

26th October, 2021

The Auditor General
National Audit Office
Notre Dame Ravelin,
Floriana

Dear Sir,

Management Letter for the year ended 31st December 2020

We are in receipt of the Management Letter prepared by Grant Thornton as external Auditors of Hal Kirkop Local Council for the year ended 31st December 2020. We would like to show our appreciation for the work done and look forward to take recommendations and suggestions. Whilst expressing our thanks, we submit our reply to clarify some of the points mentioned.

1. Previous Management Letter - Year ended 31 December 2019

1.1 Tagging of Fixed Assets

Tagging of fixed assets is almost ready and will be finalised by end of year. (5.6)

1.4 Amount receivable from Green MT

Council is still chasing Green MT for pending payment of €2,010 and therefore such balance should still be retained.

1.8 Stale Cheques

Refer to reply to note 7.1.

1.10 Creditors - Reconciliations

Council will do its best so that issue will be addressed during current financial year. Not all suppliers send requested statements even though these are requested. (8.1)

1.15 Rent Payable

The Council's rent agreement is renewable on a yearly basis and after various discussions with the Lands Department the Council opted to keep this rent agreement. (4.10)

1.19 Health Insurance

The Council deffers to agree with this recommendation since employees health is one of the main priorities of Hal Kirkop Local Council. Moreover health insurance is part of the employees Collective Agreement and expense regarding this insurance is of a non-material nature.

1.20 IFRS 16 adoption

Refer to reply to note 4.8.

Management Letter Points for the year ended 31 December 2020

2. Financial Statements

Presentation of Financial Statements

As per 2.4, the Council correctly amended points noted in the audited financial statements.

3. Income

Other Government Income

3.2 Recommendation noted.

3.4 Recommendation noted.

Supplementary Government Income

3.5 In 2019 the amount paid by DLG to WasteServ was certain to be received, that is in fact why an accrued income was accounted for then, even though the actual payment took place in 2020, DLG paid directly to WasteServ the balance relating to 2019.

3.7 Recommendation noted.

LES Administration Fees

3.8 10% LES Administration fees are issued to LESA on a monthly basis by the Kirkop Local Council.

3.9 Recommendation noted.

General Income

3.11 Council does not deposit receipts twice weekly since cost of collection services are very high when compared to the small amounts of cash handled.

Custodial Receipts

3.13 Refer to reply to note 3.11.

4. Expenditure

Asset Insurance

- 4.1 Insurance for building has to be done even though the Council rents such property, and fixed assets are insured against the Realisable Value and not the Net Book Value, because if anything happens to say for example Computer Equipment, such equipment needs to be replaced, and therefore covered by Insurance at the cost it would take to have new assets in replacement.

Motor Vehicle Insurance Policy

- 4.4 Motor Vehicle Insurance cover is 'fully comprehensive' and only drivers as per policy insurance use this vehicle.
- 4.5 In view of the above Motor Vehicle Insurance cover need not be amended since it is 'fully comprehensive'.

Payment Approval

- 4.7 Only urgent payments are issued prior to Council approval. Nevertheless, Executive Secretary informs all Councillors prior to issuance of these payments and these are then included in the next schedule of payments.

IFRS 16 'Leases' Assessment

- 4.8 The Council will perform a Lease Assessment under IFRS16.

Expired Contract

- 4.11 Refer to reply to note 1.15

5. Fixed Assets

Fixed Asset Register

- 5.1 There are items in the Fixed Asset Register which date back 20 years, since when they were purchased. During 2021, the Council will go through the FA Register and make a disposal of all items which are not in use any more.
- 5.3 Recommendation noted.

Reconciliation of Financial Statements with Fixed Asset Register

- 5.4 The Council during 2021 will ensure that the FA Register agrees to the Nominal Ledger.

Tagging of Fixed Assets

- 5.7 Refer to reply to note 1.1

11. Schedules of Payments

- 11.2 More attention will be given so that schedule of payments will include all details.
- 11.3 Please find details re reviewed cheques –
Only cheques 3215 and 3586 were erroneously not included in schedule of payments.
Cheques 3183, 3217, 3230, 3273, 3486, 3488, 3535, 3568, 3587 and 3601 were cancelled cheques (see explanation 11.4).
Cheque 3216 was issued to replace cheque 2877 which has been approved in Mtg. 71 and cheque kept on hold since Council was awaiting data from Architect.
Cheques 3253 and 3254 were included in schedule and approved during Mtg. 9.
Cheque 3267 was included in schedule and approved during Mtg. 10.
Cheque 3410 was included in schedule and approved during Mtg. 14.
Cheque 3450 was included in schedule and approved during Mtg. 16.
Cheques 3494 and 3495 were included in schedule and approved during Mtg. 17.
Cheques 3547, 3548 and 3549 were included in schedule and approved during Mtg. 20.
Cheques 3551, 3552, 3553, 3554 and 3559 were included in schedule and approved during Mtg. 21.
Cheque 3573 was included in schedule and approved during Mtg. 23.
Cheque 3590 was included in schedule and approved during Mtg. 28.
Cheques 3602, 3604 and 3605 were included in schedule and approved during Mtg. 25.
- 11.4 Cancelled cheques are not included in schedule of payments since this includes details of payments issued and not of cancelled cheques. Cancelled cheques are always kept as proof of cancellation.

It is very important to note that we are doing our utmost to work on the shortcomings pointed in the Management Letter, so as to have a better situation this financial year end.

We would like to take this opportunity to thank Mr. Darren Borg and Ms. Patrizia Cassar from Grant Thornton, for their guidance and co-operation.

Regards,



Terence Agius
Mayor



Antonia Demicoli
Executive Secretary

c.c. Local Government Department
Grant Thornton