



Grant Thornton

An instinct for growth™

The Mayor
Zabbar Local Council
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Triq iċ-Ċawqli,
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Our ref ABC/mf/50718

26 April 2018

Dear Sir,

Financial statements for the year ended 31 December 2017

During the course of our audit for the year ended 31 December 2017 we have reviewed the accounting system and procedures operated by your council. We have also reviewed the operations of the council and how they conform to the Local Councils Act, 1993, the Financial Regulations issued in terms of this Act, and the supplementary Financial Procedures. We set out in this report the more important points that arose as a result of our review.

Previous management letter

1.1 Income

We again encountered a minor difference between the council's income from LES administration fees and the 483 report (refer to note 2.1).

No revenue from the Joint Committee was noted during the current year.

We did not encounter any income from Gal Xlokk.

1.2 Payroll

A difference between the FS7 forms and the books of account was again noted (refer to note 3.1).

1.3 Expenditure

The petty cash expenses are still being supported by cash register chits not addressed to the council (refer to note 4.1).

We did not encounter instances where the council obtained two or more separate bills for the same items in order not to exceed the €23.29 threshold.

We also noted that for a number of purchases, no purchase orders/quotations were provided (refer to note 4.4).

We again encountered instances where the council was not fully compliant with tendering procedures (refer to note 4.6).

All guarantees from tenders were furnished within the stipulated time frame.

The council's group personal accident insurance policy was changed to the locality.

The council once again failed to provide the rental contracts (refer to note 4.9).

The council once again failed to prepare travelling reports (refer to note 4.10).

1.4 Property, plant and equipment

The net book value of categories of assets in the financial statements and the net book value in the nominal ledger still do not agree (refer to note 5.1).

The fixed asset register still does not include all necessary details (refer to note 5.12).

The fixed asset register still has a cross-casting error in two categories of assets (refer to note 5.14).

The fixed asset register is still not in agreement with the financial statements (refer to note 5.17).

We again noted that some fixed assets' disposals were not approved in council meetings (refer to note 5.21).

1.5 Trade and other receivables

We are pleased to note that we did not encounter any differences in the confirmations sent to the council's debtors.

We have again noted that €37,000 from the Water Services Corporation are still outstanding from 2011 (refer to note 6.1).

The unidentified deposits are still being recorded as a liability instead of being allocated to the appropriate receivable accounts (refer to note 6.3).

We again noted differences between the report 622 from the Loqus system and the council's LES debtors (refer to note 6.6).

We have again noted a difference between the LES debtors' balance and the provision on this receivable balance (refer to note 6.8).

The council again did not obtain financial statements from GAL Xlokk (refer to note 6.10).

1.6 Inventories

We have again noted that inventory is still being shown at a value higher than its net realisable value (refer to note 7.1).

1.7 Bank and cash

During 2017 the council has correctly resolved the issue of stale cheques.

We are pleased to note that no withholding tax is being charged on bank interest received.

1.8 Trade payables

The council is still not reconciling the creditors' balances with supplier statements at year end (refer to note 8.1).

We again identified a difference between the amount in the creditor's confirmation and the books of accounts (refer to note 8.4).

We also identified various overdue creditors' balances (refer to note 8.3).

Once again, we also identified differences in the council's accruals (refer to note 8.7).

We again noted discrepancies between the amounts in the PPP creditor's confirmation and the books of account (refer to note 8.9).

We also noted that the PPP amount in the unaudited financial statements differs from the amount shown in workings by council (refer to note 8.11).

We again noted that the maturity analysis for the PPP creditor and deferred income was not accurate (refer to notes 8.13 and 8.14).

1.9 Financial statements

Once again we identified various shortcomings in the unaudited set of financial statements (refer to note 9.3).

The issue in respect of restricted cash pointed out in the prior year management letter remains unresolved (refer to note 9.1).

1.10 Capital commitments

We did not identify discrepancies between the capital commitments disclosed in the budget and the financial statements.

1.11 Council meetings and minutes

The council followed our recommendation to agree on the date of the next meeting at the end of each council meeting.

We noted that various cheques were not included in the schedules of payments which shows that the council is not compliant with memo 37/2011 (refer to note 10.1).

1.12 Electronic site

Some reports and documents were not uploaded in a timely manner and in accordance with memos 36/2011 and 02/2014 (refer to note 11.1).

2 Income

Income from LES administration fees

- 2.1 When reconciling the income from LES administration fees as shown in the accounts with the amounts shown in report 483 issued by the Loqus system, we noted that the accounts are understated by €213.45.

- 2.2 We did not propose an audit adjustment since we were unable to determine how the difference arose. However, we recommend that the council generates the Loqus report frequently and reconciles amounts to fees claimed for collection of fines.

Income from LESA distribution

- 2.3 The council has classified the receipt of €5,580.38 from LESA, with respect to the LESA distribution scheme with administration fees. We proposed an audit adjustment to reclassify this amount to LESA distribution as a sub-total of LES income. LES income should be disclosed as a separate line item in the financial statements.
- 2.4 We recommend that the council discloses income from LES administration fees and other LES income separately in the note to the financial statements. The council has adjusted its financial statements and correctly presented the LESA distribution.

Income from EU programmes

- 2.5 The council has classified the receipt of €22,222.40 with respect to the Erasmus programme as 'refund of expenses'. We proposed an audit adjustment to reclassify this amount to other Government income.
- 2.6 We recommend that the council discloses income from EU programmes with other Government income in the financial statements. This adjustment was correctly reflected in the audited financial statements.

Supplementary Government income

- 2.7 The council has classified the receipt of €10,000 relating to Capital and Cities Fund as annual Government income. We proposed an audit adjustment to reclassify this amount to supplementary Government income.
- 2.8 We recommend that the council allocates income receivable to the appropriate accounts so that the income is properly presented. The council has adjusted its financial statements and correctly presented this amount with supplementary Government income.

Accrued income

- 2.9 Whilst testing accrued income, we noted an accrued income amount of €100,000 relating to 'Gnien il-Kunsill'. This grant should have been received, staggered on the progress of the project. The project was completed in 2017, but no money has yet been received.
- 2.10 We recommend that the council ensures that the grant is still receivable and to determine from MEPA why the grant has not yet been received.

3 Payroll

Reconciliation of wages between FS5s and books of accounts

- 3.1 During the audit we noted a discrepancy of €865.42 which was unreconciled between the wages accounts and the FS7 form (refer to appendix 1).
- 3.2 The council should ensure that all FSS forms agree to the payroll expenditure in the accounts.

- 3.3 We recommend that the council reconciles the wages and salaries monthly and investigates any identified differences immediately.

4 Expenditure

Petty cash expenditure

- 4.1 The council continues to accept cash register chits not addressed to the council for most petty cash payments. Below are instances which were encountered during the audit:

Details	Supplier	Date	€
Water hose pipe fitting	IV Portelli & Sons	27.02.2017	16.00
Battery charger	Fotoline	26.04.2017	20.50
Plates	Frankie's Pet Shop	24.05.2017	14.55
Panadols and sticks	Felice Pharmacy	20.12.2017	7.85

- 4.2 We advise the council to obtain fiscal receipts that are addressed to the council in order to comply with the requirements established by the Local Councils (Financial) Procedures, 1996 which state that supplies must be made only on provision of a valid invoice/fiscal receipt which is addressed to the council.
- 4.3 Directive 3/2017 and LN 269 of 2017 state that in cases where the supplier is unable to issue an itemised bill addressed to the council, the council is required to fill in a petty cash voucher and include all details pertaining to the goods being purchased. Furthermore, the same legal notice states that all petty cash vouchers should be signed by the purchaser and the executive secretary. This legal notice came into force on 1 January 2018.

Procurement procedures

- 4.4 Our testing on cheque payments revealed instances where we were not provided with any evidence of the relevant quotations during our fieldwork. We were informed that the quotations were obtained on the telephone and hence no documentation was available. Examples include:

Supplier	Details	€
Alarm Tech	Servizz ta' CCTV fit-triq ic-Cimiterju	672.60
St. Catherine Caterers Ltd	Ikel ghar-reception matul Jum Haz-Zabbar	1,120.00
Wave Music Centre	Xiri ta' strumenti tal-muzika	1,160.00
Carmelo Scicluna	Kiri ta' skips	300.00

- 4.5 In accordance with the Local Councils (Financial) Procedures, 1996 the council should raise purchase orders for all purchases of more than €23.29. Furthermore the council should obtain at least one quotation for purchases not exceeding €1,165 and at least three quotations for all purchases in excess of this amount up to €4,658.

Tendering procedures

- 4.6 We are pleased to note that the council has successfully implemented the ePPS system when issuing a call for tenders. We would like to mention that the existing Tendering Procedures and Regulations remained in force until the end of 2017. These still require certain additional documents which are not included in the ePPS system, such as a bid bond and non-collusive agreement which, under the existing Procedures/Regulations, should have been obtained.
- 4.7 We appreciate that there are differences between the requirements of the EU directive regarding the new system and requirements prescribed by the previous legislation regarding tendering procedures. We recommend that any concerns you may have are addressed to the Department.

Rent agreements

- 4.8 Once again, we noted that the council does not have contractual agreements for the rent of the office premises and a garden from the Government of Malta for €350 and €582 respectively.
- 4.9 We recommend the council ensures that the rental of premises is always covered by a contract covering the current year period, in particular specifying the rights and obligations of each party.

Travelling expenses

- 4.10 The council travelled to Eschborn in Germany during the year. The expenses amounted to €748 which include subsistence allowance, flights and accommodation. No report was prepared for submission to the Department of Local Government.
- 4.11 The council is required to prepare travel reports for each project or event which the council or delegates attend and submit this to the Director for Corporate Services as required by MF/5/2012. The report should be submitted to the Department of Local Government by not later than one month after the trip and needs to include the purpose of the visit and any remarks such as benefits achieved from such trips.

5 Fixed assets

Reconciliation of financial statements with accounting records

- 5.1 We identified a number of differences between the net book value of assets in the financial statements and the net book value in the nominal ledger. After raising this issue with the council and passing known reclassifications in our trial balance, the following discrepancies were still noted:

Asset category	NBV in nominal ledger €	NBV in financial statements €	Difference €
Office furniture and fittings	31,975	32,073	(98)
Construction works	961,082	952,349	8,733
Urban improvements	25,497	29,136	(3,639)
Office equipment	18,193	18,445	(252)
Plant and machinery	9,324	9,530	(206)
Motor vehicles	245	252	(7)
Assets not yet capitalised	6,232	10,765	(4,533)
	1,052,548	1,052,550	(2)

- 5.2 We remind the council that any variances between the assets disclosed in the financial statements and the nominal ledger need to be investigated and reclassified accordingly.

Depreciation

- 5.3 In the case of 'Construction Works' and 'Urban Improvements', if a rough estimate is taken by multiplying the NBV plus additions by the depreciation rate of 10%, the maximum depreciation for the year would amount to €104,040 and €11,916 respectively. Both these depreciation recalculations vary considerably when compared to the incurred depreciation charge of €70,410 for 'Construction Works' and €121,211 for 'Urban Improvements'. The reclassifications on 2 November 2017 have been taken into consideration in the comparison.
- 5.4 We investigated the reasons for the differences and noted that during 2017, the council has applied 100% depreciation to €109,130.77 for playground equipment bought in 2017. This rate has been based on those rates specified by memo 39/2002 for playground furniture. After discussing the depreciation on the playground equipment, the council proposed an adjustment of €113,578 to reduce the depreciation rate to 20%. This adjustment was properly reflected in the audited financial statements.
- 5.5 We also noted that the depreciation on playground equipment was taken under 'Urban Improvement' whilst the addition was included as 'Construction Works'.
- 5.6 Furthermore, we also noted that the grant of €100,000 in relation to the works in "Gnien il-Kunsill" was not split according to what it was actually used for and a release of 10% of the full grant was taken to profit and loss on an arbitrary basis. The grant should be split into its components so that the part attributable to the playground equipment can be correctly matched with the depreciation of the playground.
- 5.7 'IAS 16 – *Property, Plant and Equipment*' states that the depreciation charge should be based on the useful life of the asset. In this regard one may consider playground and equipment assets to have more than one year of useful life.
- 5.8 We recommend the council considers whether assets have a useful life of more than one year before it automatically uses the specified rates. The council also needs to note that the grant released to profit and loss should be in line with the depreciation rate used. The council should also ensure that all additions are classified properly and depreciation charged to the correct category.

Fixed asset categories

- 5.9 As can be seen in the fixed asset schedule in the financial statements a Government grant of €921,147 was disclosed within the 'Construction Works' category.
- 5.10 When testing grants, we noted that various grants relate to Urban Improvement Funds and therefore these grants should be included under urban improvements in the fixed asset register.
- 5.11 We recommend that the council revisits the fixed assets schedule in the financial statements and ensure that proper fixed asset categorisation is being carried out.

Details of fixed asset register

- 5.12 When reviewing the fixed asset register, we noted that certain details like invoice numbers and suppliers' details are missing. For example:

Asset category	Asset code	Description	Purchase date	Net book value €
Computer equipment	ZLC1114	Server	27.02.2013	600.06
Urban improvements	ZLC1040-101	Benches	09.05.2012	560.97
Urban improvements	ZLC1040-105	Litter bins	04.08.2012	474.87
Urban improvements	ZLC940	Basketball structure	18.09.2011	484.96
Office furniture and fittings	ZLC929	Unit	30.09.2011	371.81

- 5.13 We recommend that every possible effort should be made to update the fixed asset register and include at least the following details:

- Description of asset
- Date of purchase
- Supplier details
- Invoice number
- Asset tag code
- Cost
- Depreciation method and rate
- Location of the asset

- 5.14 We also noted that, for two categories of assets, the fixed asset register has a cross-casting error. When the "revalued value" is deducted by the "total depreciation", the "book value" does not agree to that stated in the fixed asset register.

Asset type	NBV recalculated from the fixed asset register €	NBV in fixed asset register €	Difference €
Construction works	585,830	537,259	48,571
Urban improvements	31,305	29,135	2,170
Total	617,135	566,394	50,741

- 5.15 We were not provided with an explanation as to why the fixed asset register is not cross-casting.
- 5.16 The council should investigate the above differences to ensure that the fixed asset register is showing the correct net book value.

Reconciliation of financial statements to fixed asset register

- 5.17 We have noted that the fixed asset register is not in agreement with the financial statements. The following is the variance noted in the identified fixed asset class.

Asset category	NBV in fixed asset register €	NBV in Financial statements €	Difference €
Office equipment	18,602	18,445	157

- 5.18 As pointed out in note 5.14 above, the fixed asset register may not be showing the correct net book value. However the net book value stated in the register does not agree to the accounting records as stated above. The council should ensure that the register agrees to the accounting records and amend the register accordingly.
- 5.19 The council included with additions an amount of €19,902 and an impairment of €22,990 in depreciation. According to the council, these amounts were passed to agree the books of account to the fixed asset register. In this regard, no supporting documentation was provided for both balances. In view of this, we necessarily had to modify our audit report.
- 5.20 We would like to remind the council that the books of account work on a double entry system and therefore it should be considered as being complete. In this regard, unless the council acquires supporting documentation that states otherwise, the council should not be altering accounts to agree to an external document like the fixed asset register even though the accounting software should be directly linked to the register.

Disposals

- 5.21 In the current year, note 13 to the financial statements indicates that the council disposed of €3,899 of very old computer equipment for which a grant was allocated. It was also noted that in the 2016 fixed asset register this equipment had a cost of nil, but a net book value €5,082.69 since they were donated to the council. Based on the capital approach for grants adopted at that time, the cost was written down by a grant. When disposing of these assets, the council released €3,899 from cost, and €3,899 from grants. This resulted in an amount of €1,300 still being shown with cost and €1,300 still being included in government grants. No audit adjustment was proposed as the net effect is nil.
- 5.22 The council should ensure that the financial statements reflect the correct cost of disposed fixed assets during the year and that the correct portion of the grant is eliminated on disposal.
- 5.23 During the year under review the council disposed of fixed assets with a cost of €40,466. From the council minutes we noted that only some of these disposals were approved during the council meetings.
- 5.24 The council should ensure that all disposals are listed and approved in meeting and the approvals documented accordingly in the minutes.
- 5.25 During 2017, the council disposed of €12,507 of 'Assets not yet capitalised'. These disposals relate to litter bins and other minor furniture purchased in 2016 that should not have been capitalised and hence expensed in 2017.
- 5.26 We recommend the council ensures that it correctly capitalises fixed asset additions so that there will be no need for any asset write-offs if the assets do not qualify for capitalisation.

6 Trade and other receivables

Receivable balances

- 6.1 We noted that €37,000 of the balance due from Water Services Corporation relates to trenching works performed in 2011, for which the council had an agreement in 2010 with the Corporation. We were not provided with any supporting documentation for this debtor amount.

- 6.2 The council should follow up with Water Services Corporation for payment and refer the matter to LCA for collection in line with the agreement made by Water Services Corporation and the latter some years ago. Meanwhile a provision for doubtful debts has been included for this amount.

Unidentified deposits

- 6.3 The council did not rectify the issue of unidentified deposits amounting to €4,966.93. Last year, the executive secretary informed us that the amount pertains to receipts deposited by other councils in relation to the old LES system. During past years the council has been recording these deposits without matching them to the appropriate fines since no adequate information was provided by the depositing councils.
- 6.4 When this amount was compared to the total receivable balances from other councils it was found that the council received €1,007.11 more than the actual receivable balance included in the books of accounts.
- 6.5 The council could not provide an explanation for this difference. We recommend that both outstanding amounts and differences are investigated and reconciled.

Pre-regional LES debtors

- 6.6 The movement in tribunal pending payments in report 622 was €1,439.97 which contrasts with the amount of €1,509.33 in report 483 for pre-regional contraventions settled during the year. We did not propose an audit adjustment because it has no effect on the financial statements since LES debtors are carried at nil value following a provision for doubtful debts for the same amounts.
- 6.7 We would like to remind the council that it is their responsibility to obtain plausible explanations and evidence from Loqus for any discrepancies.

Provision for LES debtors

- 6.8 The LES debtors in the books of account amounted to €361,028 while the provision of the balance amounted to €361,075. The council proposed an adjustment amounting to €47 to bring the provision balance in line with the receivable balance. This adjustment was properly reflected in the audited financial statements.
- 6.9 The council should ensure that the LES debtors older than two years are fully provided for.

GAL Xlokk membership

- 6.10 We have noted that the council is still a member of the GAL Xlokk Foundation. The council should obtain, as members, the financial statements from GAL Xlokk so that it is able to assess the cost/benefit of this membership. However we were not provided with the above. We were notified by the executive secretary that the council requested the audited financial statements of GAL Xlokk Foundation but these have not yet been made available.
- 6.11 We would like to emphasise the importance of obtaining the financial statements of the GAL Xlokk Foundation in order to perform cost/benefit analysis for such expenditure. Furthermore as a member of the Foundation, the council should be entitled to view the financial statements.

7 Inventories

Net realisable value of inventories

- 7.1 As highlighted in previous management letters, the council's inventory comprises books for resale where a large portion of them are given on a complimentary basis rather than sold. During our testing, we noted that from the 21 books which were not in the stock list anymore, 13 were given on a complimentary basis.
- 7.2 It is evident that these assets are not being carried at the lower of cost and net realisable value in the financial statements as required by IAS 2, *Inventories*. Provision or write-off of this inventory must be considered if the council sees that it is slow-moving, or the intention for the stock is not to be sold but given as complimentary. If this persists we will have to consider modifying our audit report.
- 7.3 We would also like to point that memo 7/2004 requires the council to expense stocks if they are not held for resale.

8 Trade and other payables

Trade payables

- 8.1 We noted that the council again did not obtain statements at or near year-end from all suppliers to confirm the year-end balances and to ensure the completeness of the books of account.
- 8.2 This is contrary to the relevant procedures, which require the council to request monthly statements from all suppliers. Memos/circulars issued by the Department of Local Government specifically state that the council should reconcile the creditors to supplier statements on a monthly basis.

Long outstanding trade payables

- 8.3 Whilst reviewing the council's aged suppliers' list we have again noted that the council has long overdue balances which amount to €42,827.19. The following are the long overdue:

Creditor	€
Alfred Schembri and Sons	3,616.16
Central Asphalt Limited	5,828.09
Infinite Fusion Technologies	82.60
Neville's Printing Palace	55.00
Public Cleansing Department	600.01
PSV Turkey Contractors	3,409.27
Frankie Mifsud	1,575.00
Environmental Landscape Consortium Ltd	3,214.52
David Grech	7,569.61
Gilford's Garage	1,149.65
ICT Solutions	716.86
M.S.D.	60.79
Veronica Grech Muscat	140.00
Pitty's Rent-a-Car	965.00
Police Department	203.16

Print it	1,150.00
Parker Randall Turner	542.80
Go	42.83
Road Maintenance Services Ltd	2,298.98
Ronald Bezzina - street sweeping services	1,203.17
Mary Grace Vassallo	160.08
WasteServ Malta Limited	8,243.61
Total	42,827.19

- 8.4 In the case of the creditor's balance of WasteServ Malta Limited, we noted that the statement provided by the supplier is claiming €940 more than that reported by the council. This difference was also reported in the previous year's management letter.
- 8.5 In the case of Veronica Grech Muscat and Neville's Printing Palace, the council informed us that these amounts will not be payable and hence proposed an adjustment of €195 to remove the amounts from the creditor's list. This adjustment was properly reflected in the audited financial statements.
- 8.6 We advise the council to individually review these amounts, and either settle them or, if not due, reverse them after careful consideration and approval by the council. All discussions and decisions taken should be minuted accordingly.

Accrued expenditure

- 8.7 During our testing on accrued expenditure we encountered an accrual of €531 relating to public property for which no supporting documentation was provided. No supporting documentation was available till date of audit for this accrual.
- 8.8 We recommend that the council ensures that accruals are properly calculated and accounted for. Furthermore, the council should ensure it has appropriate documentation for all accruals prior to recording these amounts in the accounts.

PPP creditor

- 8.9 When testing the PPP creditor, we noted that the statement sent by the supplier was showing an amount of €37,874 more than that shown in the accounts. We were not provided with an explanation for this difference. In view of this we necessarily had to modify our audit report.
- 8.10 We advise the council to review the difference and reconcile accordingly.
- 8.11 We also noted that the amounts in the unaudited financial statements differed from the amounts shown in the workings provided by the council as follows:

	Amounts in unaudited financial statements €	Amounts in council's working €	Difference €
Short-term	16,551	16,551	-
Long-term	52,574	41,148	(11,426)
Total	69,125	57,699	(11,426)

- 8.12 A reclassification was proposed to the council to show the amount of PPP creditor separately from trade payables. After the reclassification, the above discrepancies were still noted. The council incorporated the reclassification and corrected the figures in the audited financial statement. However, the discrepancy noted was still not incorporated in the audited financial statements. No adjustment was proposed as no explanation for the difference was provided. In view of this, our audit opinion is modified.
- 8.13 Furthermore we noted that the maturity analysis in note 18 'Other financial payables', of the unaudited financial statements was not showing the correct maturity. The maturity analysis should be as follows:

	2017 €
Amount payable within 1 year	16,551
Amount payable between 2 - 5 years	41,148
	<u>57,699</u>

Deferred income

- 8.14 Similar to the maturity analysis of PPP creditors, we noted that the maturity analysis in the unaudited financials in note 19 'Deferred income' shown was not correct. The note should read the following:

	2017 €
Amount payable within 1 year	23,004
Amount payable between 2 - 5 years	83,031
Amount payable after more than 5 years	167,199
	<u>273,234</u>

- 8.15 The maturity analysis in note 19 was correctly amended in the audited financial statements.

9 Financial statements

Restricted cash

- 9.1 On reviewing the HSBC bank confirmation letter received, we noted an amount of €1,164.69 in account 042-060384-002 which has been blocked by the bank. We were informed that this amount relates to a guarantee issued in prior years when Joint Committees existed. We were informed that the bank was contacted to resolve this issue; however no further information was provided. Therefore, until the issue is resolved, the note regarding bank balances should state that there is a restriction on this amount in accordance with IAS 7, *Cash Flow Statements*.
- 9.2 We recommend that the council makes these disclosures regarding blocked funds in the financial statements in accordance with International Financial Reporting Standards and Local Councils (Financial) Procedures. The council incorporated the disclosure in the audited financial statements.

Presentation of financial statements

- 9.3 We would like to point out that in accordance with the Department's communications and instructions, councils shall prepare their financial statements in conformity with International Financial Reporting Standards. The council's financial statements diverge from this requirement in the instances noted below:
- i) Disclosure of the list of all relevant new and amended IFRSs that have been adopted by the council in the preparation of the financial statements.
 - ii) Maturity analysis in note 18 'Other financial payables' and note 19 'Deferred income' (refer to note 8.13 and 8.14).
 - iii) The council's financial statements do not give all the quantitative and qualitative disclosures required by IFRS 7, *Financial Instruments: Disclosures*.

10 Council meetings and minutes**Schedules of payments**

- 10.1 During audit fieldwork we noted various cheque numbers which were omitted from the schedules of payments. Upon enquiry we were informed that omitted cheques were cancelled and erroneously not listed in the schedules of payments. Examples include cheque numbers 8845, 8958, 8994, 9122 and 9389.
- 10.2 In accordance with P1.11 of the Local Councils (Financial) Procedures, 1996 the executive secretary must prepare complete and accurate schedules of payments containing information in sequential order and present them for council's approval. We recommend that the schedules of payments are reviewed for accuracy and jointly signed by the mayor and the executive secretary to serve as evidence that these have been duly approved by the council. We also recommend that if a cheque payment is cancelled this should be approved and properly indicated on the schedule of payments.

11 Electronic site

- 11.1 During our audit work, we noted that the council did not upload the following on the website:
- (a) Quarterly financial report for the period October to December 2017.
 - (b) Annual administration report 2016.
- 11.2 We also noted that the council did not upload the following documents on time:
- (a) Quarterly financial reports for January to September 2017.
 - (b) Business plan for 2018 – 2020.
 - (c) The management letter and the audited financial statements for 2016.
 - (d) The annual budget for 2018.
- 11.3 We recommend that the council abides by the directive given in memo 02/2014 wherein it is stated that all meeting minutes and schedules of payments must be uploaded on the council's site within two days of approval. The "iffimat" on the documents are the confirmation that the uploaded documents are the approved and correct ones.

12 Change in executive secretary

- 12.1 In February 2017, Mr Duncan Busuttill resigned from the executive secretary position. Up to the date of the audit, the council had not yet appointed the replacement executive secretary as an agent executive secretary has taken over the duties.
- 12.2 We draw attention to section P2/04 of the Local Councils (Procedures) Regulations, which requires a mid-term audit to be conducted from 1 January 2017 to the last day of employment of the outgoing executive secretary. This will serve as an independent handover from one executive secretary to another.
- 12.3 Based on the foregoing, the council should adhere to these regulations, subject to the exemption in memo 14/2014, which relieves the council from the requirement of a mid-term audit whenever the change occurs not more than two months before or after the close of the financial year.

Conclusion

We would like to point out that the matters dealt with in this report came to our notice during the conduct of our normal audit procedures which are primarily designed for the purpose of expressing an opinion on the financial statements of the council. In consequence our work did not encompass a detailed review of all aspects of the system and cannot be relied upon necessarily to disclose defalcation or other irregularities or to include all possible improvements in internal control that a more extensive special examination might develop.

We would like to take this opportunity to thank Ms Stephanie Testaferrata de Noto and the staff for their co-operation and assistance during the course of the audit.

Yours faithfully,



Zabbar wages reconciliation**Appendix 1****As per FS5's**

Month	Gross (€)	SSC (€)
January	12,779.25	1,930.37
February	11,443.35	1,803.24
March	9,969.61	1,487.56
April	8,723.68	1,439.32
May	13,429.19	1,819.25
June	17,438.25	1,511.80
July	10,263.31	1,813.45
August	11,654.51	1,572.92
September	12,450.78	1,521.64
October	10,314.83	1,888.35
November	10,345.38	1,551.88
December	22,834.27	1,543.88
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	151,646.41	19,883.66
Add 1/2 of total NI	9,941.83	
Total	<hr/>	
	161,588.24	

As per FS7

Gross salary	151,664.00
Add 1/2 of total NI	9,941.83
Total	<hr/>
	161,605.83

As per Accounts

	Amount (€)
Mayor's allowance	14,690.28
Councillors' allowance	12,914.30
Executive secretary	14,850.93
Wages and salaries	87,881.13
National insurance	10,162.57
Bonuses	8,389.01
Allowances	2,858.94
Overtime	7,029.04
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	158,776.20
Add opening accruals	2,579.94
Less closing accruals	-633.32
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	160,722.82
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Difference	<hr/>
	865.42