



KUNSILL LOKALI SANTA VENERA

Kumpless Umberto Calosso

Triq il-Kbira San Gu? epp

Santa Venera SVR 1013

Tel: 21491030 Fax: 21491664

E-Mail: santavenera.lc@gov.mt

Web page: <http://www.stvenera.gov.mt>

25th October 2021

The Director

Department of Local Government

St. Christopher Street

Valletta

Dear Sir,

Reply to Management Letter for the year ended 31/12/2020

We are forwarding the Santa Venera Local Council's response to Management Letter for the financial year ending 31st December 2020.

2. Income

2.1 & 2.2 Income – Government Allocation

The Council has noted the correct treatment of the MITA deduction of €478 and of the adjustment fund for the decrease in allocation for 2019 and the requirement not to net off such deductions from the allocation from government for the year – thus retaining the allocation at gross value.

2.3 & 2.8 Income – Supplementary Government Income and Other Government Income

The Council takes note of the adjustments suggested by the auditor, which were intended to ensure the proper classification of income as to supplementary government income and/or other government income. Council notes that these adjustments were reflected by Council in the Financial Statements and it will ensure continuance of such practices.

2.9 & 2.10 General Income

The deposits of the months mentioned where not deposited in a timely manner due to the Bank was undergoing changes on how cash and coins had to be deposited. Therefore, there were delays to depositing the funds since a new procedure was taking place by the bank due to COVID-19.

mm

2.11 & 2.12 Income from LES administration fees

Council takes notes of the requirement to regularly reconcile Loqus Report 483 and to reflect any changes emanating therefrom in the books of account. It is committed to ensure that such reconciliations are done regularly.

2.13 & 2.14 Custodial Receipts

Due to COVID-19 and newer developments, the bank was undergoing changes on how the Local Council should deposit their funds. Therefore, there were delays.

2.15 & 2.17 Accrued Income

With respect to the under accrual of income from DLG shortages in respect of 2019 invoices, the Accountant of the Council explained that the approach taken by them was to err on the conservative side given that there was an element of uncertainty as to the amounts due to council and whether these were going to be disbursed by the DLG to the respective councils.

2.18 & 2.19 LES Invoices

Since due to COVID-19 the bank was undergoing changes and thus bank deposit was delayed. In view of this the Council was not able to issue and send LESA invoices in the first week of the month.

2.20 & 2.22 Joint Committee

Council takes note of the observation made by auditors in respect of the financial position of the Birkirkara Joint Committee and accepts the recommendation to take up the issue of the liquidation of such a joint committee with the authorities concerned.

3. Payroll

3.1 & 3.2 Reconciliation of Wages between FS5s and books of account

Council notes that the discrepancy identified between FS5s and books of account was immaterial in nature and that the final FSS reports issued at year end correctly reflected the salaries paid, NI deductions and FSS deductions during the year.

3.3 & 3.4 Wages Reconciliation

Council notes the discrepancies relating to classifications between full and part time employment as reported in the monthly FS5s and the annual FS7. It is of the opinion that this matter needs no further intervention given that the FS7, as presented to the tax authorities, was compiled using the appropriate classifications and this document contains the summary of all the salaries, taxes and NI contributions collected during the year.

3.5 & 3.6 Declaration of Councilors Allowances

The Accountant of the Council explained that the issue with respect to the proper classification and reporting of councilors allowances in the monthly FS5s was rectified months ago and is no longer applicable.

mm

10

4. Expenditure

4.1 to 4.2 Petty Cash Summary

Council agrees with the recommendation of the auditor that the petty cash summaries as periodically prepared are properly amended to contain the nominal ledger account applicable for each expense category.

4.3 to 4.2 Procurement Procedures

The Council has taken note of this point

4.5 to 4.2 Expired Contracts

Some of the tenders have been issued and others are in the process.

4.9 to 4.10 Tendering Procedures

The Council has taken note of this point

4.11 to 4.12 Tenders Exceeding Budget Amount

The Council has taken note of this point

4.13 to 4.15 Insurance Policy

Council notes the observation that the Council's insured amounts for computer, office equipment, office furniture and office fittings which stood at €124k as per the insurance cover held by council at year end, are much higher than the book value of the same, which stood at €12k at year end. The reason for this was that as from the previous year, the council netted off all grants received over the years on the same items of capital expenditure, against the historical cost of same. This led to a substantial decrease in net book values, which, do not reflect the actual replacement values of the assets held. Council is of the opinion that it is properly fulfilling its custodial function when it ensures that its insurance policies reflect the replacement costs of such assets held by Council.

4.16 to 4.17 Motor Vehicle Insurance Policy

Insurance brokers, according to their policies, did not accept that the Council's motor vehicle will be insured under a comprehensive policy but only under a third-party policy. The Council has taken note.

4.18 to 4.19 Rent Agreements

The Council has taken note of this point

5. Property, plant and equipment

5.1 to 5.2. Upkeep of fixed asset register

The Council notes the recommendation of the auditor as to the level of detail to be kept by council its fixed asset register.

5.3 to 5.4. Tagging of fixed assets

Council has taken note to tag the new office furniture

5.5 to 5.7. Reconciliation of financial statements with accounting records

The Council notes the discrepancy identified by the auditor in respect of the above and will carry out the necessary steps to ensure that any such discrepancies do not arise in the future.

mm 

5.8 to 5.9. Reconciliation of fixed asset register with accounting records

The Accountant of the Council is carrying out an exercise to ensure that the balances on its fixed asset register are properly aligned with the accounting records and that the appropriate adjustments are carried out in the respective ledger.

5.10 to 5.15. Additions to fixed assets

Furthermore, Council notes the importance to ensure that fixed assets additions are properly classified to the appropriate nominal account and that these are deemed to be completed in line with the relevant architect's certificate.

5.16 to 5.17. Depreciation

The Council notes the discrepancy identified in the charge for depreciation for the year which amounted in total to €386 and has adjusted its books accordingly.

5.18 to 5.19. Grants in PPE Schedule

The Council notes the audit adjustment relating to the allocation of grants to PPE during 2020 and will take steps to ensure that it correctly classifies grants in the appropriate asset category.

5.20 to 5.21. Registration of motor van

Insurance Companies will never accept that registration of vehicle will be insured directly on the Council but only in direct individuals.

5.22 to 5.23. Additions for 2019 recorded in 2020

The Council was informed by its Accountant that the supplier of works in respect of Gnien San Gorg Preca, issued two invoices for €15703.44 during 2020 and one of these related to works done in prior year. This resulted in an addition for 2019 being recorded during the current financial year.

6. Trade and Other Receivables

6.1-6.2 Overdue Receivables

The Council assures the auditor that it carries out regular tests on the recoverability of its overdue receivables, which are due from the Regions and/or government-controlled entities. The amount due from Wasteserv Malta is intrinsically linked to the fact that Wasteserv is simultaneously a debtor and a creditor for the Council. Council looks forward to a new system of offsetting dues between council and Wasteserv – which is set to be implemented in the coming months.

6.3-6.4 Provision for bad debts

The Council notes and accepts the proposed audit adjustment in respect of the movement in provision for bad debts at year end.

7 Bank and Cash

7.1 to 7.2 Cash in hand

The Council notes and agrees with the recommendation of the auditor to carry out regular cash counts and regular reconciliation of cash balances with the books of account.

mm

7.3 to 7.4 Final Withholding tax on bank interest

The Council agrees with the recommendation that its bank accounts should not be subject to any withholding tax on interest and will be taking the necessary steps to instruct the bank to change bank instructions accordingly, thus reflecting the non-taxable status of the Council.

8 Trade and Other Payables

8.1 to 8.2 Creditors Statements

The Council observes that it is unfortunate that many suppliers do not have a proper system of issuing statement of account thus making the recommended periodic reconciliations quite difficult to identify. However, it has to be noted that the Council is a relatively prompt payer and as such any problems or discrepancies can be easily identified by the supplier himself upon receipt of payment.

8.3 & 8.4 Debit Balances in Creditors List

Council notes and has ensured that debit balances on payables at year end are transferred to the proper nominal ledger account at year end to ensure figures tally with the final approved audited financial statements for the respective year.

8.5 & 8.6 Long outstanding creditors

Council notes the observations made relative to long outstanding creditors and it will ensure that these amounts are properly discussed in a forthcoming meeting of the Council, so as to decide the way forward as to whether such amounts are to be paid, in full or in part, or else reversed in the books of account.

8.7 & 8.8 Alternative procedures on creditors

Council takes note of the comment made by the auditor in respect of its findings on two creditors when alternative procedures on creditor balances were applied.

8.9 & 8.10 Accruals

Council notes the observation that the invoice for December 2020 for street sweeping, was received by council after the unaudited accounts were prepared, despite it being backdated. Hence, the Accountant of the Council accrued for it as the invoice was not in hand. However, council approved the audit adjustment in this regard as it agreed that an invoice dated 30.12.2020 should be classified under creditors rather than accruals.

8.1 & 8.14 Unrecorded liabilities

Council notes the observation that with regards to the adjustment, which was approved by Council, in respect of the wrongly dated invoices issued by Clinton Debono C&G Street Light Decorations. With regards to the invoice from Linda Renda amounting to €16,227.51, the Accountant of the Council opined that this invoice dated 16.06.2020 was not in hand at the time when the unaudited accounts were prepared. This is confirmed by the fact that the invoice was paid by Council in April 2021.

8.15 & 8.19 Deferred Income

Council agrees with the recommendation of the auditors that capital grants received should be deposited in a separate bank account and will make sure that such grants are duly deposited in the respective bank account.



9. Presentation of Financial Statements

9.1 to 9.3 Presentation of Financial Statements

The Council's Accountants have assured the Council that they will be making the necessary changes to the template used for the unaudited financial statements and to ensure that any shortcomings therein are not repeated in the future.

10.1 & 10.2 Electronic Site

The Council has taken note of this point

10.3 & 10.4 Uploading of management letter and other documents

The Council has taken note of this point

11.1 & 11.5 Schedule of Payments

11.3. The issue with the cheques not being included in SOP amended accordingly. This issue has been reduced since the Local Council now is using Internet banking.

12.1 & 12.2 Meetings - Binding of Minutes

The Council has taken note of this point

13 Capital Commitments

The Council has taken note of the recommendation of the auditor to disclose separately its capital commitments for the upcoming year and for future years.



Stephen Sultana

Mayor



Michael Mifsud

Acting Executive Secretary

c.c.

The Local Government Auditor

And

National Audit Office

