain regular supplier statements and performs reconciliations between the council's books of account and supplier statement so that any differences or disputes are highlighted promptly.

Accruals

7.21 The list of accruals included an amount of €4,515.39 in relation to waste collection for the months of September and December 2020 amounting to €2,300.29 and €2,215.10, respectively. We were provided with the invoice for the month of September 2020 dated 12 October 2020 amounting to €2,129.90. To this end, we have proposed an audit adjustment to reclassify the accrual to creditors and record the amount in line with the invoice. Furthermore, we were provided with the invoice for the month of December 2020 dated 31 December 2020 amounting to €2,215.10. We have proposed another audit adjustment amounting to €2,215.10 to allocate the amount from accruals to creditors. This has been correctly incorporated in the audited financial statements.



7.22 During accruals' testing we identified that the council recorded an accrual amounting to €1,539.90 in relation to street sweeping for the month of December 2020. We noted that the invoice was dated 31 December 2020. To this end, we have proposed an audit adjustment to reclassify the amount to creditors. This has been incorporated in the financial statements.

7.23 We recommend that the council distinguishes between accruals and creditors to correctly disclose liabilities in the financial statements.

Infrastructure Malta grant

7.24 During the year under review the council received the amount of €65,729 from Infrastructure Malta for the ramp of the Sports Complex. This was recorded against deferred income. We noted that the council also received a grant for the same project in previous years. The council failed to provide us with a signed agreement with Infrastructure Malta. We were informed by the council that this grant was only approved by an email.

7.25 We advise the council to liaise with Infrastructure Malta to establish whether the amount received could be utilised for other projects. Furthermore, we advise the council that obtaining and retaining signed copies of all agreements is of all vital importance.

8 Opening balances

8.1 Whilst testing opening balances we noted that the council accounted for an audit adjustment approved in 2019 amounting to €107,858 in other payables instead of advance deposit – Belvedere account. This is not in agreement with the signed audited financial statements of 2019. To this end we have passed an audit adjustment to allocate amount in the correct account. This has been incorporated in the financial statements.

8.2 The council should ensure that the books of account are properly updated, particularly ensuring that all audit adjustments proposed and accepted by the council in 2019 are included before closing off the year end and accounted for in the correct account.

9 Financial statements

Presentation of financial statements

9.1 We would like to point out that in accordance with the Department's communications and instructions, councils shall prepare their financial statements in conformity with International Financial Reporting Standards. The council's unaudited financial statements diverge from this requirement in the instances noted below:

- i. We noted that supplementary government income includes an amount of €810 in relation to delegation income. To this end, we have proposed an audit adjustment to reclassify the amount to other Government income. This was not reflected in the final set of financial statements.
- ii. Note 7, 'Mayor's allowance' consists of mayor honoraria and mayor allowance rather than the mayor honoraria.

- iii. Note 18, 'Summary of financial assets and liabilities' includes the incorrect amount of 'trade and other receivables' for 2020.
- iv. The note 'Impact of initial application of amendments to IFRS16 COVID-19 – related rent concessions' does not apply to council as to date the council failed to prepare an IFRS 16 assessment.
- v. Note 2(k) is referring to note 10 rather than note 11.

9.2 We recommend that the council gives more attention to the preparation of the financial statements. The council has amended points iii and failed to amend points i, ii, iv and v.

Specimen chart of accounts

9.3 It was again noted that the account numbers in the trial balances do not agree to the specimen chart of accounts that is standard to local councils and regional committees.

9.4 We reiterate our recommendation from our previous management letters stating that the chart of accounts presented by the council should be in accordance with those set out in the Local Councils (Financial) Procedures section b.02 – b.04 and explanatory notes C.01 to C.07. Using the standard accounts will enhance comparability of profit and loss and balance sheet from year to year. It will also enable comparison of results between councils.

10 Administration

Schedule of payments

- 10.1 It was noted that the council failed to list the account number and invoice number on the schedule of payments.
- 10.2 The council should fill in all details in the schedule of payments as required by memo 37/2011. The required details allow easy cross-referencing between the schedule of payments and the expenses included in the accounting software.
- 10.3 Whilst performing audit procedures on the schedules of payments we noted that listed cheques were not in a sequential order.
- 10.4 During our audit fieldwork we noted that the council issued a number of cheques which were not included in the schedule of payments. Examples are the following:

Cheque number	Supplier	€
BOV 8588	Liston Bongailas	2,012.02
BOV 8590	Sandro Mallia	225.00
BOV 8608	CIR	4.16
BOV 8629	A. Debattista	74.74
BOV 8634	Liston Bongailas	100.00
BOV 8696	Raymond Attard	1,207.50

- 10.5 We also noted that schedules of payments 98 and 99 did not include all cheque numbers and, as a result, we could not ensure that all cheque payments were included.
- 10.6 Whilst reviewing the schedule of payments we noted that cheques 8521, 8573, 8579, 8778, 8794, 8815 and 8870 were omitted from the schedule of payments. We noted that these cheques were cancelled. Furthermore, we also noted that cheques 8585, 8619 and 8718 were approved in the schedule of payment but were cancelled.
- 10.7 In accordance with P1.11 of the Local Councils (Financial) Procedures, 1996 the executive secretary must prepare complete and accurate schedules of payments containing information in sequential order and present them for council's approval. We recommend that the schedules of payments are reviewed for accuracy and jointly signed by the mayor and the executive secretary to serve as evidence that these have been duly approved by the council. We also recommend that if a cheque payment is cancelled this should be approved and properly indicated on the schedule of payments. The cancelled cheque should be retained as evidence of its cancellation.

Payment approval

- 10.8 Whilst performing the test on cheque payments we noted instances when cheques were issued prior to being approved by the council. These include:

Supplier	Cheque no.	Cheque date	Approval date	€
Banju Boutique	8755	07.07.2020	03.08.2020	2,676.00
Ivan Borg	8720	12.06.2020	23.06.2020	350.00
Mario Mizzi	8749	26.06.2020	03.08.2020	1,080.00
Noel Dalli	8776	24.07.2020	15.09.2020	850.00
Robert Zammit	8813	11.09.2020	15.09.2020	1,378.00

- 10.9 No payments should be made without the approval of council members. The above payments have only been authorised by the cheque signatories that is mayor and executive secretary who do not constitute a quorum of members. All councillors should be aware of payments and purchases made in the name of the council to ensure they are valid.

11 Electronic site

- 11.1 During our audit fieldwork, we noted the following shortcomings in relation to the electronic site:
- To date of the audit fieldwork the council failed to upload the quarterly reports for January to December 2020.
 - To date of the audit fieldwork the council has also not uploaded the reply to the management letter on the council website.
 - The council did not upload the business plan for 2020 - 2022.
 - To date of the audit fieldwork the council has failed to upload the 2021 annual budget.

- e) The council failed to upload the 2019 audited financial statement and management letter within the stipulated timeframe.
- f) We further noted that the annual administrative reports for 2019 and financial statements for 2019 uploaded on council website were not noted as signed.

11.2 This contravenes the Local Councils (Financial) Procedures which mandate specific timelines for these reports and minutes. We recommend that the council uploads all documents in pdf within the required time. Furthermore, the council should ensure that all the documents are uploaded in pdf and indicated as signed to confirm that the uploaded documents have been approved and are the correct ones.

Uploading of management letter and other documents

- 11.3 We also noted that the council has uploaded the 2019 Management Letter in full in accordance with circular 21/2019.
- 11.4 We would like to remind the council of the recent General Data Protection Regulations as indicated to councils in SPI 7/2018. Councils should be mindful that there are restrictions on transmitting/ publishing information regarding personal data. Therefore, certain documents should be carefully scrutinised to ensure that they do not contravene GDPR prior to uploading on the website. This is also highlighted in Circular 7 of 2019 which states that names of third parties not directly connected with the operations of the council should not be published.
- 11.5 We therefore recommend that the council contacts the Department for clarification of this contradiction.

12 Meetings

Binding of minutes

- 12.1 We noted that the council did not bind the minutes of previous legislature.
- 12.2 We recommend that the council adheres to the provisions in the Local Councils (Office) Procedures, 1996 and arranges for the previous legislature minutes to be bound. The binding of minutes should be given due importance since this provides the only permanent, unchangeable record of council meetings and discussions.

Meeting regulations

- 12.3 It was noted that meetings 14/2020, 15/2020 lasted more than three hours without obtaining the required consensus.
- 12.4 This is contrary to memo 68/2009 and section 43(3) of the Local Councils Act which state that the duration of council meetings shall not exceed three hours unless consensus is reached by all members and this should be noted in the minutes.
- 12.5 We observed that in meeting 25/2020, the date of the next meeting was set to 24 November 2020. However, meeting 26/2020 was held on 25 November 2020.
- 12.6 According to the Local Councils (Meeting) Procedures, 1996 at the end of every meeting, the council must set the next council meeting which shall be fixed. If no unanimous agreement is reached, the councillors are to vote and decide according to the majority. This shall not be changed for any reason. Therefore, we recommend that these requirements are followed.



Frequency of meetings

12.7 Whilst viewing the council minutes, we noted that the time lapse between meetings exceeded five weeks:

Committee meeting	Date of meeting	Date of subsequent meeting
Meeting 17	27.02.2020	16.04.2020

12.8 We draw your attention to section 43(2) of the Local Councils Act which states that committee’s meetings should be held at least once a month or at any other shorter intervals as the committee may decide. This period should not, however, exceed five consecutive weeks.

13 Budget

13.1 To the date of audit fieldwork the council failed to approve the budget 2021. The above is in contravention to article 56 of Local Councils Act, 1993.

13.2 We recommend that the council prepares a budget for approval by the council not later than 15 February of each year. It is important that the council approves the budget early at the start of the year for proper financial planning and to prioritise expenditure.

14 Capital commitments

14.1 During the year under review we noted that the council has €160,000 capital commitments included in the 2021 property, plant and equipment budget whilst €0 in 2021 cash budget. The financial statements include capital commitments of €70,000 which cover both long-term and short-term projects. The council should disclose capital commitments required within the coming year and future years separately informing users of the council’s future intentions.

14.2 We recommend that the financial statements should adequately disclose the council’s future capital expenditure plans, if any, as agreed to the budget and business plan. Where appropriate it is advisable to explain how such capital expenditure is to be funded.

15 Reports

Comparison with annual budget

15.1 When comparing the budgeted figures with the actual figures of the year under review, we identified the following differences:

	Budget €	Actual €	Difference €
Expenditure			
Personal emoluments	107,500	112,031	(4,531)
Operations and maintenance	112,818	119,571	(6,753)
Administrative and other expenses	35,200	75,733	(40,533)
	255,518	307,335	(51,817)



- 15.3 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.

16 Liquidity position

Going concern

- 16.1 The council has a negative liquidity position of €7,666 after deducting funds received for Belvedere project and Urban Greening projects. We also noted that the council has cash at bank amounting to €89,431 received from the Department to be used for capital assets. The amount was not included in a separate bank account and thus it is being used for recurrent expenditure.
- 16.2 We recommend that the council takes immediate remedial action to improve the liquidity position as required by the Financial Procedures, 1996. The council should try its utmost to curb recurring and capital expenditure falling in its functions, but without negatively impacting the long-term future of the locality.

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 also like to take this opportunity to thank Mr Ranier Busuttill and his staff for their cooperation and assistance during the course of the audit.

Yours faithfully,