

10th July, 2020

The Auditor General
National Audit Office
Notre Dame Ravelin,
Floriana

Dear Sir,

Management Letter for the year ended 31st December 2019

We are in receipt of the Management Letter prepared by Nexia BT as external Auditors of Hal Kirkop Local Council for the year ended 31st December 2019. 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. Management Letter Points for the year ended 31 December 2018

1.2 Tagging of Fixed Assets

Tagging of fixed assets will be finalised for this year's audit. (2.1)

1.5 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 as a provision. (2.4)

1.7 IFRS9

Refer to reply to note 2.5.

1.8 Accrued Income – Tipping Fees

Refer to reply to note 2.6.

1.9 Bank Balances

Refer to reply to note 2.8.

1.10 Accruals

Refer to reply to note 2.13.

1.11 Creditors - Reconciliations

This is due to lack of human resources. Council will do its best so that issue will be addressed during current financial year. (2.10)

1.12 Amounts due to Regional Committees

Issue will be addressed during current financial year. Balances will be written off as recommended. (2.14)

1.13 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. (2.15)

1.14 Income

Refer to reply to note 2.17.

1.15 Payroll

Refer to reply to note 2.18.

1.16 Health Insurance

Refer to reply to note 2.19.

1.17 Comparison of budget and actual expenditure

Refer to reply to note 2.21.

2. Management Letter Points for the year ended 31 December 2019

2.1 Tagging of Fixed Assets

Refer to reply to note 1.2.

2.2 Depreciation

Recommendation noted.

2.3 Repairs and maintenance

Recommendation noted.

2.4 Amount receivable from Green MT

Refer to reply to note 1.5.

2.5 Expected Credit Loss

The trade receivables balances of the Kirkop Local Council is mainly composed of amounts due from government entities and there is a very low risk associated with such entities for default of payment. Expected Credit Loss will be calculated and accounted for as required by IFRS 9 for the year 2020.

2.6 Accrued income – Tipping Fees

Recommendation noted. This was due since none of the Councils knew that DLG were going to pay any WasteServ shortages for 2019.

2.7 Accrued Income - Other

Recommendation noted. Amount was overstated since this was the actual amount as per signed agreement with Planning Authority. Difference was due to variations in the bill of quantities.

2.8 Bank Balances

Recommendation noted.

2.9 Cash Payments

Recommendation noted.

2.10 Creditors - Reconciliations

Recommendation noted. Council will start collecting creditors' statements so as to carry suppliers reconciliations every quarter.

2.11 Creditors – Debit Balances

Reclassification adjusted accordingly. (2.23)

2.12 Creditors List

Recommendation noted.

2.13 Accruals

Recommendation noted. (1.10)

2.14 Amounts due to Regional Committees

Refer to reply to note 1.12.

2.15 Rent Payable

Refer to reply to note 1.13.

2.16 Income - Deficit

The Kirkop Local Council has made a deficit for the year ended 31/12/2019 of €4,289 mainly due to the increase in the cost of contractual services. Nonetheless, it still has a positive net asset position of €172,841 which is more than the 10% of the financial allocation as required by Section 4c of the Local Council (Financial) Regulations, 1993.

2.17 Income – Financial Allocation

Recommendation noted.

2.18 Wages Reconciliation

Recommendation noted.

2.19 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.

2.20 IFRS 16 – new adoption

Hal Kirkop Local Council rents the Public Health Centre for €890 p.a. and also pays land rent on the Council Office premises for €447.24 p.a. Both these amounts are not material.

2.21 Comparison of Budget and Actual Expenditure

Difference between budgets and actuals are due to the below facts –

- waste disposal fees are budgeted as per Government allocation and difference is paid by DLG;
- more than planned events and activities were organised;
- electricity/water bills difference is due to Hal Kirkop Clinic, which amounts are being reimbursed by the Primary Health Care; and
- during the year ended 31/12/2019, the Kirkop Local Council incurred €14,371.50 for the replacing of rubber surface in playing field which was depreciated at 100% immediately, thus increasing substantially the depreciation cost for the year. One must also point out that an insurance claim was made for this damage and an amount of €13,651 was received.

2.22 Reclassifications List

Reclassifications adjusted accordingly.

2.23 Audit Adjustments List

Audit Adjustments adjusted accordingly.


2.24 Unadjusted Errors

Recommendation noted.

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. Justin Abdilla and Ms. Maria Debono from Nexia BT, for their guidance and co-operation.

Regards,



Terence Agius
Mayor



Antonia Demicoli
Executive Secretary

c.c. Local Government Department
Nexia BT