



Ref. F/1/2/Vol VII

23rd July 2020

Director,  
Department for Local Government  
26, Archbishop Street,  
Valletta VLT 2000

Dear Sir,

### **Management Letter – Financial Year – 2019**

Reference is made to the above-mentioned letter dated 10th June 2020 concerning the systems and controls adopted by the Council to safeguard the Council's assets in line with prevailing legislation dealing with local councils.

The contents of the Management Letter were read and discussed in Council, where it was deemed appropriate to forward the following comments:

1. PREVIOUS MANAGEMENT LETTER – YEAR ENDED 31 DECEMBER 2018

The Council has addressed all matters which were mentioned in last year's management report, other than those involving external entities, which are beyond its control.

2. INCOME

2.1 – 2.2: Other Government Income

The agreement with Malta Tourism Authority was subsequently received to the auditors field work and signed by both Malta Tourism Authority and Mellieħa Local Council's Legal Representatives and a copy retained for record purposes. With regards the agreement with the Department for Local Government in connection with Sports Scheme 2014/2015, the copy the Council has in hand copy signed by Mellieħa Local Council's Legal Representatives only. Two copies signed as such were forwarded to the Local Government Division for their endorsement, however no signed copy was ever returned for record purposes. LGD, however honoured said agreement through payments effected.

2.3 – 2.4: Income from bye-laws

Point has been noted. Proposed audit adjustment effected in the updated Financial Statements. Matter has also been noted for reclassification during 2020.

2.5 – 2.9: LES administration fees

Point noted however it is important to note that the Loqus LES System is beyond the Council's control. Matter is to be taken up with the Department Government Division. A reconciliation of statements released through the said system will be carried out on a half yearly basis.





### 2.10 – 2.11: Custodial Receipts

It is to be pointed out that Lands Authority Receipt No. 864847 issued on 6th June 2019 was deposited on 11th June 2019 since the 7th June 2019 was a public holiday that fell on a Friday, 8th and 9th were not working days and the earliest possible deposit day was Tuesday the 11th.

With regards LES Receipt No. 4168365, payment was actually effected on 4th January 2019 and not on 1st January 2019, being a public holiday. The 4th January 2019 was a Friday and the deposit was effected on the following Tuesday 8th.

### 2.12 – 2.13: Interest Income

Upon re-checking of Mellieħa Local Council's HSBC Statements, it transpired that all bank accounts are set as non-taxable. These were set as such upon their opening.

### 2.14 – 2.15: Joint Committee

Point noted. However matter is beyond the Council's control and this issue will remain as such, as the set up running the Joint Committee has been dissolved.

## 3. EXPENSES

### 3.1 – 3.2: Petty Cash Expenditure

Point noted. Details of purchases will be indicated on relative chits.

### 3.3 – 3.4: Procurement

With regards purchases effected from Horace Enterprises Ltd, Angela's Flower Shop and Mercieca Event Supplier, it is to be pointed out that the amounts listed were within the threshold for Direct Order which is €500 (excluding VAT).

With regards Mr Jimmy Buhagiar's service, Mr Buhagiar is a unique supplier that renders a horse leasing service for special public events.

In the case of Ballut Blocks Services Ltd, the Mellieħa Local Council had to take immediate action to lease concrete blocks for the underpinning of Westreme Battery walls, as its exterior walls have taken rainwater after a heavy downpour and were showing clear signs of giving way. The battery has been under the custodianship of the Council as from 2001.

It is to be pointed out that all Direct Orders mentioned above were approved by the Executive Secretary in terms of Article 100(1) of the Public Procurement Regulations (S.L.601.03).



### 3.5 – 3.8: Asset Insurance

Point noted, however the assets insured are those acquired out of Mellieħa Local Council funds and therefore are not to be considered as community assets. In fact these assets are listed in the Council's Fixed Assets Register.

With regards the insurance policy that should be based on the net book value of the fixed assets, for insurance purposes the Council has always quoted the purchase price of the fixed assets. Such an approach has been adopted in order that compensation is granted on the actual cost for replacement of the asset. Payment based on the net book value will result in shortfalls which have to be bridged out of Council funds.

### 3.9 – 3.10: Rent

In our view, IFRS 16 'Leases' does not apply for Government Leases.

## 4. FIXED ASSETS

### 4.1 – 4.2: Reconciliation of fixed asset register with accounting records

Matter is being tackled in line with Local Government Division Directive 1/2017. Point noted, notwithstanding that amount is immaterial.

### 4.3 – 4.4: Classification of financial statements with accounting records

Comment noted.

### 4.5 – 4.6: Reconciliation of financial statements to fixed asset register

Comment noted.

### 4.7 – 4.8: Details of fixed asset register

Such fields are not available in the Fixed Asset Register Sage Evolution Software. However, one is to comment that the description of assets is quite exhaustive.

### 4.9 – 4.10: Reconciliation of additions in financial statements to fixed asset register

Comment noted.

### 4.11 – 4.14: Depreciation of fixed assets

Point noted and an audit adjustment was posted and reflected in the updated Financial Statements.

## 5. TRADE RECEIVABLES

### 5.1 – 5.3: Overdue trade receivables

This amount of €7,545 will be written off through a Council Resolution.



All other recurrent balances, have now been settled, with the exception to that pertaining to Transport Malta.

#### 5.4 – 5.5: Confirmation of debtor

Suggestion has been noted and balance will be analysed.

#### 5.6 – 5.7: Alternative confirmation procedure

Matter has been settled.

#### 5.8 – 5.9: LES invoices

Point has been noted.

#### 5.10 – 5.15: Accrued Income

The Council accrued for the reimbursement of the additional tipping fees in line with prior years' procedure. The Local Government Division has issued instructions to this effect as per letter dated 22<sup>nd</sup> January 2020 and subsequent clarification dated 2<sup>nd</sup> February 2020. Such instructions confirmed that any additional tipping fees, not covered by the standard allocation, will be paid by the Local Government Division through other measures. Thus an accrual has been provided for, in line with the accruals' concept. Nevertheless the updated financial statements were adjusted as advised by auditors.

### 6. INVENTORY

#### 6.1 – 6.2: Net realisable value of inventory

Comment noted.

#### 6.3 – 6.4: Stock List

Matter is being investigated with the supplier concerned in relation to the printing of the publication 'Mellieħa Through The Tides of Time – Volume 2'.

### 7. TRADE PAYABLES

#### 7.1 – 7.2: Long-outstanding creditors

A motion will be tabled in order that long outstanding creditors will be written-off.

#### 7.3 – 7.6: Amount in dispute

Invoices were posted with the aim of full disclosure and accountability as called for in the case of publicly funded institutions.

These balances will be written off in line with legal prescription, as same did not occur on statements issued by the suppliers involved.



### 7.7 – 7.8: Trade creditors

Suggestion noted.

### 7.9 – 7.11: Creditor Confirmations

Upon verification, the difference mentioned by the auditors was a result of a payment made by the Council to Micamed Ltd in January 2020 against invoices dated 2019. Therefore, the statement issued by said supplier as at 31/12/2019 did not include said invoice. The same invoice also did not occur in the statement as at 31/03/2020, as the amount due was paid by the Council in January 2020. The auditors field work was carried out in March 2020.

### 7.12 – 7.14: Alternative confirmation procedures on creditors

A motion to this effect will be tables during a Council's meeting.

### 7.15 – 7.21: Accrued expenditure

Points noted, acted upon and reflected in the updated Financial Statements.

## 8. GRANTS

### 8.1 – 8.8: Grants

Audit adjustments noted.

## 9. MEETINGS

### 9.1 – 9.2: Duration of Meetings

A unanimous concensus for the extension of time was reached between all Council Members whenever this was necessary.

### 9.3 – 9.4: Meeting regulations

Changes in Council Meeting's dates have been changed for exceptional valid reasons only and upon agreement between all Council Members.

### 9.5 – 9.9: Schedule of payments

Oversight noted.

## 10. FINANCIAL STATEMENTS

### 10.1 – 10.2: Presentation of financial statements

Updated financial statements recorded on the audited version.



## 11. BOOKS OF ACCOUNT

### 11.1 – 11.2: Books of account

This matter referred to year end adjustments in Sage Evolution. It is to be noted that the auditors came for the audit fieldwork on the following day that the Financial Statements were approved by the Council and thus we had to post the adjustments in bulk to have a matching Nominal Ledger agreeing to the final Trial Balance.

## 12. ELECTRONIC SITE

### 12.1 – 12.2: Electronic site

Point noted.

### 12.3 – 12.5: Uploading of management letter and other documents

Guidance to this effect is being sought from the Department for Local Government in order to ascertain whether any names of suppliers and creditors raised in the management letter can be obliterated therefrom by the Council when uploading such documents online. The Council is also somewhat confused by the advice given by the auditors, considering that the schedule of payments are invariably uploaded without any omissions.

Dario Vella  
**Mayor**

Carmel Debono  
**Executive Secretary**

cc: Ms Tanya Mercieca  
Assistant Auditor General