



Kunsill Lokali Ta' Kerċem

Pjazza Orvieto, Kerċem KCM 1360, Gozo

Tel: 21563666 Fax: 21563888

e-mail: kercem.lc@gov.mt website: www.kercem.gozo.com

RSM Malta
Mdina Road,
Zebbug ZBG 9015
Malta.

25th August 2020

RE: REPLY TO REPORT BY AUDITOR GENERAL FOR THE PERIOD ENDED 31 DECEMBER 2019

1.0 FOLLOW UP TO LAST YEAR'S REPORT

The Council has addressed to the best of its capabilities all matters which were mentioned in last year's management report, other than those, which are outside the control of the Council. The Council will strive to continue to improve its operations during the coming year.

2.0 PROPERTY, PLANT AND EQUIPMENT

The issue about Property, Plant and Equipment has been with the Council for a couple of years. It's the intention of the Council to tackle the Fixed Asset Register problem, to compile, reconcile and update the Fixed Asset Register. As discussed also in the management report itself, this is not an easy and straight forward task, especially to identify the fixed assets which as mentioned in the management report itself, are showing as "adjustments". In line with latest Directive from DLG about this matter, the FAR issue has started to be tackled this year and the Council will be working on this matter to be compliant by end of this year. Any suggested audit adjustments were reflected in the updated financial statements.

3.0 CASH AND BANK

Comment about timing of deposit noted and the Council will be doing its utmost to deposit funds on an ongoing basis.

4.0 PAYABLES

Noted. The Council does not have any creditors who are more than 30 days and thus, it is not common practice that creditors' statements are received by the Council. The Council regularly reconciles the statements received to ensure correct remittance of funds. It is to be noted that the Council does not have any control on which creditors send statements to the Council although the Council does regularly ask for such statements. Same situation exist for creditors confirmation letters which as stated by the auditors were not received by the auditors by the time they concluded their audit.

5.0 INCOME

Any audit adjustments and reclassifications as suggested by the auditors were recorded in the updated financial statements.

6.0 EXPENDITURE AND TENDERS

In the year 2019, the Local Council made sure that it draws up a purchase request for each and every payment. However, the auditor did not ask for any purchase requests and therefore, it is highly mistaken to put down that the LC has not, yet again, delivered to draw up purchase requests. The auditor was presented with all VAT receipts which he asked for during the audit. If he needed more, he should have asked for them. Also, the Council was not requested for any invoice which weren't provided. All invoices are filed and no payment is issued without an invoice. It is to be noted that the Council managed to reduce the operations and maintenance cost by a further €14,000 after a decrease of €7,000 in prior year. This decrease has been the trend for the past number of years which fact shows that the control in costs has been an ongoing exercise. The variance between the budgeted and actual expenditure was mainly material in Contractual services. The cost in Contractual Services was brought about by the cost of an additional waste collection, which collection is being reimbursed by Wasteserv since it's for organic waste. Same situation exists for the variance between budget and cost on the Hospitality and Community, which variance was the result of income from sponsorships, residents contributions and government schemes on Symphony of Lights, Malta outings and other activities which are undertaken in the locality, which income will be included in the revenue section. Although the Council experienced these increases, the Council managed to practically reduce Operating and Maintenance cost by €14,000

7.0 PERSONAL EMOLUMENTS

Such matter was never mentioned during the audit field work and we are not in agreement that the Mayor's honoraria and allowances was overpaid. Mayor has been paid in line with the

various DLG Circulars issued during 2019, with which the honoraria was increased as from mid April 2019. (Cirkulari 7/2019)

8.0 LIQUIDITY

Comment noted and the Council agrees to the figures as stated by the Auditor. However, it is important to note that the Council was undergoing a number of capital projects as at end of December 2019. The Council is continuously keeping trace of expenses to try to maximise the benefit to the locality.


9.0 FINANCIAL SITUATION INDICATOR

The Council is doing its utmost to return to positive working capital and this is shown from the gradual decrease in the negative FSI and negative working capital over the years. As stated in note 8 above, the Council was finalizing a number of capital projects as at end of December 2019, which finalization may mean that the Council will have to face some costs which were not budgeted for. These costs although not material have had an impact on the FSI of the Council since allocation is very low and the Council had already been striving with a break even FSI position for a number of years.

These projects had put a financial strain on the finances of the Council and thus while understanding that the Council has dropped beneath the 10% FSI threshold, such drop is the result of a number of capital projects which have resulted into a better Kercem locality. One also has to note that a number of these projects were EU funded and thus the Council had to contribute its share of expenses to avoid the loss of any EU funds. The Council has in fact annually improved its situation since 2016.

The Council is focusing its energy to control expenditure, both by compiling the annual budget and also by preparing quarterly reports with the necessary comparison between the budgets and the quarterly report.

The Council is striving to ensure that the financial situation indicator will continue to improve in 2020.



Mario Azzopardi
Mayor



Marianne Sagona
Executive Secretary