

The Mayor  
San Gwann Local Council  
55, Triq Caruana Dingli  
San Gwann SGN 1033

06 July 2020

## **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 the Council. We have also reviewed the operations of the Council and how they conform to the Local Council 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 Property, plant and equipment**

The Council compiled a fixed asset register as from 1 January 2018, however the register is kept on excel and lacks basic details (refer to note 2.1).

We were pleased to note that we did not identify capital expenditure that was recognised as an expense for the year and we did not identify errors in the depreciation charge.

The Council is still computing depreciation manually (refer to note 2.5) but on the other hand, we did not identify similar issues in relation to other deferred income.

#### **1.2 Income**

The issue with the Joint Committee has not yet been resolved (refer to note 3.1) and we also identified similar errors in accounting for the Government allocation (refer to note 3.3).

#### **1.3 Expenditure**

The contract for the hall rental has still not been signed (refer to note 4.1) and the Council's assets are not yet adequately insured (refer to note 4.4).

Whereas we did note that petty cash payments are being presented to the Council, we identified errors in accounting for operating expenses (refer to

notes 4.6 and 4.7) and also allocation of funds towards non-council related activities (refer to notes 4.9 and 4.10).

We were pleased to note that the Council's expenditure on the locality day and Christmas party were within the allowed parameters but on the other hand discrepancies between the budget for 2019 and the actual figures were once again identified (refer to notes 4.12 – 4.13).

#### **1.4 Payroll**

We did not identify any issues around controls over Councillor absenteeism from meetings but we did note that payroll costs were not allocated against the appropriate heading in the ledger and in the disclosure note in the Financial Statements (refer to note 5.1).

We also noted that employees still carried forward their leave without the formal approval of the Council (refer to note 5.3) and appraisal forms are still not being prepared (refer to note 5.5).

#### **1.5 Trade and other receivables**

The Council still has long overdue receivables (refer to note 6.1).

Once again, we noted an error in accounting for accrued income (refer to note 6.3) and on the other hand, we did not identify any material errors in the calculation of prepayments.

#### **1.6 Cash and cash equivalents**

We again noted weaknesses in the bank reconciliation process (refer to note 7.1). On the other hand, we did not identify issues with bank deposits.

#### **1.7 Trade and other payables**

The Council still did not manage to obtain monthly statements from suppliers (refer to notes 8.1 and 8.4) and we again noted differences between Creditor statements and control account balances (refer to notes from 8.3).

Once again, we came across debit balance in creditors (refer to note 8.5) and aged supplier balances (refer to note 8.7).

#### **1.8 Deferred income**

Issues relating to deferred income were again identified and reported (refer to note 9).

## **1.9 Financial Statements**

We again noted departures from IFRS requirements (refer to note 10).

## **1.10 Forecasts**

We again noted issues with the forecasts presented to us (refer to note 11).

## **1.11 Council meetings**

Once again, we noted that the Council did not discuss and inform the Minister when Councillors failed to attend four meetings in a row, or, in aggregate, more than one third of the meetings called in a six-month period (refer to note 12.1).

We also noted weaknesses in the handling of minutes (refer to notes 12.3).

## **1.12 Tendering procedures**

Once again, we identified weaknesses in tendering procedures (refer to note 13).

## **1.13 Management letter reply**

Once again, the Council did not issue a reply to the previous year management letter (refer to note 14).

## **Current year issues**

### **2 Property, plant and equipment**

#### **Fixed assets register**

- 2.1 The Council started compiling a fixed asset register as from 1 January 2018, however, this is being compiled on an Excel spread sheet and also lacks basic information.
- 2.2 We recommend that the Council transposes the register onto the accounting system and the following additional information should be included for all assets acquired after 31 December 2017:
  - Supplier details
  - Invoice number
  - Asset tag code
  - Location of the asset

### **Disposal of property, plant and equipment**

- 2.3 In August 2019, the Council resolved and effectively scrapped its motor vehicle. The vehicle had been recognised at a value of EUR7,200 and was fully depreciated by the time it was scrapped. However, this disposal was not reflected in the accounting records and the fixed asset schedule presented in the unaudited Financial Statements. Hence, we proposed an adjustment of EUR7,200 to eliminate the cost and accumulated depreciation and also reflect the disposal in the fixed asset schedule. The Council approved our proposed adjustment and reflected it in the audited Financial Statements.
- 2.4 We recommend that the Council should introduce controls to ensure that such disposals are reflected timely and appropriately in its accounting records.

### **Depreciation provision**

- 2.5 We noted that the Council is calculating depreciation manually on a spreadsheet rather than an automatic calculation within the Sage accounting package.
- 2.6 We draw the attention of the Council to the Local Councils (Financial) Procedures, 1996 which require Councils to use the month-end facility in the Sage accounting package to calculate depreciation on all items included within property, plant and equipment.

## **3 Income**

### **Joint Committee**

- 3.1 The Sliema Joint Committee, of which San Gwann Local Council formed part, has not yet provided the Council with the audited accounts for 2019.
- 3.2 We understand that the Council has consistently requested the audited Financial Statements from the Joint Committee. However, we necessarily had to qualify our audit opinion since, in the absence of the Committee's Financial Statements, we were unable to determine the Council's share of profits from the pooling system and LES debtors outstanding as at 31 December 2019.

### **Government allocation**

- 3.3 The Council's allocation from the Government's budget was EUR847,890, however the Council only recognised EUR846,754 as income in terms of section 55 of the Local Council Act (cap 363). We noted that the government allocation was netted-off with deductions made for MITA service amounting to EUR1,136. Such balance should be shown separately as part of the expenses and hence

we proposed an adjustment to reinstate the deduction within the government allocation income account and recognised it as an expense. The Council approved our proposed adjustment and reflected it in the audited Financial Statements.

- 3.4 We remind the Council that the Government Allocation is to be recognised in full and any deductions are to be recognised as an expense for the Council.

## 4 Expenditure

### Contracts

- 4.1 Testing on expenses indicated that the Council has continued the agreement for the hire of the hall as a Day Care Centre at EUR1,600 per annum. We were not provided with any rental agreements. Whereas the payment for this service is spread over 4 quarters at EUR400 each, it is still one rental agreement for the same premises that is fixed and committed to on an annual basis. Hence, the staggering of the payments does not place the transaction outside the procurement procedures.
- 4.2 We also noted that the Council is renting out a garage for storage purposes at the rate of EUR23.60 per day for a total annual cost of EUR8,614. Furthermore, the Council leased a Van for the month of January 2020 at a cost of EUR354 and subsequently, as from April 2020 the Council hired the Van at the rate of EUR72 per week for a total cost of EUR2,592. The Council did not provide a signed copy of the agreements held for these two leases.
- 4.3 We remind the Council of its obligation to follow procurement procedures for such level of expenses and also obtain and sign agreements covering the terms of the lease agreements.

### Asset insurance

- 4.4 We reviewed the Council's insurance policies and noted the following discrepancies between the insurance cover and value as per last audited Financial Statements:

Description	NBV as per 2018 AFS EUR	Sum Insured upon renewal of policy EUR	Difference
<b>Reference</b>			
Property	203,414	140,000	63,414
Office, Furniture and Fittings	10,381	16,400	- 6,019
Plant and Machinery	-		
Office Equipment	4,367	11,650	- 3,602
Computer Equipment	3,681		
	<u>221,843</u>	<u>168,050</u>	<u>53,793</u>

- 4.5 The above illustrates that some of the Council's assets are not adequately insured. The Council should adhere to circular 33/2016 that requires an insurance cover of its buildings and contents including fire, theft and damage. The circular also clarifies that community assets do not need to be insured.

### **Operating expenses**

- 4.6 From our testing, we noted that street sweeping costs amounting to EUR7,520 and relating to the period January and February 2019 were allocated against the cleaning and maintenance of public convenience ledger account. In view of this we proposed an adjustment to reclassify the expense accordingly. The Council approved our proposed adjustment and reflected it in the audited Financial Statements.
- 4.7 We also noted that the cleaning and maintenance of public convenience invoice for the month of April 2019 amounting to EUR2,050 was also recorded twice in the ledger. Hence, we proposed an adjustment to reverse the double posted entry. The Council approved our proposed adjustment and reflected it in the audited Financial Statements.
- 4.8 We recommend that the Council introduces the necessary controls to ensure that expenses are only recognised once.

### **Other expenses**

- 4.9 Once again, we noted that during meeting 119 held in February 2019, the Council approved a quotation of EUR5,500 to build and install a bronze bell at the Church of Santa Margherita. Eventually, the Council approved and paid the amount of EUR5,587 to the supplier<sup>1</sup>.
- 4.10 We also noted that during meeting 10 held during November 2019, the Council agreed to allocate the sum of EUR1,000 for a party for the elderly.
- 4.11 We remind the Council that there are strict limitations on the amount and nature of donations that may be made by the Local Council and these should be adhered to at all times.

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<sup>1</sup> Joseph Chetcuti

## Budget vs actual expenditure

4.12 The Council had budgeted a capital expenditure of EUR70,000, whereas actual expenditure amounted to EUR45,756. The Council's capital expenditure per category was as follows:

	2019 Budget	2019 Actual	Difference
Capital Expenditure	EUR	EUR	EUR
Construction		-	
Office furniture & fittings		185	
Office Equipment		3,019	
Computer Equipment	70,000	978	24,244
Urban Improvements		38,424	
Trees & plants			
Assets under construction		3,150	
	<u>70,000</u>	<u>45,756</u>	<u>24,244</u>

4.13 A comparison between the Council's budgeted and actual income and expenditure identified discrepancies between the actual results and the forecasted items. Discrepancies were noted in income as well as expenditure. The Council registered an overall higher surplus and we noted that in various instances income was higher than that budgeted for the respective income class. Actual income exceeds the amount forecasted by EUR155,236. We also noted that in various instances expenditure differed significantly than that budgeted for the respective cost item. The analysis is tabled below after excluding non-cash expenditure such as depreciation.

	2019 Budget	2019 Actual	Difference
Income	EUR	EUR	EUR
Funds from Central Gov	847,890	847,890	-
Supplementary Govt. Income	-	30,231	- 30,231
Other Government Income	-	88,350	- 88,350
Income raised from by-laws	20,000	56,391	- 36,391
Income raised from LES	15,000	13,921	1,079
Other income	100	1,443	- 1,343
	<u>882,990</u>	<u>1,038,226</u>	<u>- 155,236</u>

	2019 Budget	2019 Actual	Difference
<b>Expenditure</b>			
<b>Personal Emoluments</b>			
Mayor's Allowance	12,000	13,250	- 1,250
Executive Sec Salary & Allowances	30,000	35,567	- 5,567
Employee's Salary	136,000	98,916	37,084
Councillor's Allowance	8,000	16,900	- 8,900
SSC Contributions	12,000	11,478	522
	<b>198,000</b>	<b>176,111</b>	<b>21,889</b>
<b>Operations &amp; Maintenance</b>			
<b>Repairs &amp; Upkeep</b>			
Road & Street Pavements (patching)	10,500	3,672	6,828
Walkways	10,000	-	10,000
Street Signs	10,000	2,339	7,661
Road Markings	15,000	2,900	12,100
<b>Contractual Services</b>			
Refuse Collection (inc. bins on wheels)	240,000	280,904	- 40,904
Bulky Refuse Collection (inc. open skips)	15,500	52,330	- 36,830
Road & Street Cleaning	3,500	87,720	- 84,220
Cleaning & maintenance of Pub. Conv.	26,000	24,605	1,395
Cleaning & maintenance parks & gardens	70,000	91,470	- 21,470
Street Lighting	25,000	24,991	9
Local Enforcement Expenses	1,500	975	525
	<b>427,000</b>	<b>571,906</b>	<b>- 144,906</b>
<b>Administration</b>			
Utilities	16,500	8,184	8,316
Other repairs and upkeep	64,600	76,297	- 11,697
Rent	10,000	8,696	1,304
N&I memberships	500	960	- 460
Office services	13,200	8,771	4,429
Transport	4,800	6,763	- 1,963
Information services	4,800	3,459	1,341
Other Contractual Services	4,200	11,274	- 7,074
Professional services	30,500	18,114	12,386
Community & hospitality	7,000	8,231	- 1,231
Social Events	19,890	24,097	- 4,207
Cultural events	9,000	13,519	- 4,519
Training	-	207	- 207
	<b>184,990</b>	<b>188,572</b>	<b>- 3,582</b>
<b>Finance Costs</b>	<b>3,000</b>	<b>915</b>	<b>2,085</b>
<b>Surplus/(deficit) before non cash items</b>	<b>70,000</b>	<b>100,722</b>	<b>- 30,722</b>



- 4.14 We re-iterate that the Council should compile the annual budget with due care and diligence to use it as a guideline to control its expenditure during the year. Any projected variances should be adjusted at least on a quarterly basis to ensure that the Council would either have sufficient funds available to justify the increase in expenditure, or else reallocate excess funds where there are decreases in expenditure or increase in income received.

## 5 Payroll

### Classification by category

- 5.1 We noted that the payroll cost allocation to each separate nominal ledger category did not reflect the actual amount paid to that category. This was also reflected in the unaudited Financial Statements. We proposed an adjustment to reduce employee salary cost by EUR5,510, and increase Mayor Allowance by EUR1,048, Councillor Allowances by EUR4,460 and Social Security contributions by EUR2. The Council approved our proposed adjustment and reflected it in the Financial Statements.
- 5.2 We encourage the Council to ensure that the payroll cost is allocated fairly to the respective nominal ledger account. We also recommend that a reconciliation between the FS3s and the amounts disclosed in the Financial Statements is prepared to ensure that the figures disclosed represent the actual salary/allowance paid to each category.

### Vacation Leave

- 5.3 We noted that employees had unutilised vacation leave from 2019, carried forward to 2020 without the formal approval of the Council as tabulated below. The leave hours carried forward are also in excess of the capped levels permitted.

Employee	B/f Hours	Hours for year	Hours used	Hours c/f
Employee 1	52.75	208.00	188.50	72.25
Employee 2	56.00	104.00	99.00	61.00

- 5.4 We remind the Council that the Local Council (Human Resources) regulations require that clerical employees of the Council should avail of 70% of their vacation leave by end of September and may only carry forward up to 48hours to the following year (subject to the Council's approval). The approval is to be documented in the Council's minutes.

### **Appraisal forms**

- 5.5 Once again, we noted that the Council did not prepare formal appraisal forms for its employees. The Executive Secretary indicated that performance is discussed internally.
- 5.6 We remind the Council that the Local Council (Human Resources) Regulations require that staff undergo a formal appraisal using the template provided by DLG. The bonus rate is also meant to reflect the results achieved in the performance appraisal.

### **Allowance rates**

- 5.7 As from 1 July 2019, the allowances paid to the Mayor were revised from EUR1,600 to EUR2,400 per annum. Hence the allowance payable to the mayor for the period July to December 2019 should have amounted to EUR1,200 however, the Council only paid him the amount of EUR800 which is the amount due under the previous rates.
- 5.8 We recommend that the Council assesses the rates applied to pay allowances and ensures that these are in line with the amended legislation.

## **6 Trade and other receivables**

### **Receivables**

- 6.1 We analysed the list of trade receivables at year end and noted that various aged balances have still not been recovered. These included a balance of EUR7,936 and EUR7,694 from two different entities<sup>2</sup>. These two balances have been provided for in previous periods. A list of old unrecovered balances is included in Appendix 1.
- 6.2 We recommend that the Council monitors its receivable balances. The Council should assess the recoverability of amounts due and consider writing off the debtor. The Council should do such a write off after discussing it at Council level and minute the decision. In the meantime, the Council should follow up on the outstanding amounts with the respective debtors.

### **Accrued income**

- 6.3 At the Financial Position date, the Council recognised EUR14,820 in accrued income relating to a refund of excess fees incurred to collect organic waste for the months of November and December 2019. However, the actual invoices raised for those periods in 2019 amounted to EUR14,250 and hence, accrued

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<sup>2</sup> Green MT and Water Services Corporation respectively

income was overstated by EUR570. We proposed an adjustment to reduce accrued income by this amount. The Council approved our proposed adjustment and reflected it in the audited Financial Statements.

- 6.4 We reiterate our recommendation that the Council should ensure that its Financial Statements are presented under the accruals basis and the necessary controls should be adopted to ensure that accrued income is reported fairly.

## **7 Cash and cash equivalents**

### **Bank reconciliations**

- 7.1 We were provided with soft copies of the bank reconciliations. From the soft copies provided, we noted the following:

- The bank reconciliations are not being printed, dated, and signed by the Executive Secretary,
- The Banif account is not reconciled monthly
- The HSBC account 001 bank reconciliation at 31 December 2019 was made against a ledger account balance of EUR36,846 whereas the ledger balance as per trial balance provided amounted to EUR28,219. An explanation of the difference of EUR8,627 was not provided to us, however from further analysis, we noted that after the reconciliation was performed, the Council reversed 10 unrepresented cheques amounting to EUR8,627. These included 8 cheques that were stale at year end and amounted to EUR5,678. The bank reconciliation was not updated to cover this change.
- The date on the reconciliation of the following accounts indicates that the document was not prepared within 10 working days from the end of the month:

<u>Bank Account as per ledger</u>	<u>Month</u>	<u>Reconciliation date</u>
HSBC Savings 050	Jan - March	02/05/2019
HSBC Savings 050	Apr - Jun	08/08/2019
HSBC Savings 050	Jul - Sep	28/10/2019
HSBC Savings 050	Oct & Nov	27/01/2020
HSBC Savings 050	December	31/01/2020
HSBC Current 001	January	30/04/2019
HSBC Current 001	Feb & Mar	02/05/2019
HSBC Current 001	Apr - Jun	21/08/2019
HSBC Current 001	July	31/10/2019
HSBC Current 001	August	16/12/2019
HSBC Current 001	September	08/01/2020
HSBC Current 001	October	27/01/2020
HSBC Current 001	Nov & Dec	04/02/2020
BOV Current 2019	Jan - Mar	02/05/2019
BOV Current 2019	Apr - Jun	28/08/2019
BOV Current 2019	Jul - Sep	28/10/2019
BOV Current 2019	Oct & Nov	31/01/2020
BOV Current 2019	Dec	05/03/2020
BOV Savings 3016	Jan - Mar	02/05/2019
BOV Savings 3016	Apr - Jun	28/08/2019
BOV Savings 3016	Jul & Aug	28/10/2019
BOV Savings 3016	September	28/10/2019
BOV Savings 3016	Oct - Dec	04/02/2020
BOV Loan account	Jan & Feb	02/05/2019
BOV 3025	Aug - Nov	04/02/2020
BOV 3025	December	05/03/2020
BANIF	December	04/02/2020

- 7.2 We remind the Council that the Local Council Regulations require that monthly bank reconciliations must be carried out monthly by the 10th working day of the following month. We also recommend that monthly bank reconciliations are approved and signed by the Executive Secretary and filed with the monthly statements in the bank files.

## **8 Trade and other payables**

### **Creditors' statements**

- 8.1 During the course of our audit we noted that the Council did not obtain monthly statements from all its suppliers. Memos issued from time to time by the DLG specifically state that the Council should obtain monthly statements.

- 8.2 We remind the Council that these statements are important for a sound accounting system to ensure that creditors are fairly recorded in the accounts. Statements from suppliers will highlight any differences from recorded accounts. Any differences should be promptly investigated.
- 8.3 A reconciliation of the amount due to a creditor<sup>3</sup> as per creditors' list (EUR720) and the supplier statement (EURnil) resulted in a difference of EUR720. We were not provided with an explanation for this difference.
- 8.4 As part of our testing, we requested the Council to provide copies of 8 supplier statements that cover 75% of the creditors balance. The Council only provided the statement from WasteServ and the supplier referred to in note 8.3 above (covering 41% of payables) and although we sent repeated requests for such statements, these were never provided. Hence, we were not in position to verify adequately the balances in payables with third party sources. As a result, we qualified our audit opinion.

#### **Debit balances in payables**

- 8.5 From a review of the creditors' list, we identified a list of suppliers with debit balances. These amounted to EUR4,649 as tabulated in appendix 2 and we proposed an adjustment to reclassify the balance to amounts receivable in line with their status. The Council accepted our proposed adjustment and reflected it in the audited Financial Statements.
- 8.6 We recommend that the debit balances should be investigated, and the necessary amendments made to clean the creditor's account.

#### **Long outstanding creditors**

- 8.7 We also extracted a list of payables aged over 365 days from the Council's accounting software that amount to EUR38,139. These are tabulated in appendix 3.
- 8.8 We recommend that the Council reviews these balances and determines whether any payments/reversals are necessary.

### **9 Deferred Income**

#### **Central Regional Committee Surplus**

- 9.1 Throughout the year, the Council received EUR27,345 in surplus funds from the Central Regional Committee. The Council recognised these funds as income for

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<sup>3</sup> Gauci Borda & Co Ltd

the year whereas these should be allocated to specific projects and recognised in income in line with the recognition of related costs. Since these funds were not yet allocated to a project, we proposed an adjustment to allocate them to deferred income. The Council approved our proposed adjustment and reflected it in the audited Financial Statements.

- 9.2 The Council is required to allocate the Central Regional Committee funds to specific projects that are identified and reported to the Central Regional Committee. Any amounts used for projects are to be allocated as a separate item of deferred income and recognised in income in line with the recognition of the related expenditure.

#### **Unallocated deferred income**

- 9.3 At the Financial Position date, the Council carried forward EUR172,415 in unallocated funds received from the Central Region to 2020. We understand that the Council intends to use such funds for a specific project for the Council premises. The total unallocated deferred income amounts to EUR190,516 as tabulated below. As evident from the table, and as reported in previous periods, EUR13,521 have not been allocated against a project by the Council and the Council is not aware of the source these funds.

<b>Deferred Income at 31/12/2019</b>	<b>EUR</b>
Central Region funds	172,415
Unallocated	13,521
Greening	4,220
<b>Total</b>	<b>190,156</b>

- 9.4 We recommend that the Council prepares a detailed analysis of the deferred income amounts and plans adequately the use of such funds.

## **10 Financial Statements**

### **Presentation of Financial Statements**

- 10.1 In line with the Department's requirements, the Council is obliged to prepare the Financial Statements in accordance with International Financial Reporting Standards (IFRSs).
- 10.2 The Council's Financial Statements were not compliant with IFRSs in the following instances:
- *IAS 7 Statement of Cash Flows* relating to disclosure on capital creditors and grant movement were not presented correctly. The necessary corrections were made upon our notification.

- On 1 January 2018, the Council adopted IFRS 9 including the new Expected Credit loss model to calculate impairment on all financial assets. Throughout the audit, we were not provided with an assessment of the impact of this model and how this effected the results of the Council. At the Financial Position date, the Council has financial assets amounting to EUR862,401.
- The Council adopted IFRS 16 leases as of 1 January 2019 and applied it to 2 lease agreements. However, the disclosure requirements emanating from IFRS 16 were not met. The necessary disclosures were made upon our notification.

Our report is qualified on matters that have not been corrected in the audited Financial Statements.

## **11 Forecasts**

- 11.1 Whereas the Council provided us with a budget for 2020, this was not prepared on the specific templates. Furthermore, the business plan provided by the Council was limited to a descriptive narration without the necessary analysis of forecasted figures.
- 11.2 We recommend that the Council prepares the required forecasts and business plans on the appropriate templates and that these are approved and uploaded in a timely manner.

## **12 Council Meetings**

### **Attendance at meetings**

- 12.1 We reviewed Councillor's attendance for meetings and noted the following:
- Two Councillors were excused from all meetings held between January and June 2019. Another Councillor was excused for 7 out of 8 meetings held between January and June 2019. These Councillors do not occupy their seat anymore.
  - A fourth Councillor was excused for 3 out of 8 meetings held between January and June.
- 12.2 We noted that the Council did not discuss instances when a Councillor missed 4 meetings in a row or when a Councillor missed more than 1/3 of the meetings in a 6-month period. The Council is required to discuss such instances and determine whether the Councillor's absence was justified. The Council is also required to report to the Minister with the result of their decision.

### **Council meeting minutes**

12.3 From our review of Council minutes, we noted that the minutes of the meetings were not bound as required by the Financial Regulations but filed in an arch lever file. We also noted that uploaded minutes are not marked as “IFFIRMATA” as required by Memo 10/2016.

12.4 We remind the Council that Memo 10/2016 sets the format for maintaining and uploading of minutes and we also recommend that the Agenda and schedule of payments are bound with the minutes since these form an essential element of the meetings.

### **13 Tendering procedures**

13.1 We noted that the majority of tenders issued by the Council have expired and the Council had not yet issued a new call for tenders. The expired tenders were either renewed without a formal renewal process or were carried out by another service provider without the necessary public call. From the list of tenders, we noted the following:

- Attendance & cleaning of public convenience: Tender was awarded to a contractor<sup>4</sup> for the period 2 January 2012 to 1 January 2015. The amount invoiced during 2019 amounted to EUR24,605.
- Street Sweeping Zone A: Tender was awarded to a contractor<sup>5</sup> for the period 1 December 2015 to 30 November 2018. The amount invoiced during 2019 amounted to EUR27,384.
- Street sweeping Kappara: Tender was awarded to a contractor<sup>6</sup> for the period 1 May 2015 to 30 April 2018. The amount invoiced during 2019 amounted to EUR13,692.
- Street sweeping Zone B: Tender was awarded to a contractor<sup>7</sup> for the period 10 August 2015 to 9 August 2018. The amount invoiced during 2019 amounted to EUR45,120.
- Parks and Gardens: Tender was awarded to a contractor<sup>8</sup> for the period 4 June 2012 to 31 June 2015. Whereas this supplier did not invoice the Council for such work during 2019, the service was carried out by a service provider<sup>9</sup> for the period January 2019 to April 2019 at a cost of EUR23,377. Another service provider<sup>10</sup> carried out the necessary works between May and December at a cost of EUR51,455.

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<sup>4</sup> Joseph and Baldassare Borg

<sup>5</sup> Owen Borg

<sup>6</sup> Owen Borg

<sup>7</sup> Twish Co. Ltd

<sup>8</sup> Environmental & Landscape Consortium

<sup>9</sup> Premier Business Limited

<sup>10</sup> Mark Taliana Gardening



- A separate service provider was hired to clean doggie bins without a call for tenders<sup>11</sup>. The cost incurred during 2019 amounted to EUR16,248.
- Signs: The tender was awarded to a service provider<sup>12</sup> for the period 1 June 2015 to 30 May 2018. The amount invoiced during 2019 amounted to EUR3,655.
- Markings: The tender was awarded to a service provider<sup>13</sup> for the period 11 May 2015 to 10 May 2018. During 2019, the service was carried out by the contractor providing the Signs service at an additional cost of EUR4,103.
- Maintenance works in San Gwann: The Tender was awarded to a Service provider<sup>14</sup> for the period 1 April 2015 to 1 March 2018. The amount invoiced during 2019 amounted to EUR44,224.
- Services of an Accountant: The Tender was awarded to a service provider<sup>15</sup> for the period 4 April 2015 to 31 March 2018. The amount invoiced during 2019 amounted to EUR4,380.

13.2 We remind the Council of its obligation to issue fresh calls for tenders at least 6 months prior to their expiry to ensure that the process is concluded before the expiry of the tender.

#### **14 Management letter reply**

14.1 The Council did not issue an official reply to the management letter for the financial year ending 31 December 2018.

14.2 We remind the Council that it is required to prepare a reply to the management letter, discuss the contents of the letter in a Council meeting and approve the letter and the Council's reply.

#### **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.

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<sup>11</sup> Waste Collection Services

<sup>12</sup> Mario Mallia

<sup>13</sup> Signmark Ltd

<sup>14</sup> Mario Mallia

<sup>15</sup> GMM & Associates Malta Ltd

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

Yours faithfully,

Ernestino Riolo  
Partner  
for and on behalf of  
Mazars Malta

DRAFT

## Appendix

### Appendix 1: Aged debtors

Debtor	Exceeding 2 years
LES Gozo Region	€ 179.94
LES South East Region	€ 304.83
Green MT	€ 7,936.00
WSC	€ 7,693.78
	<hr/>
	€ 16,114.55

### Appendix 2: Debit balances in creditors

	EUR
ARMS	1,557
GO MOBILE	1,130
Melita Cable plc	906
MED DEVELOPERS DESIGNERS & CONSULTANTS	395
COMMISSIONER OF POLICE	158
Other mionor balances	503
	<hr/>
<b>Total</b>	<b>4,649</b>

### Appendix 3: Aged payables

Supplier Name	Amount
ARMS - 2953 - Public Convenience	1,724
BANDA SAN GWANN	1,200
GAUCI BORDA & CO LTD	720
Green Pak	661
ICT Solutions	2,050
MICA MED LTD	3,872
Premier Business Ltd	5,664
TWISH CO LTD - COLIN GRECH	3,869
WASTE MANAGEMENT SERVICE (WASTESERVE)	15,602
WATER SERVICES CORPORATIO	1,671
Other minor Balances	1,106
	<hr/>
	<b>38,139</b>