



IL-KUNSILL LOKALI TA' ŻEJTUN

Auditor General
National Audit Office
Notre Dame Ravelin
Floriana

30th August 2021

Reply to the Management Report for the Financial Year ended 31st December 2020.

Dear Sir/ Madam,

With referene to the Management Report received dated 19th July 2021 and which was subsequently received on the 14th August 2021 prepared by Grant Thornthton for year ending 2021, hereunder please find our comments, explanations and disclosures as appropriate :

1. Follow Up : Management Report – Year Ended 31st December 2019

1.1 Please refer to notes 2 for comments regarding deposit receipts, accrued income ,
Les ,Joint Committe Financial Statements, Tribunal Premises

1.2 Please refer to note 3

1.3 Please refer to note 4

1.4 Please refer to note 5.

1.5 Please refer to note 6.

1.6 No issues reported.

1.7 Please refer to note 8.

1.8 Please refer to note 9.

1.9 Please refer to note 10.

1.10 Please refer to note 11

1.11 Please refer to note 12

2. Income

2.1- 2.2 General Income

The Council has taken note of the Auditors' comments and will ensure that the Service Agreements are renewed accordingly. It is also fair to note and mention that the Manucca Child Care Centre is fully owned by the Council and thus the only beneficiary.

2.3-2.5 Bank deposits are deposited regularly and the total of the deposits mentioned by the auditors over a 6 month period merely exceed Euro 150. It is impertinent to note that due to fresh banking policies issued during the year under review the process has become way more time consuming and problematic. It is also impertinent to note that the instances mentioned were one-off occasions arising from particular circumstances.

2.6-2.7 Other Government Income

The Council has taken note of the auditors' recommendation as regards to the income in relation to SPI 10/2019. The audit adjustment proposed was approved by the Council and recorded accordingly in the Financial Statements.

2.8-2.9 Advanced Payment

The Manucca salaries were paid from the Local Council Funds for a short period of time due to the fact that a new Board of Administrators was appointed however these were not yet recognized by APS bank as the official signatories for and behalf of the foundation. The recommended posting adjustment was approved and recorded accordingly.

2.10 As correctly stated by the auditors the payment from the Malta Tourism Authority was erroneously posted twice thus the income was corrected accordingly following the proposed audit adjustment.

2.12 – 2.17 Les and Administration Fees

As explained to the auditors during the fieldwork, the report 483 generated from Loqus is hardly close to being accurate and presents a discrepancy each and every time this reconciliation is attempted. We will take the auditors advice and seek a reconciliation done in person with LESA accounts officers which was scheduled multiple times during 2020 but hindered by Covid restrictions. As regards to the comments regarding invoicing as per memo 91/2011, the Council will do its utmost efforts to adhere accordingly whilst also will ensure that Pre-Regional debtors are also reconciled if possible.

2.18 -2.19 As reiterated during the past years the Joint Committee failed to exist since 2011 and thus no audited financial statements could be obtained since that date. Information on the reserves need to be addressed to the Joint Committee as the Local Council has no data on the issue.

2.23-2.26 Accrued Income

The Council would like to point out that the amount in question had been debated with the Department of Local Government up to the auditors' visit which was only confirmed during the audit process. The auditors' recommendation was approved by the Council and appropriately recorded in the financial statements.

3.1- 3.3 Expired Contract

The Council has taken note of the auditors' comments and would like to point out that the Street lighting contract has not been issued nor extended due to the fact that all works

related to street lighting will be taken over by the Region. The contract for the Street Lighting maintenance has been expired for years since the Department for Local Government, on multiple occasions advised us that such a service will become regional. At the moment we are awaiting for the Regjun Xlokk to issue a call for tenders

3.4 -3.5 Petty Cash Payments

The Council will ensure petty cash vouchers are attached to each petty cash chit approved by the Local Council. In addition, a signature will be sought by the purchaser as well as by the Executive Secretary. One must however note that the Council adheres to the procurement procedures in almost all instances however it is understandable that urgencies do occur.

3.6 Procurement Procedures

As explained to the auditors also during the audit visit the Council adheres to the procurement procedure in the majority of acquisitions. It is however understandable that certain issues do arise to which the Zejtun Local Council administration would be required to act without delay such as the acquisition of urgent IT equipment after storm damages as had been the case mentioned.

The issues would have certainly been explained to the auditors during the visit if these had been highlighted, especially since the restoration of St. Joseph Shrine in Triq Marsaxlokk were executed with urgency due to the urgent repairs that were necessary. As for the Dog park this was financed by Greenpak and for which expense quotations were also obtained.

3.10- 3.11 Payment Approval

It is pertinent to note that that amount in question relates to the salary of one of the Local Council employees and for which can be issued on a contract based prior to approval of the Local Council. This would have also been explained during the audit visit however this issue was not mentioned whatsoever.

3.12-3.14 Tendering Procedures

The auditors' comments have been noted. As for the performance guarantee for Tender 1/2019, in that particular instance the contractor was unable to provide the performance bond within the stipulated time frame due to unforeseen circumstances created by the pandemic. As for the Tender of the Contract Manager, this was also an oversight caused by the fact that the Tender was awarded during the lockdown period which has since been corrected.

3.15 – 3.17 Asset Insurance Policy

During 2020 the insurance policy as per previous years has been reviewed, however as stated in previous years it must be noted that the sum insured for instance on Land and Buildings differs between the NBV since the cost insured covers the cost of rebuilding and not for re-purchasing. As for Office Furniture and Fittings the Council will review these amounts, albeit the insurance value paid on the discrepancy noted is minimal.

3.18 – 3.19 Rent Expense

The Council will review the new standards in relation to leases however it is impertinent to note that all leases are paid to the Lands Authority which is a government body. As correctly stated by the auditors this does not have a bearing on the accuracy of the Financial Statements thus no adjustment was proposed.

4. Property Plant and Equipment

4.1 - 4.2 The issues highlighted by the auditors were of erroneous postings between accounts, to which an audit adjustment was proposed and correctly recorded in the Financial Statements. These adjustments did not have any bearing or influence on the net



value of the accounts presented since it was a case of shifting the accounting postings from one account to another.

4.3 - 4.6

The auditors highlighted the fact that the expense related to the restoration of St. Joseph Shrine should have been recorded against the cost of the asset in the 'special programmes category and not as 'assets under construction. An audit adjustment was proposed which was subsequently correctly recorded in the Financial Statements. As for the ownership of the niche, it was proposed by the auditors that the cost should be expensed rather than capitalized. Since the owner was not the Council, the audit adjustment noted was accepted and recorded accordingly in the Financial Statements.

4.7-4.8 Reconciliation of Financial Statements with Fixed Asset Register

As also can be noted by the auditors every effort has been made to ensure that the Fixed Asset Register is kept updated. It is however pertinent to note that our efforts during the financial year 2018 to ensure a factual list of assets registered in the FAR proved futile. One can refer to the management letter for the year ending 2018 for further details.

4.9 – 4.11 Fixed Asset Register

The auditors' comments have been noted. Every effort will be done to give the items in the Fixed Asset Register a more detailed description however it is impertinent to note that there is a limit on the amount of text/ detailed information that can be inputted.

4.12 -4.13 Fixed Asset Additions

The Council has taken note of the auditors' comments as regards to the architect fees in relation to the building or rubble walls. Since the project will not be going forward in the foreseeable future, the auditors' recommendation was accepted.

4.14 – 4.15 Grants

The recommendation to record the grants and the expense separately was accepted by the Council and was subsequently correctly recorded in the Financial statements.

4.18 Absolute Assets

It is pertinent to note that the Council has the practice of disposing items following approval by the Local Council. The item highlighted by the auditors which was purchased in 2004 was indeed approved by the Council during a meeting yet erroneously not minuted.

5 Debtors

5.1 – 5.2 Les Receivables

As noted by the auditors, LES Debtors carry a nil value and have no financial bearing on the financial statements. As stated above it is also pertinent to note that the Joint Committee ceased to exist as at 31st August 2011 thus any attempts to reconcile will prove futile.

5.3-5.6 Overdue Receivables

In the previous year the Council had taken note of the auditors comments and has undertaken an exercise to obtain as many settlements as possible from overdue Debtors. The Council will continue to ensure that Debtors are monitored on a regular basis. It must be also noted that the nature debtors pointed are either of negligible amounts or Government entities.

5.7 Confirmation of Debtors

The Council has taken note of the auditors comments and will seek to reconcile debtors on a regular basis. One must however point out that out that the debtors highlighted represent only a small fraction of the total debtors of the Council.



6 Creditors

Supplier Statements

6.1- 6.2 As explained in previous years, a substantial amount of the Council's suppliers do not have a system that allows them to issue regular statements.

The Council still issues request periodically, every three or four calendar months to all the suppliers that have a balance on the Council's books. The objective of the request is to effectively reconcile to each respective supplier's records. Corrections, where necessary, are conducted.

6.3-6.4 Long outstanding Trade Creditors

It is impertinent to note that the only long outstanding Creditor is Wastserv which is paid on a 4 monthly basis due to the fact that the allocation given by the Department of Local Government is split into 3 quarterly payments for control purposes.

6.5-6.6 Balance Payable to Works and Infrastructure Department

The auditors' comments have been noted and the reclassification adjustments was processed as requested. In the future it will also treat separately creditor balances which are on of a long-term nature so as to indeed have a clear vision of the payments that have to be made in the term ahead.

6.7 – 6.8 Advance Payments

The Local Council has correctly recorded the accrued income in respect to the funds due from Gal Xlokk however it has taken note of the auditors' comments and re-adjusted the contra entry from cost of the asset to the advance payment.

6.9 -6.10 The Council will seek a signed agreement from the Department of the Local Government as advised by the Auditors.

6.11-6.16

The council has taken note of the auditors comments in relation to the Rural Development Programme funds and the funds related to the Dog Park project. The audit adjustments proposed by the auditors for both funds were accepted by the Council and recorded accordingly in the Financial Statements.

Going forward, the Council will be more careful before classifying an income as an advanced payment or grant albeit the appropriate classification is not always clear and can be somewhat subjective.

7 Bank and Cash

7.1-7.2

This issue had been explained in detail to the auditors in the last management letter and also in the audit visit of 2018 who despite that still unjustly describe the issue as “cash was not located at the Council’s premises. As explained in the Management letter of last year this transaction was passed as at year end 2013 as cash in hand as at 31st December, subsequently deposited on the 8th January 2014 incorporated in the amount of Euro 320.03. Since it has been mention also in the management letter of the year under review it will be ensured that this amount is reversed.

8.1-8.2 Presentation of Financial Statements

The adjustments suggested by the auditors were all taken into consideration before approving the financial statements.

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