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14th December, 2021

National Audit Office

Notre Dame Ravelin

Floriana FRM 1600

Malta

Dear Ms Mercieca,

Audit Report and Financial Statements Period Ended 31st December 2020

Reference is made to the Management Letter (hereinafter the Letter) for the financial period ended 31st December, 2020, copy of which is being attached herewith for ease of reference. The Council hereby replies to the salient points mentioned therein in terms of Section P2.06 of the Local Councils (Audit) Procedures 2006.

1. Previous management letter

1.1 Fixed asset register

The council is very pleased to note the auditor's remarks in this section.

1.2 Depreciation provision

The council is very pleased to note the auditors' remarks in this section.

1.3 Les debtors

The council is very pleased to note the auditors' remarks in this section.

1.4 Supplier statements

The Local Council will make an extra effort to comply and try to obtain supplier statements from all our suppliers.

1.5 Wages reconciliation

The Local Council will be ensuring that all FSS forms agree to the payroll expenditure in the accounts and also ensure the amount payable to the Commission of Revenue are correctly

declared.

1.6 Reconciliation between FS5's and FS7

Regarding the difference of €10 between the FS5's and FS7 submitted even though the difference is not material the local council will ensure that all amounts paid are correctly declared to the Commissioner for Revenue.

1.7 Rent payable

The council is very pleased to note the auditors' remarks in this section.

1.8 Financial situation indicator

The council is very pleased to note the auditors' remarks in this section.

1.9 Donations

The council is very pleased to note the auditors' remarks in this section.

1.10 Tendering procedures

The council is very pleased to note the auditors' remarks in this section.

1.11 Accruals

The council is very pleased to note the auditors' remarks in this section.

1.12 Bank reconciliation

The council referred to the Local Council's accountant and adjustment have been made accordingly.

1.13 Debtors list

The council is very pleased to note the auditors' remarks in this section.

1.14 Wasteserv debtor balance

The Local Council will endeavour to comply and reconcile frequently the debtor statements.

2 Financial Statements

Presentation of Financial Statements

The Local Council is referring this issue to the Local Council's accountant.

3 Income

Other Government Income

The Local Council takes note of the recommendations that the council records income obtained from the Department under other government income as appropriate.

Supplementary Government Income

- 3.3 Once again the Local Council endeavours to comply so that all transactions are properly allocated to the correct account.

Other Government Income

- 3.5 Regarding the understated amount of €202 please note that we are looking into the matter and will ensure that all invoices issued to Lesa are issued and posted correctly

Custodial receipts

- 3.10 The Local Council will endeavor to deposit all custodial receipts of Lands Department and Les fines on a timely basis

Joint Committee

- 3.12 The Local Council will be raising this issue with the Department for Local Government in order that the Council may receive any further income that may be due.

4 Expenditure

- 4.1 The Local Council will not be issuing petty cash purchases when exceeding the €50 threshold.

4.3 Payment approval

The Local Council will not be issuing any payments before the approval by the Local Council.

4.5 Asset insurance policy

The Local Council is going to inform the Insurance Company with the necessary arrangements.

Expired contracts

The Local Council will be issuing a new call for accountancy services in year 2022.

5 Payroll

Wages' reconcilliation

The Local Council will look into the matter and if any will carry out the necessary adjustment.

Reconcilliation between FS7 and FS5's

- 5.3 Kindly please note that the difference of 10 Euro is immaterial however will be ensuring that FSS forms are filled in properly to ensure that all amounts paid are correctly declared to the Commission of Revenue.

Allocation of expenses

- 5.5 The Local Council took note and did the necessary adjustments.

Fixed assets/Tagging of fixed assets

- 6.1 Unfortunately this issue has been noted for several years but regret to say that this issue has not been finalized yet due to lack of human resources however Santa Lucija Local Council will be doing its best to work on the labelling of property, plant and equipment as per recommendations to update and tag fixed asset register.

Assets under construction

- 6.6 The Local Council took note and did the necessary adjustments.

7 Stock

Net realisable value of inventory

The Local Council will be doing the write-offs or provision of inventories as necessary.

8 Receivables

Overdue receivables

The Council notes your comment and will be tackling this issue with both suppliers as amounts have been long overdue.

8.5 Trade receivables

The Local council will be contacting Wasteserv as recommended by auditors to ensure that all our invoices were approved and recorded in their books.

10 Payables

Supplier statements.

- 10.1 The Council notes your comment and specifies that it always does and will continue to do its best to obtain statements from its suppliers.

PPP Liability

- 10.3 The Local Council took note and did the necessary adjustments.

Accruals

- 10.5 The Local Council took note and did the necessary adjustments.

Electronic site

Uploading of meeting minutes and scheduled of payments on website

- 11.1 The Local Council will be uploading the minutes and schedules of payments on website

within the stipulated time frame.

12 **Meetings**

Binding of minutes

Point taken.

13 **Capital commitments**

The Local Council has taken note of this recommendation.

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

We take this oppportunity to thank Mr Darren Borg from Grant Thornton for his guidance and co-operation.



Charmaine St John
Mayor



Doris Baldacchino
Deputy Executive Secretary