



IŻ-ŻEJTUN
Città Beland
Frott iż-żebbuġ ismi

28, "Dar iż-Żwieten", Triq Sant' Anġlu, iż-Żejtun ZTN 1369, Malta

Tel: (+356) 21 663866

Fax: (+356) 21 663939

Email: zejtun.lc@gov.mt

Web: www.zejtunlocalcouncil.com

Auditor General
National Audit Office
Notre Dame Ravelin
Floriana
FRN 1600

7th June 2015

Reply to the Management Report
for the Financial year ended 31st December 2015

Dear Sir/ Madam,

With reference to the Management Report received dated 27th April 2015 and which was subsequently received on the 20th May 2016 prepared by Grant Thornton for year ending 2015, hereunder please find our comments, explanations and disclosures as appropriate :

1. Follow Up: Management Report- Year Ended 31 December 2014

1.1 The Council has addressed the issue related to the provisions and accrued bank interest as well as increased the Cash in Transit. Please refer to note 2.2 as regards to the LES administration fees reconciliation.

1.2 No Issues encountered during the period in question

1.3 Expenditure

Please refer to note 3.1 and 3.5. It is pertinent to note that the Council does issue requests for quotations and adheres to the petty cash procedures however as explained during the audit process, urgent circumstances do arise. As regards to the note concerning the performance bonds please refer to note 3.11

Please also refer to notes 3.13 and 3.15 for our reply regarding the insurance policy, whilst the Council has taken note of the garage rent agreement and thus will seek to conduct a new agreement during 2016.

1.4 Fixed Assets

Please refer to note 4

1.5 Grants

As stated in the management letter, any issues highlighted in 2015 by the auditors have been rectified. As for the release of Deferred income, please refer to note 6.

1.6 Debtors

No issues reported.

1.7 Creditors

Please refer to notes 5.1, 5.4 and 5.6.

1.8 Bank and cash.

The Statement requested was not available during the audit process but was subsequently sent to the auditors as per note 7.1

1.7 Meetings

Please refer to note 8.3 and 8.5

2 Income

2.1 Other supplementary Government Income

The Council was unaware of this payment done by the DLG on its' behalf but subsequently abided by the auditors recommendations.

2.2 -2.3 Custodial Receipts/ General Income

The Council has taken the auditors' recommendation and will reconcile report 483 on a monthly basis.

2 Expenditure

3.1-3. The auditors' comments have been noted however it is common knowledge that community shops from which general daily consumable are purchased only have the capacity to provide a cash register receipt, which naturally does disclose the description of

the goods purchased as well as are not addressed to the Council. Despite this, the Council will do its utmost efforts to obtain a Tax Invoice whenever possible. Constraints however will remain.

3.3 -3.4 The Council is aware of the threshold however may we point out that in this day and age the Euro 23.29 needs to be adjusted as in many instances it is extremely difficult for Local Councils to abide. This threshold, which has been in place since the inception of Local Councils may have been relevant some 20 years ago however it now needs to be changed so as to reflect the inflation incurred over the years.

3.5-3.8 As explained during the audit visit, fiscal invoices not addressed to the Council and typing errors on the schedule of payments are human errors which although can be minimized, cannot be completely eliminated. As for the cheque issued to Anthony Grima, the comment done by the auditors is self-explanatory and since this was a formal call for quotations in which Mr. Grima actually signed for and behalf of Twanny's Aluminuim, the Council's position is completely law abiding.

In addition, as explained to the auditors during the audit process it is unequivocal that the Council adheres to the procurement procedures in the majority of acquisitions. It is however understandable that certain issues do arise to which the Zejtun Local Council's administration would be required to act without delay.

3.9-3.10 Non Collusive Agreement

The Council has taken note of the Auditors comments and will ensure that any future non-collusive agreements are not misplaced. Since the Audit process it has been found and attached is a copy for your attention.

3.11-3.12 Performace bond

As explained during the audit process on occasions due to unforeseen circumstances such as travel or sickness, the presentation of the Performance bond within the stipulted 7 day period is not abided to by the winning contractors. The Council will do its utmost to ensure such occurances are minimized.

3.13 Asset Insurance

The insurance policy as per previous years has been reviewed during 2015 following the reccommendations by the auditors in the Management report of 2014. Once again it is impertinent to note that additions to the Fixed Asset Register are conducted on a monthly basis and the renewal of the Insurance Policy occurs in March of every calendar year, therefore it is obvious that disrapancies are reflected at the end of each financial year. The Council will once again take the auditor's reccommendation and perform a review of the current policy with the necessary adjustments. Once again constraints will remain.

3.15-3.16 Group Personal Insurance

The recommended adjustments have been conducted as per instructions by the auditors.

3.17-3.18 Rent

The Council will undertake and exercise during 2016 so as to ensure that any expired agreements are renewed.

4. Fixed Assets

Reconciliation of financial statements with accounting records

4.1 The Nominal Ledger (NL) was reconciled at year end to the Financial Statements (FS) as per attached document 'A'. The analysis of the Fixed Assets Register (FAR) is also included in the reconciliation as well as the grouping of assets for disclosure in note 14 to the Financial Statements. This document, in soft format, was given to the Auditors during their field work as well as explanations to their queries were given. A summary is as follows:

Asset Category as per Note 14 in FS	NBV as per FS	NBV as per NL	Variance
Property	€ 459,306	€ 459,306	€ 0
Special Prog.	€ 1,533,169	€ 1,533,168	€ 1
Furn & Fittings	€ 71,018	€ 70,102	€ 916
New Street Signs	€ 0	€ 0	€ 0
Urban Improv.	€ 219,079	€ 264,519	(€ 45,440)
Office Equipment	€ 7,100	€ 8,018	(€ 918)
Plant & Machinery	€ 824	€ 818	€ 6
Trees	€ 35,172	€ 35,171	€ 1
Not yet capitalised	€ 45,439	€ 0	€ 45,439
Total	€ 2,371,107	€ 2,371,102	€ 5

As can be noted from the above table the Net Book Value as reported on the face of the balance can, by no stretch of imagination be termed as overstated, even so misstated. The variances emanate from rounding up to the nearest Euro. That said, the variances highlighted above refer to reclassifications. In particular the amount of € 45,439 was debited to the Urban Improvements cost account in the NL but, since it was not the final cost of the

asset, it was Not Yet Capitalised (NYC) by year end, hence not included in the FAR. Again here this was reclassified in the FS for disclosure purposes.

We believe that the above explains all points raised by the Auditors under paragraphs 4.1 to 4.6

Details in fixed assets register

- 4.7 The amount of detail that can be input into the FAR depends on the number of fields available and the length of such fields within the FAR module. Something, the Council does not have control over.
- 4.8 The Council is in a continuous endeavour to put as much information as possible in the FAR but it is to be appreciated that not all recommendations listed under this paragraph fit all assets.
- 4.9 The Council is fully aware of the observation made under this paragraph.

4.10 – 4.11 Tax Invoice

As explained to the auditors some contractors unfortunately still have limited knowledge of the taxation procedures that Local Councils must abide by, however the Zejtun Local Council's administration will do its utmost to ensure that such occurrences, even if very few and far between, are eliminated.

5 Creditors

5.1- 5.3

The Council will take the auditors recommendations and ensure that more frequent statement of accounts are obtained from its' creditors. As regards to the payment of Euro 10,083.11 made by the Department of Local Government to Wastserv on behalf of Zejtun Local Council, as explained to the auditors during the audit process this was not recorded since the Council was unaware of such payment. No notification of such was communicated to us by the Department of Local Government.

5.4 Long Outstanding Creditors

During 2015 and early 2016, Zejtun Local Council has undertaken an extensive exercise whereas a number of creditors whose amounts were due for years have been deleted from the Council's records following a disclaimer from each supplier confirming that no amount was due and accompanied by Local Council's resolution. During the current financial year, the Council will continue with this process however some amounts are still in dispute thus will have to remain in the accounting records of the Council.

PPP agreement

5.6 The payments under PPP do not carry any interest and hence application of IAS 39 cannot be applied.

5.7 The recommendation cannot be adopted.

6. Grant accounting

6.1 The error was corrected in the final version of the Financial Statements as also referred to the Auditors under this paragraph.

6.2 The Council is aware of the observation under this paragraph.

6.3 The issue regarding the grant on trees is only mentioned in this year's letter. Previous letters never referred to any "release the portion of this grant relating to trees to income statement". Primarily it is pertinent to ask, what "portion"?

6.4 The Auditors have effectively gone round in circles under this paragraph and left the question posed in 6.3 unanswered. Suffice to say that the Council is not the competent authority to be accused that "no decision has yet been made regarding a reasonable rate". The Council does not decide which rates to apply to which assets.

6.5 The matter was corrected in the final version of the Financial Statements, as also indicated by the Auditors under this, and the subsequent (6.6) paragraphs.

7 Bank and Cash

7.1 – 7.2

As explained earlier in this letter, at the time of the audit process the Council had only an HSBC statement up to 30th September 2015. Once this was requested by the auditors a formal request to the bank was conducted, however it was provided to us days after the audit visit. Once it was at hand, it was sent by email to the auditors as can be seen in the the attached document.

7.3-7.4

The council has taken note of the auditors' comments and has communicated with the respective bank so as not to charge the withholding from interest on deposits held.

8 Council Meetings

The Zejtun Local Council's Administration has taken note of the auditors' comments however it must be understood that on particular occasions, the intervals between meetings is delayed either to unforeseen travelling or sickness. Nevertheless, the Council will do its utmost to adhere to section 43(2) of the Local Councils Act. As for meetings which will require to last more than 3 hours, the Council will seek an unanimous decision of the Councillors as per the auditors' recommendations.

9 Electronic Sites

As explained to the auditors during their field work, on occasions even due to flaws with the system itself we fail to upload such documents in a timely manner. Having said this we will do our utmost to abide with memos 36/2011 and 2/2014.

10 Schedules of Payments

The auditors' comments have been noted and thus will ensure that all cheque numbers are listed on the schedule of payments before being presented to the Council for approval.

11 Financial statements

Presentation of financial statements

11.1 The Council correctly amended the errors in the final set of Financial Statements.

11.2 Other shortcomings identified

- i. We do not know how the Auditors arrived to this conclusion as the assets written off were from the items that were not yet capitalised and hence do not carry any depreciation. This was also explained verbally during their field work.
- ii. The disclosure note under Capital Commitments Note 21 refers to "Road Resurfacing projects" and not special programmes as indicated by the Auditors. The other commitments will be funded as follows:
 - Office furniture – out of own funds;
 - Urban Improvements – out of own funds;
 - Machinery and equipment – out of own funds;
 - Construction & Road Resurfacing – through Private Public Partnerships as per disclosure;

Cash flow statement

- 11.3 i. The movements in income released and provision for doubtful debts are both disclosed above the "movements in working capital" and not 'under', as the Auditors remarked. We do not agree with their comment.

- ii. Again we do not agree, the “disposals” refer to write off (see also paragraph 11.2 (i.)). This cost was incurred in previous years and now written off as the project was abandoned. The write off was charged to the income statement, hence has to feature under adjustments to the surplus as this is a non-cash entry for 2015.
- iii. The element of Government Grants Forgone does not go through profit and loss and is not a cash transaction, hence should not feature as an adjustment in the cash flow statement. The adjustment is made between the Grants Receivable and the Grants Deferred.
- iv. The payments with respect to PPP are included in the movement to “Payables”.

We take this opportunity to thank the auditors for their co-operation throughout the entire process.



Anton Falzon
Executive Secretary



Joseph Attard
Mayor

Falzon Anton at DLG

From: Falzon Anton at DLG
Sent: It-Tlieta, 10 ta' Mejju 2016 08:59
To: 'Jelena Vencelovski'
Subject: FW: Attached Image
Attachments: 4409_001.pdf

Hi Jelena,

Please find attached the bank statements of HSBC.

Kindly amend notes 1.8 and 7.1 in the Management Letter.

I have also just spoke to Lawrence who confirmed that the FS will be in hand later on today.

Kind regards,

Anton Falzon
Executive Secretary
Zejtun Local Council

From: Zejtun Local Council at DLG
Sent: It-Tlieta, 10 ta' Mejju 2016 07:56
To: Falzon Anton at DLG <anton.falzon@gov.mt>
Subject: Attached Image



Account Statement

Branch Name: ZEJTUN
Page 1 of 1

KUNSILL LOKALI - ZEJTUN
28, ST ANGELO STREET
ZEJTUN
ZTN 06

Statement Details	
STATEMENT DATE	30MAR2016
CUSTOMER NUMBER	056-075708
ACCOUNT NUMBER	056-075708-050
IBAN	MT32MMEB4456500000056075708050
SEQUENCE NUMBER	32
CURRENCY	EUR
PRODUCT TYPE	CMB SAVINGS A/C-NTAX
DESPATCH CODE	M - MAIL
EXCESS AMOUNT	0.00

Date	Details	Withdrawals	Deposits	Balance (DR=Debit)
30SEP2015	BALANCE BROUGHT FORWARD			5,000.60
28DEC2015	REF ZDD4-00190			
	CREDIT INTEREST		2.41	5,003.01 ✓
WITHDRAWALS		0.00		
DEPOSITS		2.41		
	AS AT			30MAR2016
	BALANCE CARRIED FORWARD			5,003.01

Express Banking, specifically created for you to carry out your daily banking transactions, at any time, 7 days a week. It offers you the possibility to make simple and safe transactions, without the need to visit a branch. Express Banking includes Internet Banking, PhoneBanking, Mobile Banking, ATM and Deposit Machine services.



Account Statement

Branch Name: ZEJTUN
Page 1 of 1

KUNSILL LOKALI - ZEJTUN
28 ST ANGELO STREET
ZEJTUN
ZTN 06

Statement Details	
STATEMENT DATE	30JAN2016
CUSTOMER NUMBER	056-075708
ACCOUNT NUMBER	056-075708-001
IBAN	MT94MMEB4456500000056075708001
SEQUENCE NUMBER	174
CURRENCY	EUR
PRODUCT TYPE	CMB CURRENT A/C-TAX
DESPATCH CODE	M - MAIL
EXCESS AMOUNT	0.00

Date	Details	Withdrawals	Deposits	Balance (DR=Debit)
31JAN2015	BALANCE BROUGHT FORWARD			2.33
WITHDRAWALS	0.00	AS AT		30JAN2016
DEPOSITS	0.00	BALANCE CARRIED FORWARD		2.33

Express Banking, specifically created for you to carry out your daily banking transactions, at any time, 7 days a week. It offers you the possibility to make simple and safe transactions, without the need to visit a branch. Express Banking includes Internet Banking, PhoneBanking, Mobile Banking, ATM and Deposit Machine services.

LC Zoning	Item of FAR in N.Y.C. Zoning	Total FAR	FAR Cat (H)	FAR Cat (I)	FAR Cat (J)	FAR Cat (K)	FAR Cat (L)	FAR Cat (M)	FAR Cat (N)	FAR Cat (O)	FAR Cat (P)	FAR Cat (Q)	FAR Cat (R)	FAR Cat (S)	FAR Cat (T)	FAR Cat (U)	FAR Cat (V)	FAR Cat (W)	FAR Cat (X)	FAR Cat (Y)	FAR Cat (Z)	Net Yet Capitalized
7001/000	Acquisition of Property	470,165.86	335,122.77																			
7001/001	Land and Buildings Cat BG & LD	16,791.28	16,791.28																			
7100/000	Construction	3,940,058.29																				
7100/001	Construction Cat CW & UIF-Cent																					
7100/000	Pavements																					
7142/000	Child Day Care Centre																					
7156/000	Green Brejlu	114,892.17																				
7210/000	Office Furniture/Fittings Cat OFF	53,451.56																				
7230/000	New Street Signs Cat S5																					
7240/000	Urban Improvements	826,731.63	45,439.03																			
7240/001	U1 Cat U10 U100 U1F-U10 & U1F-100	781,292.60																				
7250/000	Trees Cat TR	34,465.55																				
7310/000	Office Equipment Cat OE	18,751.28																				
7311/000	Computer Equipment Cat CE	11,503.03																				
7320/000	Plant and Machinery Cat PM	4,967.89																				
7500/000	Special Programmes																					
7500/006	Mitura 313	370,674.99																				
7500/011	Mitura 175																					
7506/000	Ta' Genas' Project																					
7600/000	Asset not yet capitalised																					
7600/010	Ans & Crans Centre																					
7600/012	PPP - Balc01																					
7600/018	LC Offices Upgrading works																					
Total		5,862,453.53	45,439.03	5,817,014.50	351,914.05	11,503.03	3,316,887.98	135,043.09	18,751.28	114,892.17	4,967.89	53,451.56	39,197.55	382,287.73	177,712.81	971,951.04	159,354.17	323,102.23	491.10	3,125.52	95,483.53	45,439.15

Grouping for FS 2015	FS Total	Property	Special Prog	Office Equ	Furn & Fitt	P & M	Street Signs	Trees	Urban Impr	Dep Provs	Exp Provs	Net
Ledger Total	5,862,453.53	486,957.14	4,288,939.02	30,254.31	114,892.17	4,967.89	53,451.56	39,197.55	798,454.86			45,439.15
Accumulated Dep-Property	27,650.88											
Accom DBP-Construction	2,077,096.50											
AccDep-Office Furniture	44,791.45											
AccDep-Street Signs	53,451.56											
AccDep-Urban Improvement	463,885.38											
AccDep-Office Equipment	14,072.48											
AccDep-Plant & Machinery	4,149.81											
AccumDep-Computer Equipment	8,162.73											
Grants Special Needs	798,090.00											
Depreciation Provision at 31.12.2015	3,491,350.79	27,650.88	2,545,225.81	14,072.48	44,791.45	4,149.81	53,451.56	4,026.93	242,358.81	210,444.66	80,693.81	98,609.05
Ledger Total	3,491,350.79	27,650.88	2,545,225.81	14,072.48	44,791.45	4,149.81	53,451.56	4,026.93	242,358.81	210,444.66	80,693.81	98,609.05
Grouping for FS 2015	FS Total	Property	Special Prog	Office Equ	Furn & Fitt	P & M	Street Signs	Trees	Urban Impr	Dep Provs	Exp Provs	Net
Grants Special Needs	(798,090.00)											
	2,693,260.79	27,650.88	2,545,225.81	14,072.48	44,791.45	4,149.81	53,451.56	4,026.93	242,358.81	210,444.66	80,693.81	98,609.05
Net Book Value at 31.12.2015	3,371,107.86	459,308.28	3,533,148.33	8,032.10	70,100.77	818.06	35,170.62	35,170.62	212,000.38	310,444.66	80,693.81	45,439.15

LC Zoning	Item of FAR in N.Y.C. Zoning	Total FAR	FAR Cat (H)	FAR Cat (I)	FAR Cat (J)	FAR Cat (K)	FAR Cat (L)	FAR Cat (M)	FAR Cat (N)	FAR Cat (O)	FAR Cat (P)	FAR Cat (Q)	FAR Cat (R)	FAR Cat (S)	FAR Cat (T)	FAR Cat (U)	FAR Cat (V)	FAR Cat (W)	FAR Cat (X)	FAR Cat (Y)	FAR Cat (Z)	Net Yet Capitalized
8030/000	Accumulated Dep-Property	27,650.88																				
8031/000	Accom DBP-Construction	2,077,096.50																				
8032/000	AccDep-Office Furniture	44,791.45																				
8035/000	AccDep-Street Signs	53,451.56																				
8036/000	AccDep-Urban Improvement	463,885.38																				
8037/000	AccDep-Office Equipment	14,072.48																				
8038/000	AccDep-Plant & Machinery	4,149.81																				
8039/000	AccumDep-Computer Equipment	8,162.73																				
8090/000	Grants Special Needs	798,090.00																				
Total		3,491,350.79	27,650.88	3,491,350.79	351,914.05	11,503.03	3,316,887.98	135,043.09	18,751.28	114,892.17	4,967.89	53,451.56	39,197.55	382,287.73	177,712.81	971,951.04	159,354.17	323,102.23	491.10	3,125.52	95,483.53	45,439.15

ZEJTUN LOCAL COUNCIL

**Notes to the Financial Statements
for the year ended 31 December 2015**

14. Property, plant and equipment

Cost	Property €	Special Prog. €	Furniture & Fittings €	New Street Signs €	Urban Improve. €	Office Equip. €	Plant and machinery €	Trees €	Assets		Total €
									Capitalised €	Not yet Capitalised €	
At 1 January 2015	486,957	3,892,700	102,091	52,203	777,299	30,857	4,968	34,466	384,441	5,765,982	
Reclassifications	-	348,781	9,861	-	17,162	-	-	4,732	(380,536)	-	
Additions	-	47,356	2,940	1,249	3,993	-	-	-	41,615	97,153	
Disposals	-	-	-	-	-	(605)	-	-	(81)	(686)	
At 31 December 2015	486,957	4,288,837	114,892	53,452	798,454	30,252	4,968	39,198	45,439	5,862,449	
Government Grants											
At 1 January 2015 & 31 December 2015	-	678,573	-	-	115,489	-	-	4,026	-	798,088	
Depreciation											
At 1 January 2015	24,376	1,944,121	38,302	52,203	434,479	21,008	3,939	-	-	2,518,428	
Current charge	3,275	132,974	5,572	1,249	29,407	2,144	205	-	-	174,826	
At 31 December 2015	27,651	2,077,095	43,874	53,452	463,886	23,152	4,144	-	-	2,693,254	
N.B.V. at 31 December 2015	459,306	1,533,169	71,018	-	219,079	7,100	824	35,172	45,439	2,371,107	

✓