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PAOLA LOCAL COUNCIL

Reply to Audit Management Letter for year ending December 2019

1. Follow – up: Management Report – Year ended 31st December 2019

Whilst acknowledging the positive remarks raised by the Auditors with regards to the previous year Management Letter, all sections will be answered during the course of this letter and explained in detail where issues raised are not in compliance with Auditor's views and state our case on such issues.

2. Accounting Function

2.1– 2.4 – The auditor's comments were noted.

3. Fixed Assets

3.1- 3.3– Fixed Asset Register

In 2019, the Council finalized the Fixed Asset Register on sage, and the Fixed Asset register was used in the accounting for 2019. The auditor's recommendation to update the register with other relevant details is noted and will be updated in 2020.

3.4- 3.5– Reconciliation of financial statements with fixed asset register

The council will adhere to the auditor's recommendations to review the financial statements and compare figures for fixed assets to the fixed asset register.

3.6- 3.7 – Additions to Fixed Assets

The auditor's comments have been noted.

3.8 – 3.11 – Grants

The audit's comments have been noted.

4. Income

4.1– 4.2 – Income from Central Government

The Council adhered to the auditor's recommendation and reallocated the Eur 1,114 attributable to MITA service agreement.

4.3 – 4.4 – General Income

The auditor's recommendations have been noted.

4.5 - 4.8 – Income from LES administration fee

The Council adheres to the recommendation of the auditor.

5. Expenditure

5.1 – 5.3 - Petty Cash Expenditure

The items purchased exceeding the €50 threshold relate mainly to instances where the items bought were urgently required to close maintenance works that were being made in one of the playgrounds. The council will see that such instance is not repeated.

5.4 – 5.5 – Procurement Procedures

The auditors are incorrect when noting that less than three quotations were obtained for the items mentioned except for the architect service which relates to a council's decision to instruct an other architect to conclude works that were not being made by the council's contracted architect further to several requests.

5.6 – 5.9 – Tendering Procedures

The council takes note of the auditor's comments but would like to add that all issues noted have already been rectified.

5.10 – 5.11 – Expired Contract

The council takes note of the auditor's comments but would like to add that the council is awaiting direction from the region which will be issuing the respective tender in the coming months.

5.12 – 5.14 – Insurance Policy

The audit's comments have been noted.

5.15 – 5.16 – Travelling

The travelling report relating to the Efforts congress was sent to DLG. The report relating to TAIEX study visit was also sent but through the organising entity.

5.17– 5.20 – Rent

The council adhered to the auditor's recommendations and passed the audited adjustments in the financial statements. The Council will ensure that future transactions are properly recorded.

5.21 – 5.22 – Cultural Activities

The audit's comments have been noted but as noted in previous year's such budget is low in relation to the present market prices.

5.23 – 5.26 – Professional Fees

The council adhered to the auditor's recommendations and passed the audited adjustments in the financial statements.

5.27 – 5.28 – IFRS 16 'Leases' assessment

The auditor's recommendations have been noted.

6. Payroll

6.1 – 6.2 – Wages reconciliation

In August and October 2019, there was a human mistake whereby when adding the gross emoluments Eur 1284 for the months of August and October 2019 was not added to the calculation. The FS7 submitted has the correct figures, and the FS5 payments were correctly paid. The auditor's comments were duly noted.

6.3 – 6.4 – Payment of FSS and NI

The audit's comments have been noted.

6.5 – 6.8 – Declaration of councillors' allowances

The Council has reported the allowance of one councillor under 'Part Time Gross Emoluments' since the respective councillor declared in the FS4 that 15% tax is to be deducted from his allowance.

The auditor's noted that the council is not withholding tax for four councillors, the reason being is when the councillors were employed and submitted their FS4 they declared that no tax is to be deducted.

6.9 – 6.10 – Mayor Honoraria

According to the reconciliation prepared and attached as Annex 1, the Mayor had to receive Eur 15,710 whilst his FS3 is showing Eur 15,698, that is Eur 12 less. This could be coming from rounding differences throughout the year.

6.11 – 6.12 – Councillors and mayor's allowances

The wages reconciliation agrees to the books of accounts of the Council. Hence the Eur 133 difference is a reallocation error from the other payroll accounts.

7. Trade and other Receivables

7.1 - 7.2 – Pre-regional receivables

The Council will adhere to the recommendation of the auditor but as also stated by the auditor this has no effect on the financial statements of the Council.

7.3 - 7.4 – Overdue Receivables

The Council will adhere to the auditor's recommendation whereby statements will be sent to the long overdue receivables.

7.5 – 7.6 – Confirmation of Debtor

The Council will adhere to the auditor's recommendation.

7.7 – 7.10 – **Accrued Income**

The Council will adhere to the auditor's recommendation.

7.7 – 7.9 – **Prepayments**

The Council adhered to the auditor's recommendation. The Council will ensure that future transactions are properly recorded.

8. Bank and Cash

8.1 – 8.2 – **List of unrepresented cheques**

The Council will adhere to the auditor's recommendation.

9. Trade and Other Payables

9.1 – 9.2 – **Suppliers Statements**

Even though not every supplier will easily provide us with a statement we will do our utmost to adhere to the auditor's recommendation and obtain suppliers' statements.

9.3 – 9.4 – **Long Outstanding Creditors**

The Local Council noted the auditor's point.

9.5 – 9.7 – **PPP Payables**

The Council adhered to the recommendation of the auditor. It should be noted that in the financial statements the PPP Payables are separately disclosed from the Trade Payables.

9.8 – 9.9 – **Trade Creditors**

The Council will adhere to the auditor's recommendation.

9.10 – 9.13 – **Confirmation of trade creditors**

The Council will adhere to the auditor's recommendation.

9.14 – 9.15 – **Debit balances in creditors' list**

The Council will adhere to the auditor's recommendation.

9.16 – 9.21 – **Accruals**

The Council will adhere to the auditor's recommendation.

9.16 – 9.21 -**Unrecorded liabilities**

The Council will adhere to the auditor's recommendation.

10. Capital Commitments

10.1 – 10.2 – The Council will adhere to the auditor's recommendation.

11. Financial Statements

11.1 – 11.3 – Financial Statements

The council adhered to the auditor's recommendation and adjusted the financial statements accordingly and will ensure that more attention is given when preparing the financial statements.

12. Electronic Site

The local council is doing its utmost to update all relevant material, but it is being noted that the material uploaded is being lost or misplaced due to the new website and uploading system being used.

13. Meetings

The audit's comments have been noted. Such situation is not an issue within the present legislature.

12.1 – 12.2 – Budget

The budget was approved in council meeting 58 which was held after the annual locality meeting.

14. Committee Meetings

13.1 – 13.4 – Attendance at meetings

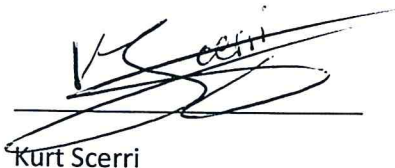
The council looks forward that such attendance will increase in the new legislature. For which a new council will be appointed in July 2019.

Conclusion

During the council meeting held on the 24th of June 2020, the Paola Local Council has discussed and clearly understood the content of the Management letter sent by the Auditors and will be making the necessary amendments, accordingly, as noted in this document. The council will also be working with the council's accountant to improve on the points noted in this management letter.

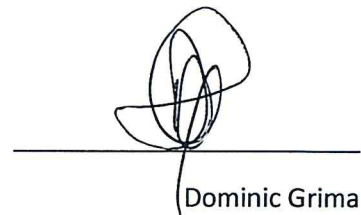
In addition to the above, the Local Council appreciates the positive comments highlighted in this management letter which illustrate how this office improved on the items noted in previous management letters.

The council would like to show the appreciation of the members to the work carried out by the council Executive Secretary, staff and council accountants.



Kurt Scerri

Executive Secretary



Dominic Grima

Mayor