



QLC/F&A/42/94

27th May 2020

Mr. Manuel Castagna
Nexia BT
The Penthouse, Suite 2
Capital Business Centre, Entrance C
Triq taz-Zwejt
San Gwann SGN 3000

Financial Statements for the year ended 31 December 2019

Reference is made to the Auditor's management letter dated 24th April 2020. In terms of Section P2.05B (d.02) of the Local Councils (Audit) Procedures 2005, on behalf of the Hal Qormi Local Council, we are presenting herewith the following comments on the points raised in the letter:

1 Previous management letter

Whilst acknowledging the positive remarks raised by the Auditors with regards to the previous year management letter, other comments raised under 1.2 and 1.4

1.2 Income raised under LES

Please refer to paragraph 2.1

1.4 Trade Payables

Please refer to paragraph 2.3

2 Management letter points for the year

2.1 Income raised under LES

The Council accepts auditors recommendation and a reconciliation for this account will be carried out on a monthly basis.

2.2 Wages Reconciliation

Although the difference noted is not material for audit purposes, the Council will do its utmost to keep an accurate statement of accounts on wages reconciliation.



2.3 Trade Payables

With reference to auditors comments regarding debit balances in the creditors' list, the Council notes auditors recommendations.

In relation to the advance payment to ARMS Ltd, the Council would like to inform that this is a payment affected by the Council in the past years, for bills of public gardens. The Council, will do an exercise to present the correct meter readings so that bills are paid on actual bills.

As for the balance paid to Contractor Sandro Caruana, the Council affected payment on invoices presented by Mr Caruana, which resulted that he was charging the Local Council the 18% VAT and presented Exempted VAT Receipts. Therefore the Local Council requested a Credit note for the VAT paid to Mr Caruana as re-imburement of expenses.

2.4 Accruals

The Council accepts auditors recommendation and will intensify the bank reconciliation exercise during the year.

2.5 Adoption of IFRS 9

Given the fact that such balances are trade receivables, then the Council is obliged to recognise any lifetime expected credit loss. The Council's receivables mainly consisted of balances due from government-related entities and their credit history does not suggest events of default. After taking into consideration this assessment the Council concluded that no lifetime credit loss is expected. Going forward the Council will do its efforts to improve the disclosures as stipulated by IFRS 9.

2.6 Expenses

The Council accepts auditors recommendations. The Council has now signed a new contract agreement as for Services for cleaning and maintenance of Parks and gardens and payments will be affected accordingly.

As for expenses related to Refuse Collection, the Council is obliged to pay contractor for the extra collection of organic waste, which expenses is re-imbursed by WastServ at a later stage.



As for expenses related to Repairs and upkeep the Council is aware of exceeded amount, which resulted due to expenses related to maintenance after the severe rainfall of February 2019 and June 2019.

This reply has been approved by the Council during a council meeting held on 1st June 2020.

We would like to thank the auditors for their constructive and professional advice, as provided during the course of the audit. Where applicable, the Council commits itself to implement the suggestions accordingly.

Yours faithfully,

Renald Falzon
Mayor

Karen Camilleri
Executive Secretary

c.c. Director – Local Government Department

Mr C Deguara – Auditor General

