



16th September 2021

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

1. Previous Management Letter

The matters in respect of previous year management letter will be tackled in detailed under their respective sections.

2. Accounting function

The difference in the final accounts showing a profit of € 38,308 with the draft accounts showing a loss of € (27,359) is the result of two main adjustments. One is the payment of Wastserv Balance by the DLG amounting to € 87,584 and the other is the accounting of the settlement of legal disputes amounting to € 23,660. The Local Council will ensure that in subsequent years transactions pertaining to the current year are captured before the closure of the draft financial statements.

3. Books of Account

The Council will ensure that posing are done to the correct income and expenditure accounts to avoid reclassifications passed at audit stage.

4. Financial Statements

As stated by the auditors the Local Councils has amended all the shortcoming noted by the auditors in the draft financial statements.

5. Income

5.1 & 5.2 The Council will ensure that any adjustment from the allocation will be accounted for in their respective accounts. As noted, the Local Council amended the financial statements as recommended by the auditors.

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5.3 & 5.4 The Local Council has identify the amount of € 87,583.76 when preparing the accounts of the first quarter of 2021. The Local Council was not informed by the DLG and Wasteserv of the payments effected by the DLG in respect of balances due to Wasteserv by the Marsa Local Council. As noted, the Local Council amended the financial statements as recommended by the auditors.

5.5 & 5.6 The Council will ensure that any grant received in advance will be accounted for deferred income. As noted, the Local Council amended the financial statements as recommended by the auditors.

5.7 & 5.8 The council will adhere to the Procedure and deposit such custodial receipt at least twice weekly.

5.9 & 5.10. The council will adhere to the Procedure and deposit such custodial receipt at least twice weekly.

5.11 & 5.12 The Local Council will adjust the amounts due from pending tribunal payments to agree to the Loqus system. The adjustment amounts to € 264. The adjustment should not effect the retained earnings of the Local Council since there will be a reduction in income of € 264 with a corresponding decrease in provision of bad debts of € 256.

6. Personal emoluments

6.1 & 6.2 The Local Council was also informed of this breach by the new accountants and will inform the Councillors in the next Council meeting in order to rectify the Taxation issue.

6.3 & 6.4 The Local Council will investigate the € 110.96 difference between FS5 and books of accounts and account for the difference accordingly.

6.5 & 6.6 The Local Council will ensure that classification of personnel emoluments in the FS 5 will match the classification in the FS 7.

6.7 & 6.8 The Local Council will ensure that all excuse letters will be attached to the minutes accordingly.

7. Expenditure

7.1 to 7.4 The Local Council will ensure that enough detail is included in the petty cash voucher sheet in order to enable identification of the items being purchased.

7.5 to 7.8 The Council will obtain quotations as requested by the Local Council Financial Procedures. At times, due to the urgency of the situation the Council just orders from well-known suppliers, but we understand that quotations are important for better controls. We understand that the Local Council need to update its internal control procedures for better controls.

7.9 to 7.13 The Council will ensure that Fixed assets are not over insured and that employer's liability is not under insured. A revision of the insurance policies will be done for next year as recommended by the auditors.

7.14 & 7.15 The Local Council will amend the Personal accident insurance to limit such insurance only to the Maltese territory.



7.16 & 7.17 The Local Council will issue a new tender on the Cleaning and maintenance of public convenience. On the other expired contracts as noted by the auditors a new tender was issued.

7.18 & 7.19 The executive secretary will sign the extension of the Street lighting tender.

7.20 & 7.21 The Local Council will ensure that all petty cash vouchers will be filled in accordance to Directive 3/2017 and LN 269 of 2017.

7.22 to 7.25 The Local Council will ensure that expenses of Capital nature will be included with PPE in the financial statements and not included in the income statements. Any grant associated with the capital expenditure will be also capitalised. As noted, the Local Council amended the financial statements as recommended by the auditors.

7.26 to 7.29 The Local Council will ensure that expenditure will be correctly included in the relative expense account to avoid any reclassification of expenses at audit stage. As noted, the Local Council amended the financial statements as recommended by the auditors.

7.30 & 7.31 The Local Council will ensure that all expenditure will include a tax invoice/ fiscal or VAT receipt.

7.32 & 7.33 The Lease of the Marsa Local Council is with the Lands Authority and is not at commercial rates. As stated by the auditors the effect on the financial statements would be immaterial.



8. Fixed Assets

8.1 to 8.4. The Council has given instructions to the new accountants Parker Randall Turner to update the Fixed Assets registry with 2020 additions.

8.5 & 8.6. The tagging of Council assets will be done to be in accordance with the Local Council (Financial) Procedures 1996.

8.7 & 8.8. The Council has given instructions to the new accountants Parker Randall Turner to update the Fixed Assets registry and the depreciation schedules with 2020 additions.

9. Bank

9.1 & 9.2 The Local Council will investigate the difference on the bank reconciliation of € 47.20 and pass any adjustments in 2021.

9.3 & 9.4 The Local Council will investigate the difference of € 89.05 on the cash account and pass any adjustments in 2021.

9.5 & 9.6 The Local Council will account for the Bank account 40021892257 with a balance of € 0.99.

9.7 & 9.8 The Local Council will open a new bank account as required by Directive 05/2000 to deposit there funds received on behalf of other entities.

10. Receivables

10.1 to 10.2 – The Local Council will adjust the amounts due from pending tribunal payments to agree to the Loqus system. The adjustment amounts to € 215. The adjustment should not affect the retained earnings of the Local Council since there will be a reduction in income of € 215 with a corresponding decrease in provision of bad debts of € 215.

10.3 to 10.6 – The Local Council will review the long outstanding debtors, reconcile and pass the relevant adjustments and provisions. In respect of Wasteserv Malta debtor balance, it is to be noted that Wasteserv Malta is also a creditor to the Local Council and the net balance is in favour of Wasteserv Malta.

10.7 & 10.8 The Local Council will chase the debtor and provide for a bad debt provision if it is found that the balance will be difficult to recover.

11. Payables

11.1 & 11.2 The Council will ensure that all adjustments passed in concluding the draft financial statements are included also in the Sage accounting system.

11.3 & 11.4 The Council will request creditors statements ongoingly during the year. The Council did request creditors statements as at 31 December 2020 of its main suppliers.



11.5 & 11.6 The Council will review the long-term creditors. 95% of Long term balance represents the balance due to Wasteserv. This balance is to be offset with the balance under trade receivables. Furthermore, the Local Council is paying Wasteserv the amount allocated according to the Government subvention with the remaining to be paid by the DLG.

11.7 to 11.8. The Local Council will ensure that expenses are included in the period to which they relate. The unrecorded legal disputes have been recorded in the audited financial statements since the Local Council accepted the adjustments proposed by the auditors.

12. Schedule of Payments

12.1 The Local Council has amended this situation and we are now approving invoices based on our allocation.

12.2 The Local Council has over the financial period had to shift from cheques to direct debit and the Council's schedule of payment is reflecting the type and method of payment.

12.3 The Council approved payments and not cheques, that is why they had been re-issued.

12.4 The Councillors during the June 2020 meeting decided to stop the payment to the Council's architect until this payment of €118 would be properly verified.

12.5 The cheque to Project Lazarus Malta was cancelled because it needed to be re-written so as to read Mr Anthony Galea.

12.6 The Marsa Local Council will ensure to adhere to the auditor's recommendations.

13. Annual administrative report

This relates to 2019. Annual administrative report for 2020 was prepared.

14. Uploading of documents

The Local Council will ensure that the audited accounts, management letter, management letter reply, quarterly management accounts, schedule of payments and minutes are all uploaded on the Local Council Website as per Memo 02/2014.

15. Capital commitments

The Local Council will ensure that the new accountants are given information to be able to determine the capital commitments at year end.

16. Contingent liabilities

The Local Council in the audited financial statements did amend the accounts with the final provisions on the Untours Insurance Agents dispute since it accepted the audited adjustments.

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17. Comparison with annual budget

The Local Council will adopt the recommendations of the auditors and the budget will be revised every quarter. Furthermore, the Local Council will ensure that correct information is given to the new accountants to present budgets that will not defer as much from the actual expenditure.

JA 24