



Hal Balzan Local Council

The Director
Department for Local Government
26, Archbishop Street
Valletta VLT 1443

17th June 2019

Dear Mr Galea,

Re: Reply to Management Letter 2018

Reference is made to the Auditor's Management Letter dated 25th April 2019 and received on 3rd June 2019.

Please find hereunder the Hal Balzan Local Council's response to the Management Letter for the year ending 31st December 2018.

As a follow-up to last year's report, the Council has made sure to address the issues raised last year in the management letter.

1. Follow up on prior year's issues

Whilst acknowledging the positive remarks raised by the Auditors with regards to the previous year management letter, other comments raised under:

- 1.3 will be dealt in note 2.1 – 2.2,
- 1.4 will be dealt in note 3,
- 1.5 will be dealt in notes 4.1 - 4.5,
- 1.7 will be dealt in notes 2.5 – 2.7,
- 1.8 will be dealt in notes 5.1, 5.4 - 5.5,
- 1.9 will be dealt in note 6 and
- 1.10 will be dealt in note 7.

Current year issues

2. Property, plant and equipment

Fixed Asset Register

2.1 - 2.2: The Council is updating the fixed assets locations to its best of abilities. Since information was lost in the transitioning between different accounting systems over the years and some assets are old and not easily traceable.



Replaced Assets

2.3 – 2.4: The Council agreed with the auditors' recommendation and adjusted the accounts accordingly.

Grants

2.5: Although the Council agrees that the auditors highlighted the issue, all workings for the adjustment were carried out and the relative adjustment was proposed/provided by the Council to the auditors.

2.6: As stated in the Management Letter, the Council approved the proposed adjustment and reflected it in the audited Financial Statements.

2.7: As stated in the Management Letter, the Council approved the reclassification and adjusted the accounts as proposed by the auditors. This adjustment is reflected in the audited Financial Statements.

Depreciation workings

2.8: Although the auditors identified that there is a difference in the depreciation, the Council recalculated the required changes and proposed the actual adjustment to the auditors. The difference came about as a result of the change in the depreciation policy and the way the accounting system is programmed to calculate the depreciation. The Council has taken measures to ensure that the accounting system calculates the depreciation in the right manner for those assets affected by the change in policy and which were acquired prior to this change in policy and previously being depreciated in a different matter.

2.9: As stated in the Management Letter, the Council approved the proposed adjustment and reflected it in the audited Financial Statements.

2.10: The Council agrees with the auditors recommendation and the fixed asset register has been already updated with the approved changes.

3. Bank and Cash

Bank Reconciliations

3.1 – 3.2: Although the Council agrees, it needs to be pointed out that there was a period where the Council did not have an accounting system while transitioning to a newer system. This has affected the timeliness of the bank reconciliations. In addition, BOV statements are not available online and received by post, which sometimes delays this process.

4. Creditors

Suppliers' statements



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4.1 - 4.2: The Council agrees but although we are doing our utmost to collect statements from suppliers on a monthly basis, not all suppliers are forthcoming to provide timely statements, if any. However, kindly note that creditors are minimum as all invoices are paid within 30 days due to our healthy financial position.

Long outstanding trade payables

4.3 – 4.5: The Council will be considering the auditors' recommendation.

5. Procurement

Tendering and quotations

5.1: As indicated in the Management Letter, the Council has issued a call for tenders for the services of an accountant and accounting technician. The tender was awarded and the service commenced on 1st June 2019.

5.2: It is true that the Cleaning of Public Convenience Service is being carried out by the supplier providing the handyman services. This service is being rendered by Direct Order for a total expense of €3,550 for 2018 and as per Public Procurement Regulations the above total did not exceed the total value of €5,000 during the one year calendar period. Also, the cost for carrying out this service never exceeded the amount of €500 per month. The Council would like to point out that this service is being rendered by Direct Order since the Ministry for Tourism was working on a Public Private Partnership for the upgrading and manning of the Public Conveniences in Central Malta. By this partnership, various public conveniences including the one in our locality had to be upgraded and maintained by a private operator chosen by the Ministry.

5.3: The Council noted the auditors' recommendation and shall ensure that in the future, it complies fully with the Public Procurement Regulations and the respective Guidelines.

Budgeted vs actual expenditure

5.4 – 5.6: The Council will endeavour to prepare a more realistic budget. However, it is not always easy to predict what will be happening in the future and the Council tries to be as prudent as possible in these circumstances.

6. Local Enforcement System

Pooling Period

6.1 – 6.2: Noted. The Hal Balzan Local Council has no authority or control over the Joint Committee.



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7. Financial Statements

Presentation of Financial Statements

7.1: The Council agrees with the auditors' comments.

The Hal Balzan Local Council would like to thank the auditors for their constructive and professional advice provided during the course of their audit.

During the Council meeting held on Monday 17th June 2019, the Hal Balzan Local Council has discussed and clearly understood the contents of the Management Letter sent by the Auditors and will be making the necessary amendments as outlined in this reply.

SIGNED

Not. Ian Spiteri
Mayor

SIGNED

Doriette Farrugia
Executive Secretary

cc Auditor General, National Audit Office
Mazars Malta