



Hal Balzan Local Council

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

24<sup>th</sup> August 2021

**Dear Mr Galea,**

**Re: Reply to Management Letter 2020**

Reference is made to the Auditor's Management Letter dated 20<sup>th</sup> July 2021 and received on 28<sup>th</sup> July 2021.

Please find hereunder the Hal Balzan Local Council's response to the Management Letter for the year ending 31<sup>st</sup> December 2020.

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:

- 1.1 will be dealt in notes 3.19 and 3.20,
- 1.2 will be dealt in notes 5.1, 5.3 and 5.5;
- 1.4 will be dealt in note 6.1,
- 1.6 will be dealt in note 6.6,
- 1.9 will be dealt in notes 9.1, 9.3, 9.5 and 9.6 and
- 1.10 will be dealt in note 13.1.

**Current year issues**

**2. Opening Balances**

2.1 - 2.2: Noted and appropriate measures taken.

**3. Income**

**Supplementary Government Income**

3.3 – 3.6: The Council noted the auditors' recommendations and appropriate measures were taken.



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### **Accrued Income**

3.7 – 3.10: Noted and appropriate measures taken.

### **General Income**

3.11 – 3.12: With regards to deposits, since at times the deposits are very minimal and insignificant the Council deems that the cost to make these deposits far outweigh the risks attached thereto and hence the decision taken with respect to the amounts mentioned in the management letter. However, the comment has been noted and appropriate measures will be taken as is deemed feasible in the prevalent circumstances.

3.13 – 3.14: The auditors' comments have been noted.

### **Income from LESA and Regional Committees**

3.15 – 3.16: In relation to invoicing, as can be seen there was one instance when this happened and this as a result of vacation leave taken by Council personnel during the related festive season.

### **Custodial Receipts**

3.17 – 3.18: Same comments in item 3.11 – 3.12 applies.

### **Joint Committee**

3.19 – 3.21: Noted. The Hal Balzan Local Council has no authority or control over the Joint Committee.

## **4. Expenditure**

### **Petty cash payments**

4.1 - 4.2: The Council noted the auditors' recommendation and the Petty Cash report has been updated with the relevant accounts numbers.

### **Insurance Policy**

4.3 – 4.5: The Council noted the auditors' recommendation and appropriate measures have been taken.

### **Leases**

4.6 - 4.7: Comments have been noted and appropriate measures have been taken.



## **5. Payroll**

### **Mayor Honoraria**

5.1 - 5.2: The Council noted the auditors' recommendation and appropriate measures have been taken.

### **Performance Bonuses**

5.3 - 5.4: Noted and appropriate measures were taken.

### **Wages' reconciliation**

5.5 - 5.6: It is to be noted that ultimately it is the FS7 and FS3s that are the most important declarations to the CFR since the monthly FS5s are just a statement with no relevant information for the taxation authorities. The discrepancy of €49 resulted from wrong NI calculation being supplied by DLG and which was used by the Council in the calculation of wages. This was rectified in the FS7 declaration.

## **6. Fixed Assets**

### **Upkeep of fixed asset register / Depreciation of fixed assets**

6.1 – 6.7: As has been reiterated over the past years some details in the Fixed Asset register are not available due to loss of data in the transition between different accounting systems resulting from software upgrades or forced switching to different systems. Appropriate measures are being taken and, where available, details are being updated.

## **7. Inventory**

### **Stock list & Stock Insurance**

7.1 – 7.4: The auditors' recommendation has been noted by the Council and appropriate measures have been taken.

## **8. Trade and other receivables**

8.1 – 8.12: All comments from the auditors have been noted and appropriate measures have been taken.

## **9. Trade and other payables**

### **Supplier statements**



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9.1 – 9.2: It is to be noted that when statements are received the reconciliations are done accordingly. However, not all suppliers send in statements, nor do they always send them on time to be reconciled within the time available to produce the year end accounts for audit purposes.

### **Confirmation of trade creditors**

9.3 – 9.4: The auditors' comments have been noted and appropriate measures were taken.

### **Long outstanding trade creditors**

9.5 – 9.7: The Council notes the recommendation and will investigate those balances which are not subject to warrant of seizure.

With regards to temporary permits, the Council has always based repayments on such upon demand by the client. The Council will investigate the time barring of such deposits and appropriate action will be taken.

### **Unrecorded liabilities**

9.8 – 9.9: The Council notes the auditors' recommendation.

## **10. Cash and cash equivalents**

### **Final withholding tax**

10.1 – 10.2: Comment has been noted and appropriate measures will be taken.

## **11. Electronic site**

### **Uploading of Management letter and other documents**

11.1 – 11.3: As stated by the auditors, all documents are uploaded on the website as per instructions issued by the Department for Local Government.

## **12. Schedule of Payments**

12.1 – 12.4: Comments have been noted and the Schedule of Payments have been rectified as per auditors' recommendations.

## **13. Financial Statements**

### **Presentation of Financial Statements**



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13.1 – 13.2: The observations were noted.

**Specimen chart of accounts**

13.3 – 13.4: Although the Council's nominal account codes are not the same, they are very similar and follows the same structure, albeit with six instead of four numeric characters to allow for future flexibility an sub accounts when needed.

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 Tuesday 24<sup>th</sup> August 2021, 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 amendements as outlined in this reply.

**SIGNED**

Dr Angelo Micallef  
Mayor

**SIGNED**

Doriette Farrugia  
Executive Secretary

cc Auditor General, National Audit Office  
Grant Thornton