



Mdina Local Council

4th October 2021

The Audit General
National Audit Office
Notre Dame
Floriana

MEMORANDUM FOR: The Audit General
 National Audit Office

FROM: Mr Mark Mallia
 Executive Secretary – Mdina Local Council

SUBJECT: Response to the Management Letter for the Financial Year
 ending 31st December 2020

This memorandum provides a response to the Management Letter for the Financial Year ending 31st December 2020. I am responding to the observations and findings cited in the management letter.

2. INCOME

Government Income
Council Response

Reclassification processed in the updated financial statements.

Other Government Income
Council Response

Reclassification processed in the updated financial statements.

LES administration fees

Council Response

Immaterial difference noted. However, it is important to clarify that the Council process all invoices as issued from Loqus LES software. We are informed that one of the reasons for this difference is that the administration fee on invoices is raised on the date of the end of day of contraventions paid while the report is based on the date of payment of contraventions.

Income from LESA and regional committees

Council Response

Noted and the Council will do its utmost to issue invoices during the first week of the following month.

General Income

Council Response

Reclassification processed in the updated financial statements.

Custodial receipts

Council Response

Noted and the Council will do its utmost to deposit funds in a speedier manner.

Joint Committee

Council Response

This is a recurring issue on which the Council has no control. With respect to the financial statements of the LES Joint Committee for the year ended 31st December 2020, these were still not available at the time of the accounts preparation. The Council also guarantees that all efforts are made in trying to obtain the audited financial statements in a timely manner to be verified by the auditors for every financial year.

Accrued Income

Council response

Matter noted and while stressing that every effort is made to record for all accrued income, mentioned instance of omission is regretted and suggested audit adjustment included in the updated financial statements.

Deferred Income

Council response

Matter noted and while stressing that every effort is made to record for all deferred income, mentioned instance of omission is regretted and suggested audit adjustment included in the updated financial statements.



3 PAYROLL

Reconciliation of FS5 and FS7 forms

Council response

Matter noted and it is important to note that no inconsistency was noted by the auditors between the FSS documents and the nominal ledger and the financial statements.

4. EXPENDITURE

Classification of expenditure

Council response

Reclassification processed in the updated financial statements

Petty cash expenditure

Council response

The Council is committed to keep proper supporting documentation. Below cases noted and any human error is regretted. It is important to note that the Council and also the auditor were aware what type of expenditure these two transactions were for and Council authorisation was issued with the approval of the cheque to replenish the petty cash, in combination with the petty cash report.

Petty cash summary

Council response

Noted and the Council will include the nominal account on the petty cash summary report.

Procurement procedures

Council response

The Council will ensure that all public procurement procedures are followed as per Subsidiary Legislation 174.04. However it is to be noted that the price charged to the Council was still the cheapest technically compliant.

Payment approval

Council response



ARMS payment was issued prior to Council approval since it was an urgent payment and to avoid late payment charges. It is important to note that this was an ARMS bill which is a utility bill.

Insurance policy

Council response

The Council believes that the amount insured should reflect the market value and not the cost as is being compared by the auditors. When one compares the amount insured with the net book value showed in the financial statements the amounts highlighted by the auditors as over/under insured is reduced drastically.

As noted in the reply to the previous management letter, the Council understands that the under-provision that the auditors refer to was due to the improvements done to the car park. The Council feels that the car park was already insured for third party liability and with regards to the physical construction of the car park this only consists of newly replaced tarmac which essentially doesn't increase the insurance value.

The Council also believes that the amount insured for street furniture is adequate especially when considering that it already tries to negotiate with the insurance company to obtain the best coverage possible.

Rent expense

Council response

The auditor's comment about the absence of a proper rental agreement is an issue which the Council had already replied in previous management letters and unless the Lands Authority heeds to our concerns as the Council has done its utmost to have this in place without any response from the Authority, this will continue to be singled out by the auditor's.

According to the Council, it was given the premises by the Department of Local Government in 1994 with no lease agreement being made at the time. When the Vilhena Palace was taken by Heritage Malta, the latter stated that the administrative office forms part of the Vilhena Palace. This was always denied by the Local Council and eventually Heritage Malta never insisted on this claim.

Since an agreement is still in the process to be concluded, it is understandable that the Council could not calculate the IFRS16 workings. Also, since the UBO of the Lands Authority is Government, such IFRS16 disclosure is not obligatory.

5. FIXED ASSETS

Reconciliation of financial statements with fixed asset register

Council response

Inconsistencies noted in this management letter will be investigated in 202 and FAR will be rebuilt accordingly.

Upkeep of fixed asset register



Council response

The Council fills all available details in Sage Evolution. Thus, one may query how Sage Evolution is a suggested Fixed Asset Register software if such software cannot fulfil the requirements as stated by the auditor.

Additions to fixed assets

Council response

Supply of bins and works on Casino Notabile were two schemes which were issued by LESA and the Department for Local Government. Both schemes had a deadline and due to unforeseen circumstances like the Covid pandemic and cancellation of tender for works on Casino Notabile forced the Council to act accordingly as stated by the auditors. However, the Council has taken note and will comply with the recommendations.

Depreciation

Council response

Noted. As per above, the Council is doing its utmost to sort out the FAR matters.

6. TRADE AND OTHER PAYABLES

Supplier statements

Council response

It is the Council's practice to reconcile the supplier's balances with the supplier's statements which in fact most balances were duly reconciled. Furthermore, certain creditors do not send their statements on time even though the Council regularly sends email reminders for supplier statements. The Council has carried out the necessary adjustments as recommended.

Long outstanding creditors

Council response

These balances will be reviewed during the current year and, if appropriate, write off

Debit Balances in creditor's list

Council response

The Council has noted the auditor's observations and passed the necessary adjustments.

Accrued expenditure

Council response

The Council has taken note of the auditor's recommendation and as noted by the auditor, we do our utmost to estimate accruals as correctly and completely as possible.

7. TRADE AND OTHER RECEIVABLES

Long outstanding balances



Council response

The Council regularly sends registered letters and emails to customers to recover its amounts due. It also reviews the need to provide for any doubtful receivables on an annual basis.

Alternatives on trade debtors

Council response

Immaterial matter noted. Amount will be investigated during 2021

Pre-regional receivables

Council response

Immaterial difference noted. However, it is important to clarify that the Council process all invoices as issued from Loqus LES software. We are informed that one of the reasons for this difference is that the administration fee on invoices is raised on the date of the end of day of contraventions paid while the report is based on the date of payment of contraventions.

8 CASH AT BANK

List of unrepresented cheques

Council response

The Council has taken note of the auditor's recommendation. Bank reconciliations are done every month as am sure was noted by the auditors during her audit since bank reconciliations for months were made available to her during the audit. Mentioned cheque was approved during the Council meeting of December 2020. Proposed audit adjustment included in the updated financial statements.

Cash at bank balances

Council response

Audit adjustment processed in the updated financial statements.

LC Other Entities Account

Council response

The council started the process to open the LC other Entities account, which process took much more than planned. The bank account have been opened in 2021.

9. FINANCIAL STATEMENTS

Presentation of financial statements

Council response



The Council, with the help of our accountants, take special care of ensuring that the financial statements presented in accordance with the International Financial reporting Standards. Any matters raised on the draft management letter were addressed on the updated financial statements.

10. ELECTRONIC SITE

Council response

Noted and the Council will comply with the recommendation

11. SCHEDULES OF PAYMENTS

Council response

Noted and the Council will comply with the recommendation

12. BOOKS OF ACCOUNT

Council response

The Council and the Council accountant answered to any queries which the auditor made during the audit. We were available to assist to the best of our abilities and the mentioned adjustments consisted of year end accounting entries to record the accruals, prepayments and any other adjustments which were required to close off the accounts as at 31st December 2020.



Peter Sant Manduca

Mayor



Mark Mallia

Executive Secretary