



Hal Balzan Local Council

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

14th September 2022

Dear Mr Galea,

Re: Reply to Management Letter 2021

Reference is made to the Auditor's Management Letter dated 25th August 2022 and received on 7th September 2022.

Please find hereunder the Hal Balzan Local Council's response to the Management Letter for the year ending 31st December 2021.

1. Previous Management Letter

Follow up on prior year's issues

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

Whilst acknowledging the positive remarks raised by the Auditors, other comments raised under:

- 1.2 will be dealt in note 3;
- 1.5 will be dealt in note 3;
- 1.8 will be dealt in note 2; and
- 1.11 will be dealt in note 2.

1.7 - Payroll

Wages' reconciliation

1.7.3: This has been noted. Following the recommendation in the management letter for the financial statements of the year ending 2020, the FS5s from September 2021 onwards had been compiled in line with the recommendation. The FS5s of the prior months had not been updated accordingly and hence the discrepancy.

1.9 – Prepayments

Observation noted and is taken care of.

1.10 – LES receivables

The Council noted the auditors' recommendation.

2. WasteServ Reconciliation



Hal Balzan Local Council

As is highlighted in the letter, the discrepancies resulted from mis-postings by WasteServ Ltd and set-offs carried out without any express agreement by the Council. The Council takes all endeavour to reconcile creditor balances but much of this depends on the suppliers providing timely and updated statements.

3. Income Classification

The Council noted the auditors' recommendation.

4. Fixed Assets

Although noted, the Council wishes to point out that some of the points highlighted are not factual. First, as has been highlighted in previous years, data on fixed assets went missing when data was transferred from Sage Line 50 to Sage Pastel back in the day and the Council was not able to recover it. Since the Council switched back to using Sage Line 50 all details are being captured for the assets since acquired and the details can be found in the fixed asset register, except for the invoice number which can be easily traced through the purchases ledger using all the details available in the fixed asset register. For older fixed assets, tracing of these details is difficult if not impossible due to the extent of time that has passed since. Nonetheless, to date every effort has been made to get this information.

With regards to grants and their quantification within the fixed asset register, unfortunately, the fixed asset register module within Sage Line 50 does not provide such functionality. Hence, whenever an asset is acquired through a grant it is marked as a "written-off" asset and the fixed asset register module fully depreciates it within the year of acquisition in line with IAS 20. The amount appears as depreciation within the register and cannot be separated within the register.

5. Other Matters

5.1 – Preparation of financial statements

The auditors' recommendation has been noted by the Council and appropriate measures are being taken.

6. Specimen chart of accounts

Noted. As per previous years, the chart of accounts presented, although not exactly as per the Local Councils (Financial) Procedures, it follows the same numbering with an extension of three additional numbers. This has been designed so to provide for additional accounts within the same categorisation as from time to time is needed to account and report separately for certain activities and to provide flexibility in between categories for further analysis.

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



Hal Balzan Local Council

During the Council meeting held on Wednesday 14th September 2022, 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

Dr Angelo Micallef
Mayor

SIGNED

Doriette Farrugia
Executive Secretary

cc Auditor General, National Audit Office
Grant Thornton