

Our Ref: NAO 107/2015/5  
Your Ref:

29 May 2020

The Mayor and Executive Secretary  
Bormla Local Council  
Bormla

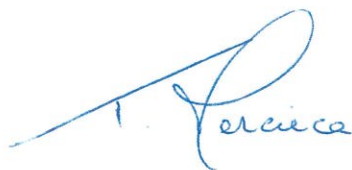
Dear Sir/Madam,

**AUDIT REPORT and FINANCIAL STATEMENTS  
YEAR ENDING 31 DECEMBER 2019**

In terms of Section P2.06 (c.02) of the Local Councils (Audit) Procedures 2006, I am forwarding a copy of the Audit Report and Financial Statements, together with the Management Letter for the financial year ending 31 December 2019.

After seeking the Council's approval, you are kindly requested to submit your response to the Director (Local Government), the Local Government Auditor, and to this Office as stipulated in Section P2.06 (d) of the same Procedures, by not later than six weeks following receipt of this letter.

Yours faithfully,



**Tanya Mercieca**  
Asst. Auditor General

Encls.

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Our ref: MB/mf/41920

3 April 2020

Dear Madam,



## Financial statements for the year ended 31 December 2019

During the course of our audit for the year ended 31 December 2019 we have reviewed the accounting system and procedures operated by your council. We have also reviewed the operations of the council and how they conform to the Local Councils Act, 1993, the Financial Regulations issued in terms of this Act, and the supplementary Financial Procedures. We set out in this report the more important points that arose as a result of our review.

### 1 Previous management letter

#### 1.1 Prior period adjustment

The financial statements as at 31 December 2019 do not include any prior period adjustments.

#### 1.2 LES administration fees

We have again identified shortcomings in LES administration fees (refer to note 3.1).

#### 1.3 Supplementary Government income

The council erroneously included other Government income with supplementary Government income (refer to note 3.3).

#### 1.4 General income

We have again noted that the council is not depositing income on a regular basis (refer to note 3.5).

#### 1.5 Accrued income

We are pleased to inform that the council did not record accrued income for tipping fees.

#### 1.6 Deferred income

The council has properly accounted for the income from advertising of street furniture.

- 1.7 **NI deduction**  
We are pleased to note that the council has rectified the issue.
- 1.8 **Reconciliation of wages between FS5's and books of account**  
We have again noted a small difference in the wages reconciliation (refer to note 4.3).
- 1.9 **Councillors' allowances**  
We did not identify instances of overpayment in councillor allowances.
- 1.10 **Petty cash expenditure**  
The council has rectified the issue during the year under review.
- 1.11 **Petty cash summary**  
The council failed to include all necessary details in the petty cash summaries (refer to note 5.1).
- 1.12 **Procurement procedures**  
We again noted instances where the council is not adhering to the procurement procedures (refer to note 5.3).
- 1.13 **Insurance policy**  
The council failed to update the insurance policy (refer to note 5.9).
- 1.14 **Rent expense**  
The council once again included expenses in the inappropriate account (refer to note 5.12).
- 1.15 **Reconciliation of financial statements with fixed asset register**  
We again noted discrepancies between net book value in unaudited financial statements compared to fixed asset register. (refer to notes 6.1).
- 1.16 **Reconciliation of financial statements with accounting records**  
We are pleased to note that the net book value in the financial statements agree to accounting records.
- 1.17 **Upkeep of fixed asset register**  
The fixed asset register still includes assets which do not contain all necessary details (refer to note 6.5).
- 1.18 **Classification of assets in the fixed asset register**  
We again noted that the council is not classifying assets correctly in the fixed asset register (refer to note 6.8).
- 1.19 **Disposal of obsolete assets**  
We did not identify any assets which are not in good working condition.

- 1.20 **Assets not yet brought into use**  
We are pleased to note that the council has rectified the issue during the year under review.
- 1.21 **Depreciation**  
We again noted shortcomings in the depreciation of fixed assets (refer to note 6.10)
- 1.22 **Fixed assets write off**  
The council has correctly written off those assets which were replaced or no longer exist.
- 1.23 **Supplier statements**  
The council failed to obtain monthly statements from all suppliers (refer to note 9.1).
- 1.24 **Long outstanding creditors**  
We again identified long outstanding creditors in the books of account (refer to note 9.3).
- 1.25 **Confirmation of creditor**  
We again encountered shortcomings in a creditor balance (refer to note 9.5).
- 1.26 **Alternative confirmation procedures on creditor**  
The council failed to rectify the issue during the year under review (refer to note 9.8).
- 1.27 **Pre-regional LES debtors**  
No differences were identified between report 622 and pre-regional LES debtors.
- 1.28 **Long-outstanding debtors**  
The council did not address the issue of long-outstanding debtors (refer to notes 7.1 and 7.2).
- 1.29 **Confirmation of debtor**  
We again encountered shortcomings in the confirmation of a debtor balance (refer to note 7.4).
- 1.30 **Presentation of financial statements**  
We have again noted shortcomings in the unaudited financial statements (refer to note 11.1).
- 1.31 **Electronic site**  
The council's electronic site is not updated in accordance with the Local Council Procedures (refer to note 12.1).
- 1.32 **Administration**  
We again noted a number of shortcomings in the schedules of payments (refer to notes 13.1, 13.2 and 13.3).

**1.33 Grand Harbour Marina contract**

The council did not rectify the issue with Grand Harbour Marina contract (refer to note 14.1).

**1.34 Specimen chart of accounts**

We have again noted that the council is not using the specimen chart of accounts (refer to note 15.1).

**2 Opening balances**

2.1 Whilst testing opening balances we noted that the council had a difference of €21,693 in the cost and accumulated depreciation of street signs. We have also noted that the comparative figures in the financial statements have been amended to account for the disposal of street signs. This is not in agreement with the signed audited financial statements of 2018. To this end we have passed an audit adjustment to re-instate the cost and accumulated depreciation for street signs. The adjustment was approved by the council and incorporated in the audited financial statements.

2.2 The council should ensure that the books of account are properly updated, particularly ensuring that all audit adjustments proposed and accepted by the council in 2018 are included before closing off the year end and accounted for in the correct account.

**3 Income**

**LES administration fees**

3.1 During our audit fieldwork we tested income from pre-regional tickets by comparing report 483 generated from the Loqus system and the figure in the financial statements. We found that the amount in the books of account is overstated by €1,568. We did not propose an audit adjustment to correct this misstatement since no explanation was forthcoming for the difference.

3.2 We would like to remind the council that it is the council's responsibility to investigate and reconcile the movements with Loqus.

**Supplementary Government income**

3.3 The council has classified the receipt of €10,000 from the Department for Local Government, with respect to the Capital and Cities Fund, as 'supplementary Government income'. We proposed an audit adjustment to reclassify this amount to 'other Government income'. The council has amended the financial statements to include the audit adjustment.

3.4 The council should ensure that transactions are properly allocated to the correct account.

### General income

- 3.5 We came across instances where the council failed to deposit receipts on a timely basis. Examples are:

Description	Receipt number	Receipt date	Deposit date	€
Scaffolding permit	8712	22.11.19	27.11.19	326.20
Lifter permit	8518	31.08.19	04.09.19	10.00

### Custodial receipts

- 3.6 The same shortcoming was noted during the course of our audit work on the council's custodial receipts of Lands Department:

Description	Receipt number	Receipt Date	Deposit date	€
Lands Department	854389	18.03.19	22.03.2019	112.50

- 3.7 We strongly recommend that the council adheres to the Procedures and deposits cash collected from general income and custodial receipts at least twice weekly.

### Prepayments

- 3.8 During the year under review, we noted that the prepayment for online streaming services is overstated by €218.83. We have proposed an audit adjustment to rectify the issue. Our proposed adjustment was incorporated in the audited financial statements.
- 3.9 We recommend that the council accounts for expenses based on the accrual basis and ensures that all expenses are being reported in the correct period.

### Accrued income

- 3.10 During our audit fieldwork we noted that an amount of €8,000 relating to circular 9/2017 'Local Government Culture Fund 2018-2020' was accounted for against debtors instead of being accounted for as accrued income. An audit adjustment was proposed to include this amount as accrued income for the year and reverse it from debtors. The adjustment was correctly included in the audited financial statements.
- 3.11 We recommend that the council correctly accounts for grants received and accrued income.

## 4 Payroll

### Reconciliation between FS7 and FS5s

- 4.1 We identified a difference of €83 between the FS5s and FS7 submitted to the Commissioner for Revenue. No reconciliation was provided to us during the audit (see appendix 1).
- 4.2 We recommend that all wages paid by the council are correctly reported to the Commissioner for Revenue.

### Reconciliation of wages between FS5s and books of account

- 4.3 During the audit we noted a small discrepancy of €53.12 being unreconciled from the wages accounts to the personal emoluments found in the FS5 forms submitted to the Commissioner for Revenue (see appendix 1).
- 4.4 The council should ensure that all FSS forms agree to the payroll expenditure in the accounts. Furthermore, the council must ensure that amounts payable to the Commissioner for Revenue are correctly declared.

### Councillors' allowances

- 4.5 During our audit fieldwork we noted that the council has erroneously classified €441.88 mayor's allowance in the honoraria account. We have proposed an audit adjustment to include this amount with councillors' allowances. The council has included this adjustment in the final set of financial statements.
- 4.6 We recommend that the council should allocate its expenditure to the appropriate accounts so that the expenses of the council are properly reported.

## 5 Expenditure

### Petty cash summary

- 5.1 We noted that the petty cash summaries do not include all necessary details, namely account numbers. This lack of information renders it difficult to identify to which nominal accounts the expense should be allocated.
- 5.2 We recommend that the council includes account numbers in the petty cash summaries to ensure payments are correctly allocated in the books of account.

### Procurement procedures

- 5.3 Our testing on cheque payments revealed the following irregularities:

Details	Supplier	Date	€	Note
Insurance - Peugeot Bipper	MUIB	11.03.2019	627.85	(a, b)
Street sweeping – June 2019	Owen Borg	01.07.2019	2,314.60	(c)
Street sweeping – May 2019	Owen Borg	01.06.2019	2,314.06	(c)
4 bollards for council	Charles Schembri	16.11.2019	684.40	(d)
Coat of arms marble	Ronald Pisani	28.10.2019	1,180.00	(d)
Land surveying services	ECA Consultants	22.08.2019	2,149.96	(d)
Land surveying services	ECA Consultants	28.08.2019	1,047.08	(e)

- (a) The council did not raise a purchase order.  
 (b) The council did not obtain any quotations.  
 (c) The invoice was not addressed to the council.  
 (d) Only one quotation was obtained  
 (e) Only two quotations were obtained

- 5.4 The purpose of a purchase order is to confirm in writing the order for goods or services from third parties. The purchase order is the evidence of the council's approval for a proposed purchase or service. Upon receipt of the invoice, this should be checked and matched to the purchase order, with any discrepancies referred to the supplier.
- 5.5 In accordance with the Procurement Guidelines 2017 issued by the Department for Local Government the council should obtain at least three signed quotations for purchases exceeding €50 up to €5,000 unless, for purchases exceeding €50 but not €500, a direct order approved by the Executive Secretary is issued .
- 5.6 Furthermore the council must obtain a tax invoice/ VAT receipt duly addressed to the council for all payments issued by the council.

#### **Expired contract**

- 5.7 During the year under review we noted that the council is using services provided by Nexos Street Lighting for street lighting in the locality of Bormla even though the contract has expired.

We were also notified by the council that the tender will be issued at regional level. To date of the audit fieldwork no tender has been issued.

- 5.8 We would like to bring to the attention of the council memo 10/2013 which states that the council should not make use of expired contracts. Furthermore, the council should allow enough time to issue a fresh call for tenders and adjudicate it before the preceding contract expires.

#### **Insurance policy**

- 5.9 We reviewed the council's insurance policy and noted the following discrepancies between the insurance cover and net book value in the 2018 audited financial statements:

Asset	Sum insured	NBV in audited financial statements 2018
	€	€
Buildings	174,703	-
Office furniture and fittings	18,042	15,644
Plant and machinery	6,532	3,346
Office equipment	8,765	7,620
<b>Total</b>	<b>208,042</b>	<b>26,610</b>

- 5.10 It is evident that some of the fixed assets are over insured. May we advise the council to perform at least an annual review of its insurance policy in order to ensure that the council's insurance coverage is in line with current legislation.
- 5.11 Directive 3/2017 and Legal Notice 269 of 2017 state that the council must ensure that administrative offices, including all the furniture and office machinery are insured by a 'buildings and content' insurance. The insurance shall cover fire, theft and damage due to natural events. Circular 33/2016 also states that the insurance policy should be based on the net book value of assets included in the last audited financial statements. We recommend that the insurance at least covers the replacement value for assets.



### Expense allocation

- 5.12 We noted that the council erroneously classified the amount of €1,780.02 pertaining to street lighting maintenance in the communication equipment rental account. Furthermore, we also noted that the council recorded a prepayment for insurance coverage of the new motor vehicle of €156.53 in the rent account. We have proposed audit adjustments to reclassify amounts to the appropriate accounts. The council has amended the financial statements to include our audit adjustments.
- 5.13 We recommend that the council should allocate its expenditure to the appropriate accounts so that the expenses of the council are properly reported.

### Green MT agreement

- 5.14 To date of the audit fieldwork the council did not have an agreement signed by Green MT Limited for the collection of recycled waste and environmental initiatives.
- 5.15 May we remind the council to contact Green MT to sign the agreement. Circular 03/2019 states that council should sign a new agreement which should be obtained before the waste collection tender expires.

## 6 Fixed assets

### Reconciliation of financial statements with fixed asset register

- 6.1 We identified a difference between the net book value of assets in the unaudited financial statements and the net book value in the fixed asset register. These are summarised below:

Asset category	NBV in audited	NBV in fixed	Difference
	financial statements	asset register	
	€	€	€
Office furniture & fittings	17,324	16,441	883
Office & computer			
Equipment	8,680	9,060	(380)
Urban improvements	6,620	12,830	(6,210)
Motor vehicles	23,467	5,482	17,985
	<b>56,091</b>	<b>43,813</b>	<b>12,278</b>

- 6.2 We remind the council that any variances between the assets disclosed in the financial statements and the plant register need to be investigated and addressed accordingly. We recommend that the council reviews the financial statements and compares the figures for fixed assets to the fixed asset register to ensure proper preparation of the financial statements.
- 6.3 When reviewing the fixed asset register, we noted that the council has included the Kenwood radio twice in the asset register with office equipment. It was initially included with code KLB00904 and then with KLB00902 each with a cost of €202.46.
- 6.4 Circular 1/2020 states that the council should ensure that the fixed asset register agrees to the nominal ledger. To this end we reiterate our recommendation to the council to investigate and reclassify the variances identified between asset categories in the financial statements and the fixed asset register.

#### **Upkeep of fixed asset register**

- 6.5 We again noted that the fixed asset register does not contain all necessary details such as supplier details, invoice number and location.
- 6.6 We reiterate our recommendation to the council that the minimum level of information to be included in the fixed asset register is the following:
- Description of asset
  - Date of purchase
  - Supplier details
  - Invoice number
  - Asset tag code (where applicable)
  - Cost
  - Depreciation method and rate
  - Location of the asset
  - Grants received
- 6.7 An updated fixed asset register enables the council to exercise proper control over its assets. It provides a suitable inventory/checklist which may be used to determine whether assets previously purchased are still in existence or in use. We therefore recommend that the council's fixed asset register is updated.

#### **Classification of assets in the fixed asset register**

- 6.8 We again identified certain fixed assets which were classified in the wrong category, such as the DeLonghi coffee machine allocated to office furniture and fittings. This should have been categorised under office equipment.
- 6.9 We advise the council to review its fixed asset register and to reclassify all items which previously were allocated to the wrong category, thus ensuring the appropriate treatment of depreciation.

#### **Depreciation of fixed assets**

- 6.10 Whilst performing audit procedures on depreciation, we noted that depreciation for plant and machinery was overstated by approximately €2,400. Upon reviewing the nominal ledger, we noted that the council recorded the depreciation charge amounting to €2,397.36 for the PV panels. In prior year the PV panels had a nil net book value. We have passed an adjustment to remove the depreciation from the books of account. The council has included this adjustment in the final set of the financial statements.
- 6.11 We recommend that the council abides by the Local Councils (Financial) Procedures, 1996 and IFRSs and depreciates its assets at rates which reflect the useful lives of the asset in question.

#### **Additions to fixed assets included in expenses**

- 6.12 Moreover, whilst reviewing meeting minutes we noted that the council expensed an amount of €3,167.60. This amount relates to the payment of a playing field roundabout and rubber floor mats. These assets should have been capitalised rather than expensed. We have passed an audit adjustment to capitalise the asset and account for depreciation. This was approved by the council and incorporated in the final set of financial statements.

- 6.13 The council should capitalise costs that provide future service potential. In these cases, the council has purchased new assets.

**Additions to fixed assets**

- 6.14 We found that an amount of €3,197.04, for the land survey services at Sur Santa Liena, San Pawl and San Nikola, were capitalised as assets under construction instead of expensed. We proposed an audit adjustment to the council in order to account properly for the expense as administrative expenses. This adjustment has been correctly incorporated in the audited financial statements.
- 6.15 The council should not capitalise costs which are of an expense nature. IAS 16 states that the asset purchased should provide future service potential. In these cases, the expenses were incurred to maintain their use rather than to add economic benefits or service potential.

**7 Trade and other receivables**

**Long outstanding balances**

- 7.1 Whilst reviewing receivables we noted the following overdue balance which was not provided for in the books of account:

	€
Demis Darmanin	3,420
	<u>3,420</u>

- 7.2 The council informed us that Demis Darmanin was managing the bar next to the Peppi del Ceppo football ground. However, water and electricity bills were in the name of the council. Since the former was not reimbursing the council with the amounts incurred in relation to water and electricity consumption, the council and Demis Darmanin verbally agreed that the latter will pay the amount by monthly instalments of €100. On 28 February 2018 the council sent an official letter to Demis Darmanin requesting settlement of the outstanding amounts. In prior year the latter has settled the amount of €1,000. However, during the year there were no payments thus resulting in an amount of €3,420 still outstanding
- 7.3 We recommend that the council continues its claim against Demis Darmanin.

**Confirmation of debtor**

- 7.4 The council is issuing invoices on a monthly basis to WasteServ Malta Limited for the reimbursement of organic waste collection. We have obtained a statement from Wasteserv dated 31 December 2019 stating a balance of €16,714 whilst the council has a book balance of €40,385 resulting in a discrepancy of € 23,671. Upon further investigation we noted that Wasteserv did not record the following invoices: SI37, SI60, SI71, SI72, SI73 and SI74 amounting to €1,523, €3,705, €4,024, €4,024, €4,024 and €3,843 respectively. Wasteserv has also not recorded long-outstanding balances amounting to €2,528 which date back to 2016.
- 7.5 We recommend that the council contacts Wasteserv and ensures that all invoices are approved and recorded in their books. The council should also chase for payment.

## 8 Bank and cash

### 'Stale' cheques

- 8.1 During the audit we were presented with HSBC current account reconciliation. This included the following 'stale' cheque.

Cheque number	Cheque date	Amount €
6821	28.09.2018	699.96

- 8.2 It is important that the council investigates any 'stale' cheques to determine why this was not cashed. If the cheque is unlikely to be cashed or has been replaced, the amount should be reversed against the respective expense or creditor after approval by the council.

### Bank overdrawn balance

- 8.3 The council failed to reclassify the bank overdrawn balance of €5,234.68 to the payables section in the financial statements. We have proposed an audit reclassification to include the above balance with liabilities and not to be netted off from cash held at bank. This adjustment has been correctly incorporated in the audited financial statements.
- 8.4 We recommend that the council reclassifies the bank overdrawn balance in its financial statements to enable it to properly calculate liquidity and FSI ratios.

## 9 Trade and other payables

### Supplier statements

- 9.1 We have again noted that the council failed to request monthly statements from all suppliers. May we remind the council that Department for Local Government memos and circulars specifically state that councils should obtain monthly statements.
- 9.2 We recommend that suppliers' statements are essential, especially for those suppliers with whom the council trades most. The council should make sure that the creditor accounts agree to supplier statements on a regular basis and investigate and reconcile any differences.

### Long-outstanding creditors

- 9.3 The council's creditors' list includes the following balances which have been outstanding for more than one year:

Creditor	€
ARMS Limited	2,905.51
Wasteserv Malta Limited	28.46
Saviour Mifsud	5,771.41
Owen Borg	105.39
Lands Department	58.23
	<u>8,869.00</u>

- 9.4 We recommend that the council reviews these amounts and, either settles them if still due, or else reverses them after having obtained approval from the council. Furthermore, decisions and discussions regarding these balances should be minuted during the council meetings.

### Confirmation of trade creditors

- 9.5 As part of our audit procedures we circularised confirmation letters to selected suppliers. We noted the following:

Supplier	Amount in council's books of account €	Amount in confirmation reply €	Difference €
ARMS Limited	5,352.27	4,350.74	1,001.53

- 9.6 We were informed that the council is still carrying forward invoices of €2,095.57 which are not shown on ARMS Limited statement. On the other hand, the statement included invoices of €1,094.04 that were never recorded in the books of the council. We have proposed audit adjustments to record the omitted invoices and invoices which are noted as paid. The council has amended the financial statements to include our audit adjustments.
- 9.7 We remind the council that circular 1/2020 states that the council should reconcile creditors' balances on a regular basis, thus identifying and investigating any differences as soon as possible.

### Alternative procedures on creditors

- 9.8 Our testing on cheque payments issued after year end revealed that the council has paid WasteServ Malta Limited an amount of €5,321.81 for October and November tipping fees. As at year end the council had an outstanding amount of €3,888.07 for the November invoices in the books of account. The latter agreed to WasteServ statement. The council failed to provide an explanation and a reconciliation for the payment noted above.
- 9.9 We remind the council that memo 3/2016 states that the council should reconcile creditors' balances on a regular basis, thus identifying and investigating any differences as soon as possible.

### Accrued expenditure

- 9.10 Our testing on accruals revealed that the council's provision for performance bonuses was overstated by €2,603.88. It was further noted that the council had paid employee performance bonuses in December 2019. The payment was properly recorded in the books of account. We have passed an audit adjustment to reverse the double posting of performance bonuses. This was approved by the council and properly reflected in the audited financial statements.
- 9.11 We also noted that the accrual for Wasteserv tipping fees for December 2019 was overstated by €251.34. We have proposed an audit adjustment to reflect the proper amount for the period. The council has amended the financial statements to include our audit adjustment.
- 9.12 The council has erroneously included an accrual for the cleaning and maintenance of soft areas of €2,124 for December 2019. We were informed by the executive secretary that the services were only approved for October and November 2019 and no services were provided by the supplier for December 2019. We have proposed an audit adjustment to reverse the accrual. Our audit adjustment was approved and incorporated in the final set of financial statements.

- 9.13 We recommend that the council evaluates all accruals for reasonableness before closing off the books of account.
- 9.14 The list of accruals includes amounts of €24,082 and €11,045 for the collection of household waste from September to December 2019 and bulky refuse from May to August 2019, respectively. The council only received the invoices for the collection of household waste on 4 March 2020 and to date of the management letter the council did not receive the invoices for bulky refuse.
- 9.15 We recommend that the council should seek clarification on the matter from the supplier and ensure that invoices are received on time.

#### **Unrecorded liabilities**

- 9.16 Whilst reviewing subsequent year end payments, it came to our attention that the council has omitted to record the application for the temporary meter to ARMS paid by cheque 4612 and dated 21 December 2019 of €984. We have proposed an audit adjustment to rectify the issue. The audited financial statements of the council reflect this adjustment.
- 9.17 We recommend that the council records expenditure when it is incurred such that expenses and liabilities are recorded in the correct financial year.

### **10 Other creditors**

#### **Income from grants on capital projects**

- 10.1 Whilst testing other creditors we noted that the council had an agreement for a grant of €103,750 for Peppi Del Ceppo football ground. The council had only accounted for €88,187.50 (i.e 85% of the grant) which was received in 2019. We have proposed an audit adjustment to account for €15,562.50 (i.e the remaining 15%) which has been agreed and will be received in the coming year. The council approved our audit adjustment and included it in the final set of financial statements.
- 10.2 We remind the council that income should be accounted for when contracted. The council should accrue for the income and defer it until the asset is finalised and ready for use.

### **11 Financial statements**

#### **Presentation of financial statements**

- 11.1 We would like to point out that in accordance with the Department's communications and instructions, councils shall prepare their financial statements in conformity with International Financial Reporting Standards. The council's unaudited financial statements diverge from this requirement in the instances noted below:
- i. Council failed to properly disclose bank overdrawn balances (refer to note 8.3).
  - ii. In the note 'liquidity risk' the amounts of cash at bank and in hand and net asset position of the council are stated incorrectly.
- 11.2 We recommend that the council gives more attention to the preparation of the financial statements. We are pleased to note that the council has correctly amended the financial statements.

**Groupings**

- 11.3 We also noted that expenses are not being classified consistently from year to year.
- 11.4 We recommend that the classification of expenses is applied consistently to enhance the comparability of financial statements with previous years.

**12 Electronic site**

- 12.1 During our audit fieldwork, we noted the following shortcomings in relation to the electronic site:
- i. The council failed to upload the quarterly financial reports for periods January to December 2019 within the stipulated time frame.
  - ii. The annual administrative report for 2019 was not uploaded by the 15 August 2019 as required by the Procedures.
  - iii. The audited financial statements for 2018 are not uploaded on council website.
  - iv. Up to the date of the audit fieldwork the management letter and its reply for 2018 were not uploaded on website.
  - v. The council did not upload the following meeting minutes and schedule of payments within three days after approval: 97, 99, 101, 102, 103, 104, 1, 2, 3, 4, 7, 9 and 10.
- 12.2 This contravenes the Local Councils (Financial) Procedures, 1996 which mandate specific timelines for these reports and minutes. We recommend the council uploads all documents in pdf within the required time. Furthermore, the council should indicate as signed all documents uploaded as confirmation that the uploaded documents have been approved and are the correct ones.

**Uploading of management letter and other documents**

- 12.3 During the audit fieldwork we noted that the council did not upload the 2018 management letter in accordance with Circular 21/2019.
- 12.4 We would like to remind the council of the General Data Protection Regulations as indicated in SPI7/2018. Councils should be mindful that there are restrictions on transmitting/ publishing information regarding personal data. Therefore, certain documents should be carefully scrutinised to ensure that they do not contravene GDPR prior to uploading on the website. This is also highlighted in Circular 7/2019 which states that names of third parties not directly connected with the operations of the council should not be published.
- 12.5 We therefore recommend that the council contacts the Department for clarification of this contradiction.

**13 Administration**

- 13.1 Whilst performing audit procedures on the schedules of payments we noted that listed cheques were not in a sequential order.

- 13.2 During our audit fieldwork we noted that the council issued several cheques which were not included in the schedule of payments. Examples are the following:

<b>Cheque number</b>	<b>Supplier</b>	<b>€</b>
BOV 4054	R. Attard	1,323.90
BOV 4540	Petty cash	189.01
BOV 4612	ARMS Limited	984.00
BOV 4613	DOI	10.00

- 13.3 We noted that all schedule of payments for 2019 do not include all cheque numbers. Upon further investigation we also noted that the council is not including cheque numbers for wages and Commissioner for Revenue payments. As a result, we could not ensure that all cheque payments were included.
- 13.4 In accordance with P1.11 of the Local Councils (Financial) Procedures, 1996 the executive secretary must prepare complete and accurate schedules of payments containing information in sequential order and present them for council's approval. In the case of payroll cheques, it is advisable to list cheque numbers together but add as a description 'payroll'. This will ensure that all cheques are approved.

#### **14 Grand Harbour Marina contract**

- 14.1 Whilst reviewing meeting minutes we noted that the council has a contract with Grand Harbour Marina Ltd and Cospicua Boating Group. This contract, signed in 2003, states that the council has been assigned 7 berths at a nominal fee of LM1 equivalent to €2.33. We also noted that the terms included in the contract are not clear. Last year the council commented that it was seeking legal advice on whether the contract is valid as this was not signed by the mayor in charge at the time. However, it was signed by the executive secretary at the time, who signed on behalf of the local council and the Cospicua Boating Group. There was no further development on this matter during the year under review.
- 14.2 We reiterate our recommendation to council to follow up the issue to determine its rights.

#### **15 Specimen chart of accounts**

- 15.1 We noted that the council is not using the specimen chart of accounts that is mandated for local councils and regional committees.
- 15.2 The chart of accounts presented by the council should be in accordance with those set out in the Local Councils (Financial) Procedures section b.02 – b.04 and explanatory notes C.01 to C.07. Using the standard accounts will enhance comparability of profit and loss and balance sheet from year to year. It will also enable comparison of results between councils.



**Conclusion**

We would like to point out that the matters dealt with in this report came to our notice during the conduct of our normal audit procedures which are primarily designed for the purpose of expressing an opinion on the financial statements of the council. In consequence our work did not encompass a detailed review of all aspects of the system and cannot be relied upon necessarily to disclose defalcation or other irregularities or to include all possible improvements in internal control that a more extensive special examination might develop.

We would like to take this opportunity to thank Mr Duncan Hall and his staff for their co-operation and assistance during the course of the audit.

Yours faithfully,



**Bormla Local Council Wages Reconciliation**

**Appendix 1**

**As per FS5's**

<b>Month</b>	<b>Gross (€)</b>	<b>SSC (€)</b>
January	10,544.00	1,180.56
February	7,679.00	1,180.56
March	8,163.00	1,180.56
April	7,683.00	1,475.70
May	7,934.00	1,180.56
June	12,236.00	1,180.56
July	9,297.00	1,475.70
August	10,360.00	1,180.56
September	9,990.00	1,475.70
October	9,380.00	1,180.56
November	9,875.00	1,180.56
December	12,523.00	1,475.70
	<u>115,664.00</u>	<u>15,347.28</u>
add 1/2 of total NI	7,673.64	
<b>Total</b>	<u><u>123,337.64</u></u>	

**As per FS7**

Gross Salary	115,747.00
add 1/2 of total NI	7,673.64
<b>Total</b>	<u><u>123,420.64</u></u>

**As per Accounts**

<b>Account No. &amp; Name</b>	<b>Amount (€)</b>
110000 Mayor's allowance	13,689.23
120000 Employees' Salaries/Wages	49,052.20
120100 Executive Secretary Salary	29,233.45
130000 Bonuses	3,583.15
130100 Bonus - Executive Secretary	3,327.06
150000 Social Security Cont.	7,656.64
160000 Allowances	12,697.21
170000 Overtime	4,227.82
	<u>123,466.76</u>
Add opening accruals	2,861.00
Less closing accruals	-2,937.00
	<u><u>123,390.76</u></u>
Difference	<u><u>-53.12</u></u>