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Kalkara Local Council
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Dear Sir,

Financial statements for the year ended 31 December 2020

During the course of our audit for the year ended 31 December 2020 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 Audit opinion

The council has a qualified audit report stating that we are unable to form an audit opinion (refer to note 2.1).

1.2 Liquidity position

We have again noted that the council has a negative liquidity position (refer to note 3.1).

1.3 Financial situations indicator

The financial situations indicator is still less than the required ten per cent (refer to note 3.4).

1.4 Accounting adjustments passed in previous years

No supporting documentation was provided for the prior year adjustments passed in 2016 and 2017 (refer to notes 4.1 and 4.5).

1.5 Opening balances

We are pleased to note that no differences in opening balances have been identified.

1.6 Presentation of financial statements

We again noted shortcomings in the presentation of financial statements (refer to notes 5.1 and 5.2).

1.7 Groupings

The council failed to classify expense accounts consistently year to year (refer to note 5.4).

1.8 Specimen chart of accounts

We have again noted that account numbers are not agreeing to the specimen chart of accounts (refer to note 5.6).

1.9 Fixed asset register

The council has still not prepared a fixed asset register (refer to note 6.1).

1.10 Tagging of fixed assets

The council has again failed to tag fixed assets in accordance with the Local Councils (Financial) Procedures, 1996 (refer to note 6.4).

1.11 Depreciation

We have again noted shortcomings in the council's depreciation workings (refer to note 6.6).

1.12 Additions to fixed assets

We have again noted irregularities with respect to fixed asset additions (refer to notes 6.8 and 6.10).

1.13 Assets under construction

The council failed to provide us with the supporting documentation for the write-off of assets under construction made in 2017 (refer to note 6.12).

1.14 Grants received in fixed assets schedule

No supporting documentation was provided for the reversals made to the urban improvement grants (refer to note 6.15).

1.15 Pre-regional receivables

We have again noted a shortcoming with respect to pre-regional receivables (refer to note 7.1).

1.16 Overdue receivables

We again noted that the debtors' list is still showing amounts which are long overdue (refer to note 7.4).

1.17 Confirmation of trade receivables

We again noted a discrepancy between a third-party confirmation and the debtors' list provided by the council (refer to notes 7.12).

1.18 Accrued income

The council's books of account still include a balance of accrued income for which no supporting documentation was obtained (refer to note 7.15).

1.19 Supplier statements

The council has again failed to obtain supplier statements and reconcile supplier balances (refer to note 9.1).

- 1.20 **Confirmation of trade creditors**
We have again identified differences between creditor confirmation letters and the books of account (refer to note 9.3).
- 1.21 **Alternatives on trade creditors**
We again encountered discrepancies when performing alternative procedures on creditors (refer to note 9.15).
- 1.22 **Debit balance in creditors' list**
We again noted debit balances in creditors' list (refer to note 9.5).
- 1.23 **Long outstanding creditors**
We again noted long outstanding creditors in the books of account (refer to note 9.7).
- 1.24 **Outstanding invoices**
We again noted that the council is making supplier payments on account (refer to note 9.9).
- 1.25 **Unrecorded liabilities**
We again identified an issue with regards to unrecorded liabilities (refer to note 9.11).
- 1.26 **Accruals**
We again identified shortcomings in accruals (refer to note 9.13).
- 1.27 **Deferred income brought forward**
No supporting documentation was provided for the adjustments passed in 2017 (refer to note 4.5).
- 1.28 **Urban greening grant**
We have again noted an issue with respect to the Urban greening grant (refer to note 10.3).
- 1.29 **Government income**
In 2020, we have again noted shortcomings with respect to Government income (refer to notes 11.1 and 11.3).
- 1.30 **Supplementary Government income**
The council failed to record payments made by the Department for Local Government to Wasteserv for previous year invoices (refer to note 11.5).
- 1.31 **General income**
We have again noted that the council is not depositing income on a regular basis (refer to note 11.21).

1.32 **LES administration fees**

We again identified discrepancies between Report 483 of the Loqus system and the books of account (refer to note 11.17).

1.33 **LES invoices**

We have again noted invoices which were not sent to LESA in the first week of the following month (refer to note 11.19).

1.34 **Custodial receipts**

We regret to note that the council is not depositing custodial receipts as required by the Procedures (refer to note 11.25).

1.35 **Reconciliation of wages between FS5s and books of account**

We are pleased to note that no differences have been noted whilst performing the wages reconciliation.

1.36 **Mayor honoraria**

We are pleased to note that the council has rectified the issue during the year.

1.37 **Councillors' allowance**

The council has rectified the issue with respect to councillors' allowance.

1.38 **Councillors' excuse letters**

We are pleased to note that no shortcomings with respect to councillors' excuse letters have been identified.

1.39 **Performance bonuses**

The council has again failed to disclose performance bonuses in a separate account (refer to note 12.3).

1.40 **Payment of overtime**

We did not note any issues with respect to the payment of overtime.

1.41 **Petty cash expenditure**

We have again noted shortcomings in petty cash expenditure (refer to note 13.1 and 13.3).

1.42 **Petty cash summary**

The petty cash summary provided by the council does not include all the necessary details (refer to note 13.5).

1.43 **Rent**

The council failed to provide us with present contracts for the rent of certain premises (refer to note 13.7)

1.44 **Asset insurance**

We noted that the council did not address this issue (refer to note 13.9 and 13.10).

- 1.45 **Personal accident insurance**
We again noted that the personal accident insurance was not limited to the Maltese territories. Furthermore, we noted that the council has two personal accident insurance policies (refer to notes 13.13 and 13.14).
- 1.46 **Health insurance**
We did not note any issue with regards to the health insurance policy.
- 1.47 **Money insurance**
We again noted that the council has taken up two money insurance policies during the year under review (refer to note 13.16).
- 1.48 **Use of mobile phone**
We noted that the council still had an issue with the use of mobile phone however this was rectified during the year under review (refer to note 13.18).
- 1.49 **Reimbursement**
We still noted shortcomings in the reimbursement of expenses (refer to note 13.20).
- 1.50 **Procurement procedures**
We identified various shortcomings in procurement procedures (refer to note 13.23).
- 1.51 **Expired contracts**
We again noted that the council kept using services provided by suppliers even though the contracts had expired (refer to notes 13.26 and 13.27).
- 1.52 **Tenders exceeding budget amount**
We did not encounter any tenders exceeding the budget amount.
- 1.53 **Tendering procedures**
The council did not issue any tenders during the year under review.
- 1.54 **IFRS 16 'Leases'**
We again identified a shortcoming with regards to IFRS 16 'Leases' (Refer to note 13.31).
- 1.55 **Electronic site**
The council did not upload several documents within the required time frame (refer to note 14.1).
- 1.56 **Uploading of management letter and other documents**
We have noted that the council uploaded the management letter on its website. May we remind the council that the GDPR requirements includes restrictions on transmitting/ publishing information regarding personal data (refer to note 14.3).
- 1.57 **Binding of minutes**
We have again noted that the minutes of the council are not hard bound (refer to note 15.1).

1.58 **Length of meetings**

We again noted that a meeting lasted more than three hours (refer to note 15.5).

1.59 **Meeting regulations**

We identified instances whereby council meeting started earlier than half past five in the afternoon (refer to note 15.7).

1.60 **Schedule of payments**

We noted various shortcomings in the schedule of payments (refer to notes 17.1 and 17.3).

1.61 **Business plan**

We are pleased to note that the council has prepared the business plan for 2021 - 2025 in accordance with the Local Councils (Financial) Procedures.

2 Audit opinion

2.1 We have issued a qualified audit report for the year under review, stating that we are unable to form an audit opinion because of the significant matters encountered during our previous audits. Further explanations are given in note 4 of this management letter to enable the council to better understand the reason for the disclaimer of opinion.

2.2 On 2 July 2021 we informed the council by email that no audit adjustments would be proposed by us since we were going to disclaim our opinion.

3 Liquidity position

Going concern

3.1 The council has a negative liquidity position of €149,329. During the year under review creditors have decreased by €37,493. This shows that the council is unable to meet its current expenditure or pay creditors. We also noted that the council is holding back until the next tranche of the allocation is received. Contractual payments are equivalent to the annual allocation and therefore the council will still be unable to pay its long-outstanding creditors.

3.2 We reiterate our recommendation from our previous management letters stating that the council should take immediate remedial action to improve the liquidity position as required by the Financial Procedures, 1996. The council should try its utmost to curb recurring and capital expenditure falling in its functions, but without negatively impacting the long-term future of the locality.

3.3 We included an emphasis of matter paragraph in our auditor's report in the financial statements to highlight the existence of this material uncertainty regarding the council's ability to continue as a going concern.

Financial Situations Indicator

- 3.4 We have again noted that the council's Financial Situations Indicator (FSI) is negative at the end of the financial year.
- 3.5 May we remind the council that in accordance with the Local Councils (Financial) Regulations, 1993 (section 4(1)(c)), the executive secretary is to maintain a positive balance and the FSI must not be less than ten per cent of the allocation approved in terms of section 55 of the Local Councils Act. In addition to this, the executive secretary has to inform the Director that the FSI is less than ten per cent of the allocation approved and explain the actions that are intended to be taken by the council to remedy the situation.

4 Accounting adjustments passed in previous years

- 4.1 During the year ended 31 December 2017 the council failed to provide supporting documentation for the prior year adjustments passed in previous years. Due to the matter mentioned above we could not form an audit opinion on the financial statements of that year.
- 4.2 In 2016 the council had passed a prior year adjustment of €33,564 of which €27,311 pertained to deferred income and €6,253 to the creditor balance adjustment. It was also noted that another prior year adjustment was then passed in 2017 (refer to note 4.5).
- 4.3 In 2016 the council had accrued income of €32,329. Details are provided below:

	€
Kalkara Boat House	2,500
Uniking	20,620
Payroll refund	1,175
UIF MEPA Scheme	7,974
Difference from books of account	60
	<u>32,329</u>

- 4.4 In our previous management letters we mentioned that no supporting documentation was provided for the accrued income of the Kalkara Boat House, Uniking and UIF MEPA Scheme. It was further noted that this amount was written off in 2017 without any investigations made (refer to note 4.7).
- 4.5 It was also noted that in 2017 the council passed another prior year adjustment of €67,801, of which €63,323 pertains to property, plant, equipment and €4,478 to deferred income.
- 4.6 As mentioned in our previous management letters the deferred income adjustment is posted incorrectly in the prior year adjustment. It was also noted that the predecessor auditor pointed out that the deferred income was being recognised under the capital approach. When passing the property, plant and equipment adjustment the council did not consider investigating the balance. Furthermore, the council failed to provide supporting documentation and explanations regarding the above prior year adjustments recorded in 2016 and 2017.
- 4.7 In 2017 the council wrote off accrued income of €32,329 and grants amounting to €12,576 against several accounts such as executive secretary salary, supplementary Government income, general income, street lighting, community services, urban improvements and depreciation and retained earnings.

- 4.8 During the year the council still failed to provide any supporting documentation and valid explanations for the adjustments passed in 2017.
- 4.9 The cumulative effects of the above adjustments which related to the income statement now form part of the reserves of the council as at 1 January 2020. Because of the lack of supporting documentation for these adjustments we were unable to ascertain whether the council's reserves as at 1 January 2020 are materially misstated. We have qualified our audit opinion for this reason.

5 Financial statements

Presentation of financial statements

- 5.1 Councils are required to prepare financial statements in conformity with International Financial Reporting Standards and Financial Procedures. During our audit we pointed out that the council's unaudited financial statements were not prepared in accordance with International Financial Reporting Standards (IFRS). Below are some of the non-compliance issues identified:

- i. The financial statements do not include the disclosures required by IFRS 9. The standard requires additional disclosures on impairment including the credit risk management practices and credit risk exposures.
- ii. The council failed to update 'New and amended standards adopted by the council' in the notes to the financial statements.
- iii. The council failed to include a note with respect to going concern.

The council has made the relevant corrections for the above shortcomings in the financial statements.

- 5.2 In addition to the above, we identified further shortcomings in the council's financial statements:
- i. The council failed to update note (e) Property, Plant and Equipment with the range of years in the audited financial statements.
 - ii. A casting error has been noted in note 5 to the financial statements, whereby the total for receivables within the current period is shown as €19,366 instead of €34,253.
 - iii. Total ordinary funds disclosed in note 6 'cash and cash equivalents' differs to the amount shown in the trial balance provided of €25,027. The difference is a result of the negative cash in hand balance included in the books of account (refer to note 8.7).
 - iv. Amounts included in the Statement of Profit and Loss for funds received from Central Government does not cross-cast to amount included in note 8.
 - v. The comparative figures included in note 8 are not in line with the prior year audited financial statements. Income in terms of section 55 should be €283,712 while supplementary Government income should read €37,448.
 - vi. It was noted that in note 9, no distinction was made between LES administration fees and past fines paid which are split as €1,828 and €221 respectively.
 - vii. The comparative figure in note 11 'personal emoluments', the 'executive secretary salary and allowances do not agree to the prior year audited financial statements.
 - viii. In note 12 'operations and maintenance' the comparative figures for street signs and 'other repairs and upkeep' are €3,681 and €7,310 respectively. These are not in line with the prior year audited financial statement figures of €3,759 and €3,831 respectively.

The council has made the necessary changes and updated the financial statements in line with our proposals.

- 5.3 We recommend that the council gives more attention to the preparation of the financial statements and includes all the disclosures required by accounting standards.

Groupings

- 5.4 We also noted that expenses are not being classified consistently from year to year.
- 5.5 We reiterate our recommendation that the classification of expenses is applied consistently to enhance the comparability of financial statements with previous years.

Specimen chart of accounts

- 5.6 It was again noted that the account numbers in the trial balances do not agree to the specimen chart of accounts that is standard to local councils and regional committees.
- 5.7 We reiterate our recommendation from our previous management letters stating that 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.

6 Fixed assets

Fixed asset register

- 6.1 To date, the council has not yet compiled a fixed asset register. This contravenes the Local Councils (Financial) Procedures, 1996 which state that every council is to create, maintain and control an accurate and up-to-date fixed asset register. This is strengthened by circular 02/2019 stating that councils must have a fixed asset register which agrees to the nominal ledger. The above was not provided to us.
- 6.2 We strongly recommend that the council prepares a fixed asset register comprising at least the following details:
- Description of asset
 - Date of purchase
 - Supplier details
 - Invoice number
 - Asset tag code (where applicable)
 - Cost
 - Depreciation rate
 - Location of the asset
 - Grants received
- 6.3 A fixed asset register is essential to maintain proper control over the assets in the council's custody. It provides a checklist to enable periodic physical inspection of assets to verify existence and condition. Furthermore, the information contained above allows any disposals to be correctly accounted for.

Tagging of fixed assets

- 6.4 We would also like to point out that furniture, fittings, office and computer equipment are not tagged.
- 6.5 The Local Councils (Financial) Procedures, 1996 required assets to be tagged (where applicable) and referenced to the fixed asset register.

Depreciation

- 6.6 In 2018 the council had to adopt a change in accounting estimate from reducing balance method to straight line method. When computing depreciation the council worked out the depreciation from 2012 onwards using the straight-line method. The above was not in line with the Directive issued by Local Government nor in accordance with IAS 8 which states that a change in accounting estimate should be applied prospectively. We have computed the depreciation workings in accordance with the guidelines issued and IAS 8 and noted that the council's depreciation charge for 2018 was understated by approximately €8,000, the depreciation charge for 2019 was overstated by €17,502 and the depreciation charge for 2020 was overstated by €7,087.
- 6.7 May we remind the council that Directive 1/2017 specifies that the depreciation should be worked out prospectively. Also the Department of Local Government has issued guidelines with the steps to be addressed for the depreciation of councils which do not have a fixed asset register.

Additions to fixed assets

- 6.8 During our testing on additions to fixed assets we noted that an amount of €1,013.50 was spent by the council for face masks. This amount has been incorrectly capitalised within office furniture and fittings instead of expensed. Furthermore, the council incorrectly charged depreciation of €72 on this amount.
- 6.9 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.
- 6.10 The council purchased flag poles from Charles Schembri during 2020 amounting to €1,652. We have noted that the council has obtained only one quotation for this purchase.
- 6.11 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.

Assets under construction

- 6.12 In our previous management letters we had noted that in 2017 the council passed a prior year adjustment of €63,323 pertaining to assets under construction for which no supporting documentation was available. To date the council again failed to provide supporting documentation for the write off of these assets under construction.
- 6.13 We reiterate our recommendation from our previous management letters that in accordance with IAS 16, *Property, Plant and Equipment* when an asset is completed and brought into use, it should be transferred to the respective fixed asset account. In prior years we were informed by the executive secretary that there are no fixed

assets which are still under construction. The council should ensure that the books of account are updated to agree to the financial statements.

- 6.14 In view of the above we were unable to perform audit procedures with respect to grants included in the property, plant and equipment schedule. We could not form an audit opinion as the opening balances could not be confirmed.

Grants received in fixed assets schedule

- 6.15 In 2017 the council reversed accrued income of €6,676 and €181 against urban improvements and construction categories, respectively. This reversal was disclosed in the 'fixed assets' schedule as 'grants received'. The council could not explain the nature of the reversal and could not provide supporting documentation in this respect.
- 6.16 No audit procedures could be performed for the above reversals and we could not form an audit opinion as the opening balances could not be confirmed.

7 Receivables

Pre-regional receivables

- 7.1 According to report 622 generated from Loqus system, tribunal pending payments as at 31 December 2020 were €62,431.88. The council has not reflected this movement in its books of account, which are showing €62,688.11. When compared to the amount stated in the books of account this resulted in a difference of €256.23.
- 7.2 We further noted that in 2019 LES debtors amounted to €82,777. The council has reversed receivables and provision for doubtful debts of €20,088.89 to agree the books with the LES report. There is uncertainty as to whether the LES reports are correct and therefore no such entry should have been passed by the council. Furthermore, the above entry was not approved by the council during council meetings.
- 7.3 We would like to remind the council that it is the council's responsibility to investigate these differences and refer them to Loqus.

Overdue receivables

- 7.4 Furthermore we noted that the council's debtors list still includes the following overdue receivables for which no provision was made in the books of account:

Debtor	€
Gozo Regional Committee	45.38
South Regional Committee	107.25
Wasteserv (Malta) Limited	13,714.11
	<u>13,866.74</u>

- 7.5 We recommend that the council regularly reviews overdue receivables for recoverability. If their recoverability is doubtful, the council should consider making a provision for all amounts after obtaining the approval of the council in meetings. Furthermore, the council should send continuous reminders/statements to its debtors to ensure that the council still has the right to collect the amounts due.

Debtor write-off

- 7.6 Up until 31 December 2019, the books of account included receivables from Maltacom plc (now Go plc) amounting to €1,237.86 and from Water Services Corporation amounting to €647.58. The above amounts had been outstanding for more than five years. The above stated receivables were being provided for in full.
- 7.7 In 2020 the council passed an entry to write-off these debtors. We further noted that the write-off was incorrectly made through profit and loss. Given that these balances were already provided for in full, this entry should not have affected the profit and loss account. The council failed to reverse the respective provision for the debtors written off during the year. Furthermore, we noted that the council failed to approve this write-off during meetings.
- 7.8 We recommend that the council correctly accounts for any debtor write-offs. The council should obtain approval during council meetings as required by the Procedures and ensures that write-offs of balances are properly accounted for in the books of account.

Credit balance in debtors' list

- 7.9 We have identified a credit balance in the debtors' list amounting to €535.73 due to the Southeast Regional Committee. The council failed to provide supporting documentation for the above amount.
- 7.10 We recommend that the council presents credit balances separately from debtors and includes them with other creditors in the financial statements.
- 7.11 Further to the above, the council should investigate all credit balances in the debtors' list as these could indicate payments allocated to the wrong debtor account, invoices not recorded or overpayments.

Confirmation of trade receivables

- 7.12 During our audit fieldwork we identified a difference between a third-party confirmation and the debtors' list provided by the council, namely:

Debtor	Balance in books of account €	Balance confirmed by debtor €	Difference €
Wasteserv (Malta) Limited	30,155.40	26,205.22	3,950.18

- 7.13 Upon further investigation we noted that Wasteserv recorded invoice SI 74 with an amount of €1,387.90 in its books while the council was showing an amount receivable of €1,281.14 for the same invoice. Furthermore, the opening outstanding balance as at 1 January 2020 confirmed by Wasteserv statement was of €13,714.11 while the councils books of account included a balance of €17,771.05. The council failed to provide us with an explanation for the difference.
- 7.14 We recommend that the council checks all pending invoices and reconciles the difference.

Accrued income

- 7.15 It was again noted that in the books of account the council recorded a balance of €228 relating to accrued income from permits which is coming from prior years.

The council could not provide any supporting documentation for the above balance.

- 7.16 We recommend the council investigates this balance and determines whether income was received or whether it is no longer receivable. It is also imperative that, in future, the council always keeps a detailed listing of accrued income that agrees to the financial statements.
- 7.17 Included with accrued income is an amount of €4,163.70 in relation to the collection of organic waste for the months of October to December 2020. We have noted that invoices for these months issued by the council are dated 31 October, 30 November and 31 December 2020 which in total amount to €4,056.94. Hence, the amount of €4,056.94 should have been posted to the debtors control account whilst reversing accrued income of €4,163.70. The remaining difference of €106.76 had to be reversed against the 'organic income' account.
- 7.18 We recommend the council makes the proper distinction between trade receivables and accrued income, the latter being amounts due to the council but not yet invoiced. This is important for disclosure purpose in the financial statements and will avoid the possibility of double counting.

8 Bank

Cheque payments

- 8.1 Whilst reviewing cheques stubs, we noted that cheque 7891 was pre-signed by the mayor without any payee and amount written on it (i.e. a blank cheque).
- 8.2 The mayor should not sign blank cheques before all details have been included on the cheque payment. Furthermore, the council should ensure that all payments are approved during council minutes prior to any payments being made.

Bank accounts

- 8.3 When performing bank audit procedures we noted that the council's books of account includes account 5002 Lemis Lands account and 5003 LESA account amounting to €6.01 and €4.27, respectively. The council failed to provide us with bank statements or an explanation for these accounts. Furthermore, these accounts were not included in the bank's confirmation letter.
- 8.4 We recommend that the council only includes bank accounts which are legally held by the local council.
- 8.5 We noted that during the year under review the council opened two new bank accounts named LC other entities. Both bank accounts were not recorded in the council's books of account. One of the bank accounts had a balance as at year end amounting to €99.11, whereas the other account had a nil balance. Furthermore, we noted that when the bank account was opened a transfer between own accounts has been made however, this could not be traced in the council's books of account. The council failed to provide us with an explanation for this.
- 8.6 We remind the council that bank statements must be obtained and reconciled frequently to ensure proper accounting records are being kept.

Cash in hand

- 8.7 Whilst testing petty cash and cash in hand we noted that the balance as at year end was in credit by €150.59. No explanation was forthcoming for the balance in credit.
- 8.8 We recommend that the council investigates exactly how the discrepancy arose and ensures that the cash in hand is reconciled to the books of account to ensure that all transactions are being accounted for.

9 Payables

Supplier statements

- 9.1 The council did not obtain monthly statements from all its suppliers. Circulars issued from time to time by the Department for Local Government specifically state that the council should obtain monthly statements from all suppliers.
- 9.2 We again recommend that the council obtains monthly statements from all suppliers in order to ensure proper recording of creditors in the council's ledgers. This will highlight any discrepancies between amounts recorded in the ledger and amounts in suppliers' statements.

Confirmation of trade creditors

- 9.3 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 €	Notes
Nexos Street Lighting	2,356.62	3,009.00	(652.38)	(a)
Wasteserv Malta	34,176.79	19,172.30	15,004.49	(b)

- (a) The council failed to provide an explanation or reconcile the difference noted above.
- (b) We noted that this difference pertains to the allocation made by Department for Local Government for previous years tipping fees amounting to €14,892.15 (refer to note 11.7) and a credit note for part of invoice 9943 amounting to €112.34.

- 9.4 We remind the council that circular 01/2021 states that the council should reconcile creditors' balances on a regular basis, thus identifying and investigating any differences as soon as possible.

Debit balances in creditors' list

- 9.5 We have identified the following debit balances in the creditors' list amounting to €589.93:

Supplier	€
Mquip Co Ltd	568.70
Eco Pure	18.23
LESA	3.00
	<u>589.93</u>

- 9.6 We recommended separate disclosure of debit balances in the creditors' list with other receivables rather than a set off against trade creditors. It is the duty of the executive secretary to question why these creditor accounts are in debit since these could arise from the inefficiency of controls in place.

Long-outstanding creditors

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

Creditor	€
Alka Ceramics	120.00
Ape Centre	208.50
B-Grima	726.15
Bestripint	400.00
Bezzina Refuse	465.40
Gino Chair and Tables	359.00
GO Plc	15.62
Holma Store	181.78
Koperattiva Tabelli u Sinjali	4,168.87
Local Council	45.50
Maltapost	57.02
M.G Pulis	20.00
Pavia Hardware Store	1,219.44
Savelec Co Ltd	232.18
Saviour Mifsud	115,288.27
Smart Office Supplies	52.13
Wasteserv	26,901.42
	<u>150,461.28</u>

- 9.8 We again noted that the council is unable to pay its creditors owing to the insufficient cash available. Supplier payments are made only upon the receipt of the allocation. We recommend that the council prepares a strategy on how to rectify the issue and determines a way forward of how to pay off such balances.

Outstanding invoices

- 9.9 We have again noted that the council is making supplier payments on account and not on specific invoices. On certain occasions we were unable to identify specific long-outstanding invoices.

- 9.10 We reiterate our recommendation in last year's management letter stating that the council should issue payments against specific invoices. In this way the council will be able to reconcile creditor balances and identify any differences on time. Payments should be allocated to the specific invoices to identify any misallocation immediately.

Unrecorded liabilities

- 9.11 Whilst reviewing subsequent year end payments, it came to our attention that the council has omitted an invoice from Tom Van Malderen dated 7 January 2021 for services provided in 2020 of €2,100. We confirmed that this invoice was not included in the accruals list provided by the council. Furthermore, we also noted that the council received a reimbursement from Southeast Region amounting to €2,100 in relation to the above. However, we noted that no accrued income was recorded in this respect.

- 9.12 We recommend that the council records expenditure when it is incurred such that expenses and liabilities are recorded in the correct financial year.

Accruals

- 9.13 During accruals' testing we identified that the council recorded an accrual amounting to €1,900 in relation to tipping fees for the month of December 2020. However, we noted that according to the invoices received after year end, the accrual should have been €2,326.48. Thus, this results in the accrual being understated by €426.48.
- 9.14 The council should endeavour to compute accruals as accurately as possible so that expenditure is recorded in the correct financial period based on the accruals concept of accounting. Also, the council should ensure that transactions are properly allocated to the correct category.

Alternative procedures on trade creditor

- 9.15 Upon performing alternative procedures on the amount due to Saviour Mifsud amounting to €121,857.06 by analysing subsequent payments and outstanding invoices, we noted various discrepancies. These are further explained in notes below.
- 9.16 We identified that the below invoices recorded in the books of account do not agree to the amounts included on original invoices:

Invoice number	Amount recorded in books of account €	Amount confirmed with invoices €	Difference
95	1,770.00	1,685.71	84.29
96	1,911.60	1,820.57	91.03
101	1,911.60	1,820.57	91.03
102	1,770.00	1,685.71	84.29
	<u>7,363.20</u>	<u>7,012.56</u>	<u>350.64</u>

- 9.17 Furthermore, the council provided us with the following outstanding invoices which could not be traced to the council's books of account. No explanation was provided for the following invoices:

Invoice number	Amount €
98	1,387.90
111	1,281.14
113	1,820.57
239	1,413.32
238	1,413.32
237	1,413.32
	<u>8,729.57</u>

- 9.18 Upon agreeing total outstanding invoices for 2020 which were provided by the council with the books of account we noted a discrepancy of €10,998.71. We also noted that the books of account includes an accrual for the same services of €8,327.40. We could not reconcile the remaining difference of €2,671.31. No explanation was provided by the council for this difference.
- 9.19 We emphasise the importance in obtaining monthly statement from all suppliers to ensure proper recording of creditors in the council's ledger. This will highlight any

discrepancies between amounts recorded in the ledger and amounts in the suppliers' statements.

10 Grant accounting

- 10.1 In 2018 the council adopted the capital approach for grants. The council had adjusted prior year figures for the short, long-term deferred income and fixed assets. However, it failed to pass the prior year adjustment for the release of deferred income to profit and loss and the release of depreciation.
- 10.2 In view of the above we were unable to perform audit procedures with respect to deferred income. Consequently, we could not form an audit opinion as the opening balances could not be confirmed.

Urban Greening Grant

- 10.3 During 2019 the council had received a grant of €30,000 for the Urban Greening scheme. The council received the first cheque of €16,115.25 from Ambjent Malta on 28 May 2019 and this was deposited in the council BOV account and included in the trial balance. Moreover, on 20 November 2019 the council received another cheque of €13,884.75 from the same Department.
- 10.4 In our previous management letter we noted that the second cheque was not deposited in 2019, as the council was not sure if it would be able to utilise the full amount of the grant as the tender issued for plants and trees did not cover the cost for all the grant. The council had also requested the Department to use the funds for another project. The executive secretary informed us that the Department for Local Government approved that the remaining funds can be used for watering of soft areas. We also confirmed that the cheque was deposited on 22 April 2020.
- 10.5 During our testing, we noted that an amount of €10,744 out of the total funds received has still not been utilised by 31 December 2020. The council failed to defer the amount of €10,744 and this has erroneously been included within 'other Government income' account (refer to note 11.10).
- 10.6 In accordance with IAS 20, grants received should be recognised as income to match the costs which they are intended to compensate.

11 Income

Government allocation

- 11.1 The council has classified the receipt of €1,013 from the Department for Local Government, with respect to the adjustment fund for decrease in allocation from 2019 with 'Government allocation' instead of 'other Government income'.
- 11.2 We recommend that the council records income obtained from the Department through various schemes under other Government income as appropriate, unless otherwise directed by the Department.
- 11.3 During our audit fieldwork we noted that the council failed to properly account for the MITA deduction from the Government allocation. The amount of €479 was erroneously taken against the 'other Government income' account instead of the respective expense account.

- 11.4 We would like to remind the council that Government deductions should be taken against respective expense accounts, rather than to Government income accounts.

Supplementary Government income

- 11.5 In 2019, the Department paid an amount of €23,100 to WasteServ Malta Limited relating to tipping fees incurred in prior years. The council recorded this amount in 2020. We further noted that the above was included with other Government income rather than supplementary Government income in the books of account. We further noted that this was reclassified to supplementary Government income in the financial statements.
- 11.6 We recommend that the council allocates income receivable to the appropriate accounts so that the income of the council is properly reported.
- 11.7 Upon analysing WasterServ Malta Limited's statement we also noted that the Department paid €14,892.15 to WasteServ Malta Limited in 2020, relating to prior year tipping fees in excess of the allocation, on behalf of the council. The council failed to include this amount in the books of account.
- 11.8 In view of the fact that we were unable to verify this balance, we modified our audit opinion.
- 11.9 We recommend that the council adheres to the accrual basis of accounting and the income received is recorded in the appropriate accounting period.

Other Government Income

- 11.10 During the year under review the council recorded an amount of €13,884.75 for the Urban Greening grant (refer to note 10.3). We further noted the council obtained an email from the Department for Local Government stating that these funds can be used for the maintenance of parks and gardens. No formal agreement was provided to us in this respect. Furthermore, expenses incurred during 2020, only amount to €3,140. Thus the council could only record this amount as income for the year and include the amount of €10,744 as deferred income (refer to note 10.5). As a result, the income of the council is overstated by the above amount.
- 11.11 The council received an amount of €820 during December 2020 in relation to the LC Care Project. It was noted that none of these funds had been utilised by 31 December 2020 and therefore such amounts should have been allocated to the deferred income account. Furthermore, the council did not include the remaining receivable balance of €780 for this grant, with accrued income.
- 11.12 We recommend the council adheres to the accrual basis of accounting and that income received is recorded in the appropriate accounting period. Thus income is reported accurately in the financial statements.

Income from organic waste

- 11.13 In the unaudited financial statements the council classified income from organic waste collection amounting to €16,548 under 'general income' instead of allocating it to 'other Government income'.
- 11.14 We recommend that the council discloses all income received from Government, which is not part of the annual allocation, as other Government income, unless otherwise directed by the Department for Local Government.

11.15 Whilst testing invoices issued by the council to Wasteserv (Malta) Limited, we noted that the invoices for the months of July, August and September had to be re-issued by the council because the original invoices were incorrect. The council failed to update the books of account to reverse the incorrect invoices and account for the re-issued invoices. Due to this the 'other Government income' account was overstated by €106.76.

11.16 We recommend that the council ensures that all invoices issued are properly recorded in the books of account to avoid any mispostings that may occur.

LES administration fees

11.17 We have noted that the LES administration fees are overstated by €321 when checked against the 483 Loqus reports.

11.18 We recommend that the council ensures that invoices have been issued correctly to the regional committees and LESA and that there are no mispostings.

LES Invoices

11.19 The following invoices were not sent to LESA in the first week of the following month:

Invoice month	Invoice date
April 2020	12.05.2020
June 2020	23.07.2020
August 2020	05.04.2021

Furthermore, no invoices were issued for the months of March, September and December 2020.

11.20 In accordance with memo 91/2011 councils are required to issue LESA invoices in the first week of the following month.

General income

11.21 During our audit fieldwork we noted that in certain instances the council failed to fulfil its obligation to deposit income received on a timely basis, namely:

Description	Receipt number	Receipt Date	Deposit date	€
Open skip permit	5110	10.01.2020	29.01.2020	20.88
Truck permit	5142	01.02.2020	26.02.2020	10.00
Crane permit	5199	02.03.2020	22.04.2020	10.00
Crane & truck permit	5222	12.03.2020	13.05.2020	10.00
Crane permit	5266	14.04.2020	10.06.2020	10.00
Open skip permit	5300	06.05.2020	10.06.2020	1.16
Open skip & crane permit	5381	10.06.2020	26.08.2020	32.32
Lifter permit	5501	30.07.2020	27.10.2020	10.00
Crane permit	5539	18.08.2020	27.10.2020	10.00
High up permit	5700	18.11.2020	27.11.2020	10.00

11.22 The above is in contravention of the relevant regulations. Moreover, leaving cash and cheques on the premises can raise security issues.

- 11.23 Whilst reviewing the nominal ledger we noted that the council is recording income from permits in bulk. To this end one is not able to ensure that each receipt is recorded in the nominal ledger.
- 11.24 We recommend that receipts are recorded separately in the books of account to provide a better trail of the items being recorded.

Custodial receipts

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

Description	Receipt number	Receipt Date	Deposit date	€
Lands Department	912852	03.02.2020	26.02.2020	100.00
Lands Department	917162	21.03.2020	21.04.2020	79.75
Lands Department	921176	30.04.2020	13.05.2020	77.50
Lands Department	182838	01.07.2020	22.07.2020	34.94
Lands Department	934090	24.07.2020	21.08.2020	24.95
Lands Department	947619	07.09.2020	26.10.2020	104.82
Lands Department	965678	30.11.2020	07.01.2021	210.00
Lands Department	965868	02.12.2020	07.01.2021	200.00
Lands Department	966184	07.12.2020	07.01.2021	46.25

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

12 Payroll

Reconciliation between FS7 and FS5s

- 12.1 Whilst reconciling the FSS tax declared in FS5 forms to that declared in the FS7 form of the council, we came across the following discrepancies:

Description	Declared in		Difference
	FS5s	Declared in FS7	
	€	€	€
Full-time gross salary	120,297	120,155	142
FSS full-time	15,497	15,509	(12)
FSS part-time	15,935	16,218	(283)
Total	151,729	151,882	(153)

- 12.2 We recommend that all wages paid by the council are correctly reported to the Commissioner for Revenue.

Performance bonuses

- 12.3 It was again noted that the council did not distinguish between employee bonuses and wages and salaries in the books of account.
- 12.4 We reiterate our recommendation to keep separate accounts for bonuses and employee wages and salaries for ease of extraction.

13 Expenses

Petty cash expenditure

- 13.1 We have again noted that the council has not yet employed the Imprest system for petty cash. Cheques are continuously being issued in the name of the executive secretary for the settlement of petty cash expenditure.
- 13.2 We would like to bring the council's attention to the clause in the Local Councils (Financial) Procedures, 1996, which states that the executive secretary should institute an Imprest system for petty cash and thus control can be implemented over this kind of payment.
- 13.3 During our audit fieldwork we were not provided with the tax invoice, fiscal or VAT receipts for the repair of flag:

Details	Supplier	Date	€
Manutenzjoni fil-Kunsill Lokali	Vincent Buhagiar	12.05.2020	40.00

- 13.4 We remind the council that in accordance with the Local Councils (Financial) Procedures, 1996 all purchases made by the council must be supported by tax invoice/fiscal receipt.

Petty cash summary

- 13.5 We again 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.
- 13.6 We recommend that the council includes account numbers in the petty cash summaries to ensure payments are correctly allocated in the books of account.

Rent agreement

- 13.7 The council did not provide us with the contracts for the rental of the premises in Triq ir-Rinella, council offices and public garden amounting to €400, €929.42 and €232.94 respectively. We were only presented with the invoices for the respective periods.
- 13.8 We recommend that the council should obtain a contract for all properties being rented out for the council's purposes. This will ensure that the rights and obligations of each party are clear.

Asset insurance

- 13.9 During our audit we identified the below discrepancies between the asset insurance cover and net book value of assets included in the prior year audited financial statements:

	Sum insured €	NBV in records* €
Buildings	26,000	-
Plant & machinery and equipment	5,400	4,496
Furniture & fittings	14,000	2,753
Property in open	2,500	-
Total	47,900	7,249

* NBV is at 31.12.2019 in audited financial statements

13.10 We again noted that the council is insuring property in the open amounting to €2,500. This is in breach of Directive 2/2017 which states that community assets should not be insured.

13.11 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 to ensure that the council's insurance coverage is in line with current legislation.

13.12 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 cost for assets.

Personal accident insurance

13.13 We noted that the personal accident insurance was issued on a worldwide basis instead of limited to the Maltese territories. Should a council member require to go overseas on council business a separate policy should be taken out for the specific trip. Worldwide coverage for all personnel travelling abroad on personal rather than business activities may be construed as a benefit in kind.

13.14 Whilst reviewing the insurance policies we also noted that the council has two personal accident insurances - one with AIB and another insurance purchased with the AKL scheme. Both insurances were paid as at year end. To this end the council should ensure that only one insurance policy is issued.

13.15 We recommend that the council updates the insurance policy accordingly to include only current councillors and employees and limit coverage to the Maltese islands.

Money insurance

13.16 We have also noted that the council has taken up two money insurance policies during 2020. The combined insurance policy offers the insurance cover of money for the period 29 April 2020 to 28 April 2021. Additionally, the council is also insuring money under the AKL insurance scheme which covers the period January to December 2020.

13.17 We recommend that the council reviews all the insurance policies and ensures that the same items are not being insured twice.

Use of mobile phone

- 13.18 In our previous management letters we emphasised that the council was paying the executive secretary's mobile phone expenditure. We were provided with a bill dated 2 June 2020 and noted that the bill was addressed to the executive secretary. No reimbursement claim was made. However, it was noted that during the year under review the council changed the service provider and the bill is now issued in the name of the council.
- 13.19 May we remind the council that Local Council's Procedures and memo 21/2013 have established guidelines on the use of mobile phones by the council.

Reimbursement

- 13.20 The council is still reimbursing approximately €20 per week to the workers for fuel. This contradicts the Local Council Procedures affirming that fuel expenses should be reimbursed on a mileage basis once being approved by the council in meetings.
- 13.21 We have again noted that another worker is still using his personal vehicle for council duties and the council is reimbursing the employee based on the duties performed and not on a mileage basis.
- 13.22 We recommend that the council seeks advice from the Department of Local Government to ensure if the above situations are permissible.

Procurement procedures

- 13.23 Our testing on cheque payments revealed the following irregularities for the below listed purchases:

Details	Supplier	€	Note
DPO officer	Adrian Mifsud	1,117.46	(a)
Services of a cleaner for council & library	Racs cleaning	1,113.33	(b)
Purchase of signs & mirrors	B.Grima & Sons	1,622.62	(a)
Purchase of tower for office	PC Options Limited	689.00	(c)
Amenities for maintenance works	Pavia Hardware Stores	1,353.04	(d)
Installation of CCTV	Alarm Tech	4,973.70	(b)
Purchasing of tiles for library	MRCDD	943.01	(c)
Maintenace online streaming	AID Ltd	849.25	(a)

- (a) The council failed to obtain 3 quotations.
- (b) The council did not provide us with the purchase order.
- (c) The purchase order was not signed by the mayor.
- (d) The purchase order was not signed by the executive secretary.

- 13.24 May we remind the council that 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.
- 13.25 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 .

Expired contracts

- 13.26 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 Kalkara 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.
- 13.27 During the year under review we noted that the council is still utilising services for the collection of street sweeping using low emission vehicle from Saviour Mifsud. We noted that the tender has expired on 5 September 2020.
- 13.28 We would like to remind the council that Procurement Guidelines 2017 state that the council shall initiate all necessary preparations at least six months before the expiry date of the existing contract.

Health insurance

- 13.29 During the year under review, we noted that the council paid €500 for the 2021 health insurance policy. The council included the above with current expenses and failed to account for it as prepayments.
- 13.30 We recommend that the council makes appropriate provisions for prepayments to reflect the expenditure in the correct accounting period based on the accruals concept.

IFRS 16 'Leases'

- 13.31 Whilst reviewing expenses, we noted that the council has a rental agreement for the health centre covering period from 1 October 2018 to 30 September 2020 with a total cost of €10,200 each year. The council has included the adjustment for leases in the financial statements however failed to include it in the books of account. Furthermore, the council also failed to provide the workings for the lease adjustment made. Thus, we could not confirm that the amounts recorded are correct.
- 13.32 We recommend that the council reviews all lease contracts in place and prepares the appropriate workings regarding the impact of IFRS 16 'Leases' on the council's financial statements.

Street sweeping

- 13.33 During the audit, we noted that the council did not record street sweeping services against accruals for the month of October to December 2020 amounting to €4,239.96.
- 13.34 We recommend that the council ensures that expenditure is accounted for when it is incurred so that expenses and liabilities are accounted for in the proper financial year.

14 Electronic site

- 14.1 During our audit work, we noted that the council was not uploading documents on time. The following are some examples:
- (a) To date of our management letter, the council failed to upload the quarterly financial reports for the period January to December 2020.

- (b) The annual budget for 2021 has still not been uploaded on the council's website. However, we were provided with annual budget for 2021 which was not signed.
- (c) To date of our management letter the council has failed to upload the Business plan 2021 – 2025.
- (d) The annual administrative report for 2019 was not uploaded on the council website. Also, we were provided with a copy of the administrative report for 2019, however this was not signed by the council.
- (e) Minutes 01/2020, 02/2020, 04/2020, 05/2020, 06/2020, 07/2020, 08/2020, 09/2020, 10/2020, 11/2020, 12/2020, were not uploaded on the website within the specified time frame, and none of them were signed.
- (f) To date of the management letter the council failed to upload schedule of payments 1.2.

14.2 The council should ensure that minutes are uploaded on the council website within three days of approval as required by the Local Councils (Financial) Procedures, 1996. All other reports should be uploaded on the website within the stipulated timeframe and should be properly signed by the mayor and executive secretary.

Uploading of management letter and other documents

- 14.3 During the audit fieldwork we noted that the council uploaded the 2019 management letter in accordance with Circular 21/2019.
- 14.4 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.
- 14.5 We therefore recommend that the council contacts the Department for clarification of this contradiction.

15 Meetings

Binding of minutes

- 15.1 We observed that the minutes of the council are not hard bound at the end of each financial period or legislature.
- 15.2 We reiterate our recommendation from previous management letters stating that, at the end of each council's financial year, the executive secretary arranges for the previous year's minutes to be bound as further reference will be required from time to time in accordance with the Local Councils (Office) Procedures, 1996. This bound copy should be given due importance since it serves as the only permanent, unchangeable record of all council meetings and decisions taken.

Numbering of minutes

- 15.3 We noted that the minutes of meetings 2 to 4 do not follow sequential numbering.
- 15.4 This contravenes the requirements of memo 84/2011, which states the executive secretary of the council should assign every meeting a unique and distinct reference number in sequence even in cases where a quorum is not reached or the meeting is continued on another day.

Length of meetings

- 15.5 During the year under review we noted that meeting 07/2020 lasted more than three hours without obtaining the required consensus.
- 15.6 We would like to remind the council that memo 68/2009 states that the duration of council meetings shall not exceed three hours.

Meeting regulations

- 15.7 We have again noted that council meetings take place at nine o'clock in the morning, four o'clock in the afternoon or half past one in the afternoon.
- 15.8 We would like to remind the council of memo 68/2009 wherein it is stated that council meetings should take place after half past five in the afternoon and not later than half past seven. However, we have noted that most councillors attend most meetings.

Meeting minutes

- 15.9 We noted that the meeting minutes uploaded on the council's website are not marked as 'iffirmat' as required by memo 10/2016.
- 15.10 We recommend that the council abides by the directive given in memo 10/2016. The "iffirmat" on the pdf documents is confirmation that the uploaded documents are the approved and correct ones.

Meeting dates

- 15.11 In meeting minutes numbered 02/20, the date set for the subsequent council meeting is 24 March 2020. However, the subsequent meeting was actually held on 30 March 2020. During meeting 10/2020, the date for the next meeting was set as 14 October 2020, but the meeting was actually held on 15 October 2020. Furthermore, meeting minutes numbered 12/2020 stipulate the next meeting date as 11 November 2020, which is the date of meeting 12/2020 itself. The actual next meeting date was 13 January 2021.
- 15.12 According to the Local Councils (Meeting) Procedures, 1996 at the end of every meeting the council must set the next council meeting which shall be fixed. If no unanimous agreement is reached, the councillors are to vote and decide according to the majority. This shall not be changed for any reason. Therefore we recommend that these requirements are followed.

Frequency of meetings

- 15.13 Whilst viewing the council minutes, we noted that the time lapse between meetings exceeded five weeks:

Committee meeting	Date of meeting	Date of subsequent meeting
Meeting 12/2020	11.11.2020	13.01.2021

- 15.14 We draw your attention to section 43(2) of the Local Councils Act which states that council's meetings should be held at least once a month or at any other shorter intervals as the committee may decide. This period should not, however, exceed five consecutive weeks.

16 Comparison with annual budget

16.1 When comparing the budgeted figures with the actual figures of the year under review, we identified the following differences:

	Budgeted €	Actual €	Difference €
Expenditure			
Personal emoluments	126,963	131,125	(4,162)
Operations and maintenance	142,397	125,713	16,684
Administrative and other expenses	64,239	72,964	(8,725)
	333,599	329,802	3,797

16.2 We recommend that the council compares budgeted figures to actual figures at least on a quarterly basis to ensure expenditure is in line with budgeted amounts. The council should apply due care and diligence when compiling the budget figures as required by the Financial Regulations.

17 Schedules of payments

17.1 We have again noted that the council failed to approve cancelled cheques. This was noted for the following cheque numbers: 7494 – 7533, 7540, 7561, 7659, 7698, 7766, 7768 and 7808.

17.2 May we remind the council that the schedule of payments is compiled to approve all payments made by the council. All cheque numbers should be included in the schedule of payments to ensure proper approval. Memo 10/2016 provides the schedule of payments template. The cheque number is required by the same template.

17.3 During our review of the schedules of payments, we noted various deficiencies relating to the amount of detail shown in the schedules. Some instances include:

- i. Account numbers are not included on the schedules of payments.
- ii. Not all purchase orders are listed on the schedules of payments.
- iii. The starting date for each of the schedules is not indicated.

This is not in accordance with the schedule of payments template issued by the Department for Local Government.

17.4 The council should fill in all details in the schedule of payments as required by memo 37/2011. The required details allow easy cross-referencing between the schedule of payments and the expenses included in Sage.

**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 Ms Elaine Caruana and her staff for their co-operation and assistance during the course of the audit.

Yours faithfully,

