



KUNSILL LOKALI HAŻ-ŻABBAR
CITTÀ HOMPESCH

11th May 2016

National Audit Office
Notre Dame Ravelin
Floriana

Dear Sir/Madam,

REPLY TO MANAGEMENT LETTER YEAR ENDING 31 DECEMBER 2015

1. Previous Management Letter

1.1 Income

Please refer to reply 2.1, 2.3 and 2.5 below.

1.2 Personal Emoluments

Please refer to note 3.1, 3.4 and 3.6 below.

1.3 Expenditure

Please refer to note 4.1, 4.3, 4.8, 4.12, 4.13 and 4.18 below.

1.4 Property, plant and equipment

Please refer to note 5.1, 5.2 and 5.4 below.

1.5 Debtors

Please refer to note 6.3, 6.6, 6.10 and 6.15 below.

1.6 Inventory

Please refer to note 7 below.

1.7 Bank and Cash

Please refer to note 8.1 below.

1.8 Trade Payables

Please refer to note 9.1, 9.3, 9.4, 9.6, 9.8 and 9.14 below.

1.9 Financial statements

Please refer to note 10.1, 10.2, 10.4, and 10.6 below.

1.10 Annual Budget

Please refer to note 11 below.

1.11 Council meetings and minutes

Please refer to note 12.1 and 12.3 below.

1.12 Other matters

Please refer to note 13.1 below.

2. INCOME

General income

2.1 – 2.2 All monies mentioned in your letter have been given to the security personnel for deposit in a timely manner. It is normal practice that bank employees take some working days to process deposits. Hence, the Council has no control what so ever regarding the issue. Please note that the collection of money to be deposited are made by the Council on Tuesdays and Fridays.

Administration fee income from LES receipts

2.3 - 2.6 The Loqus version was updated and the Council has made the proposed adjustments.

2.7 – 2.8 The Council will be looking into the category and make the necessary adjustments.

MEPA accrued grant

2.9 – 2.10 The Council has made the proposed adjustments.

3 PAYROLL

Wages reconciliation

3.1 – 3.3 All documents have been sent and reconciled.

Leave carried forward

3.4 – 3.5 According to the collective agreement for clerical employees working with Local Council and Regional Committees (2012-2016), accumulation of vacation leave is allowed subject to Council approval as per clause 21 of the said agreement. Therefore, according to this agreement, the Council was in order when accumulation of vacation leave from one year or another was approved. Furthermore, the agreement does not strictly bind employees to make use of any accumulated vacation leave till March of the following year.

Declaration of councillors' allowance

3.6 – 3.7 The Council will be looking into the category and make the necessary adjustments.

4 Expenditure

Petty cash expenditure

4.1 – 4.2 Each and every purchase was supported with a fiscal receipt. Although the suggestion to have an invoice for each purchase is valid, in most cases it is practically impossible to have an invoice for each every petty item purchased.

Procurement procedures

4.3 – 4.4 The Council requests a quote for every purchase made before buying an item. This is sometimes given orally or in writing, depending on the nature and circumstances. Therefore a quotation is obtained in each and every case.

4.5 – 4.7 A public call for quotations has been issued in this regard and a public call (Ref ZLCQT 1/2014) for the supply of cold asphalt has been seen and vetted by the Auditors during the audit.

Performance bond

4.8 – 4.9 Please note that contrary to what has been written in point 4.9, all performance bonds were presented before the commencement date of tenders.

Group personal accident insurance

4.10 – 4.11 The Council will be looking into the category and make the necessary adjustments.

Rental agreement

4.12 – 4.13 As regard the rent of the Council premises and the public garden, these are both government property which have been devolved to the Local Council perpetually. We are not aware of any renewal of contracts which have been made by Government and Local Councils in this regard.

Gal Xlokk membership

4.14 – 4.17 The Council has made the proposed adjustments.

Street lighting

4.18 – 4.20 As already mentioned in the Management letter the Zejtun Joint Committee issued a fresh call for tenders for the maintenance of street lighting. The tender was awarded to Nexos Street Lighting who were the sole tenderers. Since a Joint Committee is composed of a number of Local Councils, decisions are taken by the Committee and not by the Council.

5. Property, plant and equipment

5.1 – 5.2 The Council has made the proposed adjustments.

5.3 The depreciation was calculated and imported from the fixed asset register & depreciation was also released on the scrapped fixed assets. A reconciliation was also carried out to ensure that fixed assets are properly classified and that these tally with the nominal ledger.

Details of fixed asset register

5.4 – 5.5 All assets purchased during the year under review have been properly recorded in the FAR. It would be highly appreciated if you kindly point out clearly the particular items which have been recorded without being given location.

5.6 The Council will be looking into the category and make the necessary adjustments.

6. Debtors

6.1 – 6.2 The Council will be looking into the category and make the necessary adjustments.

Unidentified deposits

6.3 – 6.5 Since unidentified deposits cannot be identified without proper documentation, deposits cannot be allocated to the appropriate receivable account. This is an issue that the Council cannot solve on its own and a concerted effort by Local Councils have to be made in this regard.

Provision for bad debts

6.6 – 6.7 The Council will comply with the suggestion made by the auditors.

6.8 The Council is continuously asking for the due amounts before providing for these bad debts since in the Council's opinion these monies should, in any case, be recovered.

6.9 The Council has made the proposed adjustment.

Bad debts written off

6.10 – 6.12 The Council will take the suggestion made by the auditors.

Prepayments

6.13 – 6.14 The Council will be looking into the category and make the necessary adjustments.

Pre-regional LES debtors

6.15 – 6.17 The Council will be looking into the category and make the necessary adjustments.

7. Inventories

7.1 – 7.3 An inventory count of the publication book Zabbar A Living History is made on a regular basis and an inventory list has been approved by the Council prior to the year end.

8. Bank and Cash

8.1 – 8.2 All bank statements for all Council bank accounts provided during the audit are as at 31st December, 2015. Furthermore, e-statements are always available via internet banking and these online statements are accurate and valid.

List of unrepresented cheques

8.3 – 8.5 The Council will be looking into the issue and make the necessary adjustments.

Final withholding tax on bank interest

8.6 – 8.7 The Council will be taking action to the category and make the necessary adjustments.

9. Creditors

Trade creditors

9.1 – 9.5 Regular statement reconciliation is done regularly. The balance of €632 shown on the creditor's list due to WasteServ had been already included in the contingent liabilities list.

Long outstanding trade creditors

9.6 – 9.7 The Council will be looking into the category and making the necessary adjustments.

Accrued expenditure

9.8 – 9.10 There is no discrepancy between accruals disclosed in the financial statements and the supporting accruals schedules. Updated schedules were provided.

Debit balance in creditors' list

9.11 – 9.13 The Council will be looking into the category and make the necessary adjustments.

PPP long term creditor

9.14 – 9.16 The Council will be looking into the category and make the necessary adjustments.

10. Financial statements

Presentation of financial statements

10.1 – 10.3 IFRS 11 Joint arrangement – The financial statements include income and expenditure in relation to St Peter's Committee, therefore we believe that such disclosure is relevant for the financial statements. As regard to disclosure of accounting policies the council does not have any operating leases expenses to disclose.

Contingent liabilities

10.4 – 10.5 All amounts disclosed in the contingent liability were recorded since there is a possibility that the amount claimed has to be paid as a result of a court tribunal decision.

Cash flow statement

10.6 – 10.7 The Council has made the proposed adjustments.

11. Annual Budget

11.1 – 11.2 The Draft Annual Budget was approved by the Council on the 8th of February 2016. It was revised after the annual meeting on the 29th of February, 2016.

12. Council meeting and minutes

Binding of minutes

12.1 - 12.2 The Council original minutes of meetings were compiled and properly presented and the Auditors can confirm this. As already explained last year, these documents are binded soon after the audit fieldwork is completed.

Meeting regulations

12.3 – 12.4 Meetings are scheduled after every council meeting and as agreed by Council members.

Schedule of payments

12.5 – 12.6 It is not normal practice to include cancelled cheques in the schedule of payments. On the other hand, the Council can include the petty cash top-ups in the schedule of payments. All details pertaining to payments made are duly listed in the schedule of payments form as stipulated in Memo 37/2011.


13. Electronic site

13.1 – 13.2 The Council will be making the necessary updates to its electronic site.

Sincerely



Duncan Busuttil
Executive Secretary



Marc Vella Bonnici
Mayor

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